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# HOUSING COSTS, POVERTY AND HOMELESSNESS IN SCOTLAND

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The Scotland Institute

80 Berkeley Street, Glasgow, G3 7DS, United Kingdom

T: 0141 354 1602 | F: 0141 354 1603 | [www.scotlandinstitute.com](http://www.scotlandinstitute.com)

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## About the Scotland Institute

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The Scotland Institute is a progressive and independent think tank set up to deal with the changing face of Scotland. It aims to investigate the implications of devolution while finding innovative solutions to the old problems of social exclusion, and to encourage Scotland's competitiveness in the global market. Through high-quality comprehensive research and policy making it hopes to put Scotland on a path towards a more competitive, progressive, and optimistic future.

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‘We look to Scotland for all  
our ideas of civilisation.’

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Voltaire

## Introduction

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This report follows up on two recent publications by the Scotland Institute that looked at the longer term impact of the 2008 financial crisis, and the subsequent flawed recovery, on the incomes of Scottish households<sup>1</sup>. This report concentrates on the impact of housing costs and how these have increased at a time when household incomes have been static or falling. Our earlier report notes that very few Scots (only those who earn the highest fifth of all earnings) have any net housing wealth<sup>2</sup>. In effect for most people housing is a source of net costs – either in the form of mortgage payments or rents – with only few in a position to gain from land price inflation.

The Scottish housing market and its impact on household income is complex. Overall purchase prices are lower than in the rest of the UK and rents are lower. Recent initiatives by the Scottish Government have helped create more social housing (after the substantial loss of properties due to ‘Right to Buy’), have reduced homelessness and helped mitigate the worst effects of Conservative and Liberal Democratic welfare policies since 2010. Equally those renting in the private sector have greater security of tenure than is available in the rest of the UK<sup>3</sup>.

However, the net effect of rental costs, especially in the private sector, is that 210,000 Scots fall into poverty simply due to the extra burden of housing costs<sup>4</sup>. 120,000 of these live in the private sector where rents are higher<sup>5</sup> than in the social housing sector. However, social housing has become less effective as a means to protect those on low incomes due to the loss of so many houses under right to buy. Scotland had almost 1 million socially rented homes in 1990<sup>6</sup> and this had dropped to 600,000 by 2010. Against this background the additional 31,000 homes made available under Affordable Housing Supply Programme between 2011 and 2015<sup>7</sup> is welcome but scarcely offsets the massive losses of the previous two decades.

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1 Cook, R. 2016a. Changes in Household Income and Expenditure in Scotland 2008-2014. Glasgow: Scotland Institute, Cook, R. 2016b. Changes in Household Income and Expenditure in Scotland 2008-2014: Benefits. Glasgow: Scotland Institute.

2 Cook, R. 2016a. Changes in Household Income and Expenditure in Scotland 2008-2014. Glasgow: Scotland Institute.

3 Shelter. 2016a. *A crucial step towards a secure future for Scotland's private renters* [Online]. Edinburgh: Shelter. Available: <http://blog.scotland.shelter.org.uk/2016/03/18/a-crucial-step-towards-a-secure-future-for-scotlands-private-renters/> [Accessed 25 March 2016].

4 Department of Work and Pensions 2015b. Households Below Average Income. London: DWP. Poverty in this sense is defined as having below 60% of median income.

5 Scottish Government 2015a. People in relative poverty by tenure. Edinburgh: Scottish Government.

6 ALACHO 2014. An analysis of the capacity of Scottish local authorities to fund new housing supply. Association of Local Authority Chief Housing Officers., p. 7

7 Scottish Government 2016. Scottish Housing Market Review. Edinburgh: Scottish Government.

Equally Scottish Government policies and funding have helped to address some of the problems of homelessness. In particular the number of rough sleepers has fallen<sup>8</sup> but there remains a major problem in Glasgow due to the closure of specialist services.

These gains within Scotland are undermined by overall UK Government policy. In particular current and planned welfare changes<sup>9</sup> will make the current situation worse. Caps in terms of overall benefits, reductions in housing benefit and the impact of Universal Credit will all place family incomes of the poorest in our country under more pressure. The Scottish Government deserves credit for mitigating the worst consequences of these changes<sup>10</sup> but this has come at the cost of diverting the limited public expenditure available away from other pressing needs.

As such this argues for more radical action than has been taken so far. As in any discussion about the state of Scotland's public finances, the solution lies in seriously tackling the funding base for local government. Local taxation is already devolved and the need is not just to adjust the existing council tax bands but to develop a form of taxation that forces unused land into use and deals with the problem of land price inflation which lies at the root of many of our problems with the availability and affordability of housing<sup>11</sup>.

The main body of this report is split into three sections. The first looks at the specific problem of homelessness. The second covers issues around housing supply (of various types) in Scotland and the third considers shifts in housing costs over the last six years. The final section sets out some recommendations if policy makers in Scotland wish to build on the successful, if limited, policies introduced by the SNP Government since 2010.

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8 Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. & Watts, B. 2015. *The homelessness monitor: Scotland 2015*. Edinburgh: Crisis.

9 Cook, R. 2016b. *Changes in Household Income and Expenditure in Scotland 2008-2014: Benefits*. Glasgow: Scotland Institute.

10 Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. & Watts, B. 2015. *The homelessness monitor: Scotland 2015*. Edinburgh: Crisis.

11 Dye, R. F. & England, R. W. 2010. *Assessing the Theory and Practice of Land Value Taxation*. Cambridge, MA: Lincoln Institute, Gibb, K. 2014. *Land Value Taxation* [Online]. Glasgow: University of Glasgow. Available: <http://policyscotland.gla.ac.uk/land-value-taxation/> [Accessed 4 July 2015], Wightman, A. 2012. *A Land Value Tax for Scotland*. Glasgow: Scottish Greens.

## Homelessness in Scotland

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Homelessness is probably the starkest evidence of failure in housing policy<sup>12</sup>. Secure housing is a fundamental human right and failure to provide this is a serious failure in any country. However, homelessness is relatively hard to define. At one end of the scale is rough sleeping which is typically what many think constitutes being homeless but there are problems of what is called 'hidden' homelessness<sup>13</sup> where people are trapped in a household not of their choice (most commonly the young looking to leave home but unable to afford the housing costs). Equally some people have to move between a variety of insecure accommodation heavily dependent on the good will of relatives and friends.

In Scotland, rates of homelessness have fallen over the past five years. Homelessness applications to local authorities have fallen from 15,000 per quarter in 2010 to just over 9,000 in 2015<sup>14</sup>. Charities such as Crisis<sup>15</sup> and Shelter<sup>16</sup> acknowledge the positive impact of the Scottish Government's abolition of the concept of 'priority need' (ie that some people had more rights to be housed than others) in 2012. Funding provided to prevent homelessness has also had a positive effect in reducing the numbers becoming homeless. This matters as Crisis has estimated that it costs around £1,500 to intervene to stop someone becoming homeless and between £3-18,000 to deal with the consequences if they do<sup>17</sup>.

Despite this, in 2015, it has been estimated that 1.1% of the population experienced some form of homelessness (50,000 adults) including 5,000 who had at least one instance of rough sleeping<sup>18</sup>. In 2014/15 almost 29,000 households in Scotland were deemed to be homeless after assessment by their local authority.

The main reason for homelessness is simply lack of income (with this worsened by the high costs of renting). UK Government welfare reforms have led to an

12 Shelter. 2016b. *Why homes must be at the heart of the debate* [Online]. Edinburgh: Shelter. Available: <http://blog.scotland.shelter.org.uk/2016/02/16/why-homes-must-be-at-the-heart-of-the-debate/> [Accessed 1 April 2016].

13 Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. & Watts, B. 2015. *The homelessness monitor: Scotland 2015*. Edinburgh: Crisis.

14 Scottish Government 2016. *Scottish Housing Market Review*. Edinburgh: Scottish Government.

15 Crisis 2016. *Manifesto to end Homelessness*. Edinburgh: Crisis.

16 Shelter. 2016b. *Why homes must be at the heart of the debate* [Online]. Edinburgh: Shelter. Available: <http://blog.scotland.shelter.org.uk/2016/02/16/why-homes-must-be-at-the-heart-of-the-debate/> [Accessed 1 April 2016].

17 Crisis 2016. *Manifesto to end Homelessness*. Edinburgh: Crisis.

18 Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. & Watts, B. 2015. *The homelessness monitor: Scotland 2015*. Edinburgh: Crisis.



increase in local authorities evictions in 2014/15<sup>19</sup> but evictions from the private sector are not yet a major problem. The latest round of welfare changes, and the widening application of Universal Credit, will make this situation worse despite Scottish Government's attempts to mitigate the effect of flawed policies such as the 'bedroom tax'. Policies such as the Scottish Welfare Fund<sup>20</sup> have managed to offset the worst of the DWP's approach. Of importance as Universal Credit affects more and more people, there will be less housing support via housing benefits and an increasing share of the cost of temporary accommodation will fall on local authorities<sup>21</sup>. In addition, sanctions by Jobcentres are also a major problem<sup>22</sup> as the loss of marginal income can quickly escalate into someone losing their accommodation.

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19 Ibid.

20 Sosenko, F., Littlewood, M., Strathie, A. & Fitzpatrick, S. 2014. Review of the Scottish Welfare Fund Interim Scheme. Edinburgh: Scottish Government.

21 ALACHO 2014. An analysis of the capacity of Scottish local authorities to fund new housing supply. Association of Local Authority Chief Housing Officers.

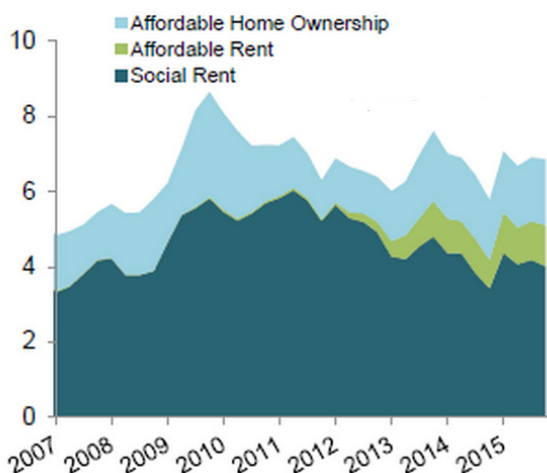
22 Community Analytic Services 2015. ESA Sanctions in Scotland. Edinburgh: Scottish Government.

## Context: The Scottish Housing Market

The housing situation in Scotland is mixed. Compared to the UK, there are less severe shortages of affordable accommodation in part as rental and purchase prices are lower and in part due to actions by the Scottish Government.

Before the financial crisis in 2008 house prices were increasing at around 15% per annum. Since then there have been periods of increases (2010-11 and 2013-15) but more recently prices have stabilised. Overall, unlike the rest of the UK, average prices are still slightly below their 2008 peak<sup>23</sup> as increases in most of Scotland have been offset by recently declining prices in the Forth Valley and around Aberdeen (due to the loss of well paid jobs in both regions). Repossession rates in Scotland are below the UK average and have stabilised at around 4,000 per year since 2011<sup>24</sup>

While both new build starts and completions for the private sector are well down on 2008 (in 2007 there were 22,000 completions compared to 13,000 in 2015), the social rented sector has held up better. In 2007, there were 5,000 completions in this sector compared to 4,000 in 2015<sup>25</sup>. This is partly the result of the Scottish Government’s Affordable Housing Supply Programme and the number of newly built homes covered by various schemes within this programme (some are built as social housing and some for purchase at a controlled price) has increased from 5,000 in 2007 to 7,000 in 2016:



**Figure 1: Affordable Housing Supply Programme<sup>26</sup>**

23 Scottish Government 2016. Scottish Housing Market Review. Edinburgh: Scottish Government.

24 Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. & Watts, B. 2015. The homelessness monitor: Scotland 2015. Edinburgh: Crisis.

25 Scottish Government 2016. Scottish Housing Market Review. Edinburgh: Scottish Government.

26 Ibid.

A total of 31,034 homes have been made available under Affordable Housing Supply Programme between 2011 and 2015 with the majority for social renting:

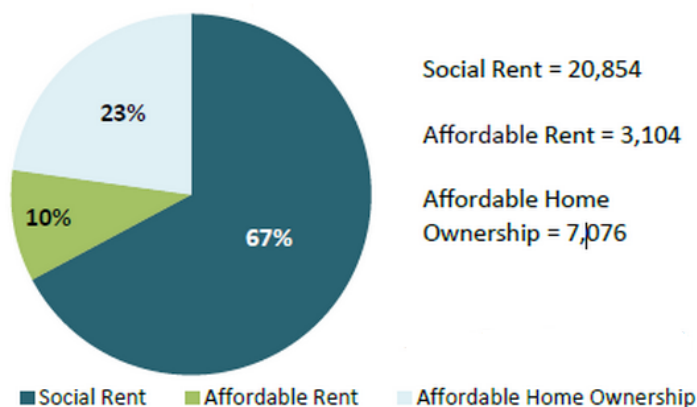


Figure 2: Scottish ASHP by Tenure type<sup>27</sup>

The result is that there is more affordable housing now available in Scotland (around 120,000 properties) than in the whole of England (where it has dropped to around 110,000). Equally the Scottish government’s programme offers lower rents and is less reliant on the voluntary support of house builders. Despite these recent gains, overall the amount of social housing in Scotland has dropped significantly since the early 1980s as properties lost under the right to buy have not been fully replaced. Right to buy will be formally abolished in Scotland in 2016 (and has been limited in its take up for recent years) but the long term damage to the provision of social housing is clear.

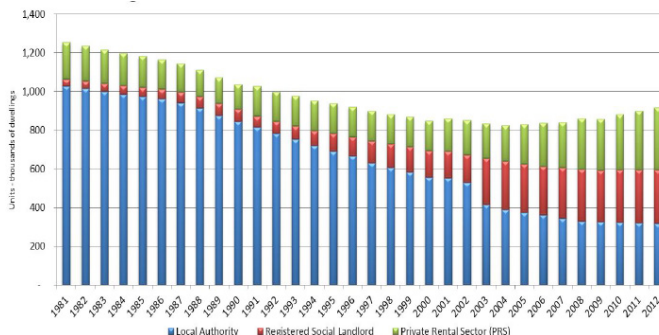


Figure 3: Scottish Rented Sector 1981-2012<sup>28</sup>

27 Ibid. Shows all homes made available from Q2 2011 to Q4 2015

28 ALACHO 2014. An analysis of the capacity of Scottish local authorities to fund new housing supply.

The type of housing (owned with or without a mortgage, private rented or social rented) is closely correlated to both occupation and age. As shown in table 1, 82% of those in the higher managerial jobs own their own home compared to 55% of those in the routine occupations.

**Table 1: Housing Type by occupation**<sup>29</sup>

	All people aged 16 to 74 in households	Owned: Total	Owned outright	Owned with a mortgage or loan or shared ownership	Social rented	Private rented or living rent free
All people aged 16 to 74 in households	3,905,514	2,595,140	955,998	1,639,142	787,437	522,937
1. Higher managerial, administrative and professional occupations	343,215	289,061	98,184	190,877	10,812	43,342
2. Lower managerial, administrative and professional occupations	799,329	645,325	222,983	422,342	65,294	88,710
3. Intermediate occupations	510,001	386,877	144,775	242,102	70,802	52,322
4. Small employers and own account workers	291,725	226,257	98,265	127,992	32,482	32,986
5. Lower supervisory and technical	324,236	212,963	77,095	135,868	70,633	40,640
6. Semi-routine occupations	612,512	353,117	143,204	209,913	183,687	75,708
7. Routine occupations	509,070	261,257	110,306	150,951	190,693	57,120
8. Never worked and long-term unemployed	190,745	51,906	21,773	30,133	108,643	30,196
L15 Full-time students	324,681	168,377	39,413	128,964	54,391	101,913

Age also plays an important role. Social renting is increasingly age related as 15% of those over 55 are in this sector compared to only 6% who rent privately<sup>30</sup>. By contrast, 315,000 people below 34 rent from the private sector compared to 272,000 who rent in the social sector<sup>31</sup>. Despite this, Scotland is relatively better off compared to the rest of the UK as 23% of households are in social rented sector and 16% in private rented sector (the UK averages are 18 and 19% respectively)<sup>32</sup>. However 91% of younger people rent and most do so in the private sector – in effect social renting is becoming a significant generational divide.

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Association of Local Authority Chief Housing Officers., p. 7

29 National Records of Scotland 2014a. National Statistics Socio-economic Classification (NS-Sec) by tenure (table LC6402SC). Edinburgh.

30 National Records of Scotland 2014b. Tenure and communal establishment by age by sex (table CT\_0021c\_2011). Edinburgh.

31 National Records of Scotland 2014c. Tenure by economic activity by age (table DC4610SCca). Edinburgh.

32 Department of Work and Pensions 2015a. Family Resources Survey. London: DWP.

**Table 2: Tenure by age and economic activity<sup>33</sup>**

		All people aged 16 and over in households	Economically active: Total
All people aged 16 and over in households:	Total	4,283,213	2,727,342
All people aged 16 and over in households:	Owned	2,855,930	1,916,683
All people aged 16 and over in households:	Social rented	882,239	432,143
All people aged 16 and over in households:	Private rented or living rent free	545,044	378,516
<b>Aged 16 to 34:</b>	<b>Total</b>	<b>1,253,111</b>	<b>965,618</b>
Aged 16 to 34:	Owned	664,532	549,042
Aged 16 to 34:	Social rented	272,992	186,635
Aged 16 to 34:	Private rented or living rent free	315,587	229,941
<b>Aged 35 to 49:</b>	<b>Total</b>	<b>1,138,854</b>	<b>978,542</b>
Aged 35 to 49:	Owned	790,265	729,873
Aged 35 to 49:	Social rented	226,213	148,813
Aged 35 to 49:	Private rented or living rent free	122,376	99,856
<b>Aged 50 to 64:</b>	<b>Total</b>	<b>1,037,096</b>	<b>709,867</b>
Aged 50 to 64:	Owned	782,988	577,794
Aged 50 to 64:	Social rented	191,527	88,449
Aged 50 to 64:	Private rented or living rent free	62,581	43,624
<b>Aged 65 and over:</b>	<b>Total</b>	<b>854,152</b>	<b>73,315</b>
Aged 65 and over:	Owned	618,145	59,974
Aged 65 and over:	Social rented	191,507	8,246
Aged 65 and over:	Private rented or living rent free	44,500	5,095

Finally it is useful to compare renting arrangements by income decile. As is clear below, 60% of people in social renting (either local authority or housing association provided) are in the three lowest income bands. In this respect, the relatively lower rents go some way to mitigating some problems associated with low household income.

**Table 3: Income decile and renting arrangements<sup>34</sup>**

HH Income decile	Provider	
	LA/Housing Assoc	private rent
10	23.90%	10.99%
20	21.95%	15.38%
30	17.56%	10.99%
40	9.27%	10.99%
50	10.73%	14.29%
60	7.80%	3.30%
70	3.41%	13.19%
80	3.41%	5.49%
90	1.46%	8.79%
100	0.49%	6.59%

33 Derived from: National Records of Scotland 2014c. Tenure by economic activity by age (table DC4610SCca). Edinburgh

34 Derived from the UK wide Labour Force Survey and the Living Costs and Food Survey obtained from the ESDS under licence 95076

## Context: The cost of housing

As noted in the introduction, on average housing costs (both for purchase and to rent) are lower in Scotland than the rest of the UK. However, despite this, the additional burden of housing costs forces around 200,000 people in Scotland into relative poverty.

**Table 4: Proportion of People in relative poverty before and after housing costs<sup>35</sup>**

### Before Housing Costs (BHC)

	Rented from council or housing association	Rented privately furnished or unfurnished	Owned outright	Owned with mortgage
2003/04	39	22	18	7
2004/05	35	23	17	7
2005/06	34	22	18	8
2006/07	34	22	17	7
2007/08	34	22	19	7
2008/09	36	24	16	6
2009/10	35	26	15	7
2010/11	30	16	16	6
2011/12	26	16	13	6
2012/13	27	23	14	8
2013/14	26	16	13	7

### After Housing Costs (AHC)

	Rented from council or housing association	Rented privately furnished or unfurnished	Owned outright	Owned with mortgage
2003/04	47	39	12	7
2004/05	41	37	11	9
2005/06	40	37	12	10
2006/07	40	32	12	9
2007/08	38	39	12	9
2008/09	41	36	10	9
2009/10	40	39	11	8
2010/11	35	32	10	8
2011/12	32	33	9	7
2012/13	33	41	10	9
2013/14	37	32	8	9

35 Department of Work and Pensions 2015b. Households Below Average Income. London: DWP.

Only in Edinburgh does the cost of council provided housing exceed the market rate<sup>36</sup>. Tenants in the Scottish private rented sector have a greater degree of protection than in the rest of the UK<sup>37,38</sup>, but more people in the private rented sector now live in poverty<sup>39</sup>. As is clear below, at a time when household incomes have mostly been static<sup>40</sup>, rents for all types of property have steadily increased.

**Table 5: Mean monthly rent by property type in Scotland<sup>41</sup>**

	2010	2011	2012	2013	2014	2015
1 Bedroom Property	436	439	447	454	472	480
2 Bedroom Property	536	546	553	576	596	610
3 Bedroom Property	679	672	695	707	724	744
4 Bedroom Property	959	971	983	1,060	1,083	1,097
1 Bedroom in Shared Property	300	294	301	309	317	327
<b>Percentage Increases:</b>						
	2010 to 2011	2011 to 2012	2012 to 2013	2013 to 2014	2014 to 2015	2010 to 2015
	(annual increase)	(annual increase)	(annual increase)	(annual increase)	(annual increase)	(5 year cumulative increase)
1 Bedroom Property	0.8%	1.8%	1.6%	3.9%	1.6%	10.1%
2 Bedroom Property	1.9%	1.2%	4.2%	3.6%	2.2%	13.7%
3 Bedroom Property	-1.0%	3.4%	1.8%	2.3%	2.8%	9.6%
4 Bedroom Property	1.3%	1.2%	7.8%	2.2%	1.3%	14.4%
1 Bedroom in Shared Property	-2.0%	2.5%	2.6%	2.6%	3.0%	8.9%

Equally housing costs take up a higher proportion of income for those on the lowest incomes:

36 ALACHO 2014. An analysis of the capacity of Scottish local authorities to fund new housing supply. Association of Local Authority Chief Housing Officers.

37 Scottish Government 2015c. A Second Consultation on a New Tenancy for the Private Sector. Edinburgh: Scottish Government.

38 Shelter. 2016a. *A crucial step towards a secure future for Scotland's private renters* [Online]. Edinburgh: Shelter. Available: <http://blog.scotland.shelter.org.uk/2016/03/18/a-crucial-step-towards-a-secure-future-for-scotlands-private-renters/> [Accessed 25 March 2016].

39 MacInnes, T., Tinson, A., Hughes, C., Born, T. B. & Aldridge, H. 2015. *Monitoring Poverty and Social Exclusion 2015*. York: Joseph Rowntree Foundation.

40 Cook, R. 2016a. *Changes in Household Income and Expenditure in Scotland 2008-2014*. Glasgow: Scotland Institute.

41 Derived from Table 11, Scottish Government 2016. *Scottish Housing Market Review*. Edinburgh: Scottish Government.

**Table 6: Expenditure on housing costs by income decile<sup>42</sup>**

HH Income decile	Rent, Rates, Council Tax		Other Housing Costs		Fuel		Food	
	2008	2013	2008	2013	2008	2013	2008	2013
10	13.52%	15.67%	7.94%	24.28%	4.77%	9.75%	13.95%	19.54%
20	14.61%	21.51%	5.81%	16.50%	4.69%	10.24%	16.27%	21.81%
30	17.21%	18.38%	3.01%	11.92%	4.96%	9.66%	16.44%	20.11%
40	14.17%	13.78%	6.49%	5.28%	3.99%	6.97%	15.92%	19.71%
50	14.15%	19.84%	5.66%	3.55%	3.74%	6.34%	15.46%	17.02%
60	17.41%	11.21%	5.80%	21.65%	3.28%	5.26%	14.92%	18.27%
70	15.96%	15.26%	2.85%	13.97%	3.18%	5.38%	14.51%	18.78%
80	16.86%	13.40%	2.06%	20.30%	2.99%	5.68%	13.34%	17.74%
90	15.18%	10.90%	2.70%	11.04%	2.60%	4.19%	13.14%	15.16%
100	15.47%	9.89%	2.72%	10.91%	2.64%	3.83%	11.59%	16.13%

This means it is those on the lowest incomes who are most vulnerable. A small drop in income or rise in costs can be catastrophic in terms of household wealth. In this respect, the social housing sector is a vital safety net. Overall rents in the social housing sector in Scotland are £65pw compared to £108pw in private rented sector<sup>43</sup> (this compares to the respective rates in the rest of the K as £85 and £128).

42 Derived from the UK wide Labour Force Survey and the Living Costs and Food Survey obtained from the ESDS under licence 95076

43 Department of Work and Pensions 2015a. Family Resources Survey. London: DWP.



## Recommendations

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In many ways the housing crisis in Scotland is a product of the stagnation in household incomes since 2008<sup>44</sup>. However, while an ideal solution may be to start with measures to improve incomes, there is also a need to address the practical problems facing many today. As this paper has set out, the provision of housing for social renting has to be at the core of a solution especially, as outside Edinburgh, this offers decent accommodation at relatively lower rents than the private sector.

The Scottish Government deserves credit for both trying to protect what is left of the local authority housing stock and using the Affordable Housing Supply Programme to create a range of low cost housing (to buy and rented on various terms). However, as is clear the 30,000 homes created under this initiative does not offset the loss of over 400,000 socially rented homes since the early 1990s.

This gap is so large that it is not solvable simply by shifting the allocations of the limited budgets currently available to the Scottish Government. This leaves two sources of funding. The Association of Local Authority Chief Housing Officers has suggested the funding should come from raising the rents of existing tenants and estimate that an average increase of £10 per week would generate around £150m per annum<sup>45</sup> that could be re-invested. This is superficially attractive but as noted in this report, existing rent levels are already placing tenants in social housing into deeper poverty.

This suggests placing the focus on other means to raise capital for Scotland's local authorities. Since these are already substantially in debt<sup>46</sup> indicating that borrowing is not a valid option. However, the setting and design of the local government taxation is already fully devolved to Scotland<sup>47</sup>. The Scottish Government Commission on Local Tax Reform<sup>48</sup> still offers an opportunity not just to update the flawed Council Tax but to reconsider how to ensure proper taxation of assets and thus rebalance the economic and fiscal system<sup>49</sup>. In addition, it offers the chance to bring revenue raising in Scotland into line with other countries

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44 Cook, R. 2016a. Changes in Household Income and Expenditure in Scotland 2008-2014. Glasgow: Scotland Institute.

45 ALACHO 2014. An analysis of the capacity of Scottish local authorities to fund new housing supply. Association of Local Authority Chief Housing Officers.

46 Scottish Government. 2015b. *Scottish Local Government Financial Statistics 2013-14* [Online]. Edinburgh: Scottish Government. Available: <http://www.gov.scot/Publications/2015/02/3131/4> [Accessed 1 July 2015].

47 Scottish Government. 2013. *Local Government Finance* [Online]. Edinburgh: The Scottish Government. Available: <http://www.gov.scot/Topics/Government/local-government/17999> [Accessed 28 June 2015].

48 Commission on Local Tax Reform. 2015. *Home Page* [Online]. Edinburgh. Available: <http://localtaxcommission.scot/> [Accessed 1 July 2015].

49 Centre for Scottish Public Policy 2015. The Commission on Local Tax Reform: Evidence Statement. Edinburgh: CSPP.

and contribute to reviving local democracy. In this respect, it is useful to note how little revenue is raised and retained at the local government level. This matters as Scotland has a relatively weak government structure outside Holyrood, with limited local democracy and limited local control over financial decisions:

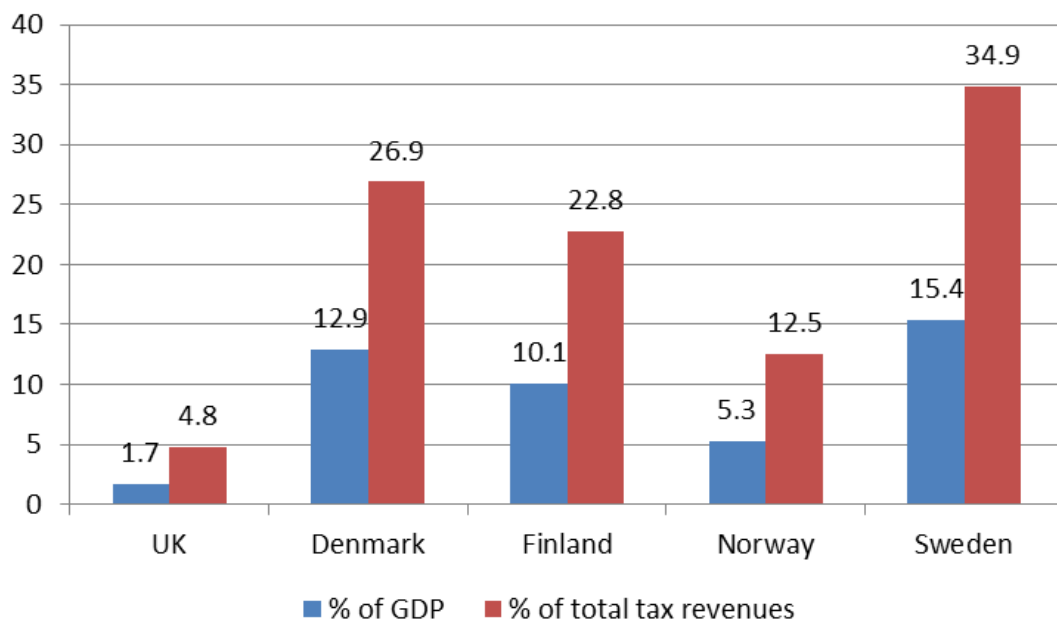


Figure 4: Taxes Received by Local Government<sup>50</sup>

The major reform would be to move away from the idea of basing taxation on the notional value of a house and towards that of basing it on the value of the underlying land. This has advantages of fairness (it is actually closely correlated to wealth), convenience (it allows comparison across Scotland), ease of collection (land is an easy to identify asset) and will help offset the concentration of wealth in a few areas<sup>51</sup>. It has been estimated that land value taxation would raise around £4bn extra per annum if the basic rate was set at 8p per hectare<sup>52</sup> (at the moment it is roughly 4p per hectare with major omissions such as derelict land and the major estates). The case for the structure of such a tax will be made in a different **report** but this is an approach fully within the remit of the Scottish Government. In effect, the ability to address the financial reasons why Scotland now has too few homes for social renting rests with the Scottish Parliament. The challenge is for the next government in Scotland to have the confidence to consider radical solutions to a fundamental problem.

50 STUC 2015. Preliminary Submission to the Commission on Local Tax Reform. Edinburgh.

51 Gibb, K. 2014. *Land Value Taxation* [Online]. Glasgow: University of Glasgow. Available: <http://policyscotland.gla.ac.uk/land-value-taxation/> [Accessed 4 July 2015].

52 Wightman, A. 2012. *A Land Value Tax for Scotland*. Glasgow: Scottish Greens.

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