This briefing provides an overview of the Scottish Government's housing supply budget. It provides detail on how the housing supply budget is spent and managed and also considers details of the Scottish Government's affordable housing supply targets.
## CONTENTS

**EXECUTIVE SUMMARY** .......................................................................................................................... 3  
**INTRODUCTION** ................................................................................................................................. 5  
**HOUSING SUPPLY BUDGET – DETAIL** .......................................................................................... 5  
  - GRANTS AND FINANCIAL TRANSACTIONS ................................................................................. 6  
  - TOTAL HOUSING SUPPLY BUDGET 2016/17 ............................................................................. 6  
  - AFFORDABLE HOUSING SUPPLY PROGRAMME BUDGET ..................................................... 7  
  - TRENDS IN AFFORDABLE HOUSING SUPPLY SPENDING .................................................. 7  
  - OTHER HOUSING SUPPLY FUNDING  
    - Help to Buy – budget detail ........................................................................................................ 8  
**MANAGEMENT OF THE HOUSING SUPPLY BUDGET** ...................................................................... 9  
  - LOCALLY-LED PROGRAMMES ....................................................................................................... 9  
    - City of Edinburgh and Glasgow City Councils – TMDF authorities ........................................ 10  
  - SUBSIDY LEVELS ............................................................................................................................ 10  
  - CENTRALLY MANAGED PROGRAMMES  
    - Innovations .................................................................................................................................. 12  
  - HOME OWNERSHIP SCHEMES .................................................................................................... 13  
    - Help to Buy (Scotland) Affordable New Build Scheme & Small Developers Scheme ............. 13  
    - OTHER INITIATIVES ...................................................................................................................... 14  
**AFFORDABLE HOUSING SUPPLY TARGETS** .................................................................................. 14  
  - TRENDS IN AFFORDABLE HOUSING SUPPLY COMPLETIONS ............................................. 16  
  - DEBATE ON THE SUPPLY OF AFFORDABLE HOUSING ......................................................... 17  
**OTHER ACTION TO INCREASE HOUSING SUPPLY – MORE HOMES SCOTLAND** ..................... 18  
**ANNEXE 1** ............................................................................................................................................. 20  
**ANNEXE 2** ............................................................................................................................................. 21  
**ANNEXE 3** ............................................................................................................................................. 22  
**SOURCES** ............................................................................................................................................ 23
EXECUTIVE SUMMARY

The Scottish Government plans to spend at least £3bn on housing supply programmes over the next five years.

The housing supply budget for 2016/17 is around £690m, of which the majority, £572m (83%), will be spent on the Affordable Housing Supply Programme (AHSP). The remainder will be spent on the Help to Buy scheme and other schemes aimed at boosting wider housing supply. The funding is delivered through a mixture of grants, loans and guarantees.

Overall, the housing supply budget in 2016/17 has remained broadly similar to the budget in 2015/16, although within that budget amount dedicated to the AHSP in 2016/17 has risen by just over a fifth.

**Affordable Housing Supply Programme**

The AHSP funds a variety of schemes to help the supply of “affordable housing,” that is, housing for:

- social rent provided by registered social landlords (RSLs) and councils
- mid-market rent (housing with higher rents than social rented housing, but lower than the equivalent market rent)
- low-cost home ownership

The AHSP also funds the Home Owners’ Support Fund aimed at helping those struggling to pay their mortgage. Other innovative projects have, and are being, developed with the aim of achieving greater efficiencies in the use of Scottish Government subsidies. Initiatives like the Local Affordable Housing Rent Trust is an example of such innovation.

In 2016/17, most (71%) of the AHSP budget is being distributed to councils for a strategic local programme of social and affordable housing projects to be agreed with the Scottish Government. Recently, following the recommendations of the 2015 Subsidy Working Group, the subsidy benchmarks at which RSLs and councils are expected to build new homes has been increased by up to £14,000 per unit.

**Affordable Housing Supply Targets**

The previous Scottish Government’s five year affordable housing supply target (over the period 1 April 2011 to 31 March 2016) was the delivery of at least 30,000 affordable homes, of which 20,000 were for social rent.

As at the end of December 2015, this target was exceeded by at least 1,000 units, although there had been some criticism that the target was not ambitious enough and did not adequately address the level of housing need in Scotland.

Over the next five years (1 April 2016 to 31 March 2021), the Scottish Government’s affordable housing supply targets have increased - the target is the delivery of at least 50,000 units, of
which 35,000 will be for social rent (an increase from the previous five year period of 67% and 75% respectively).

Stakeholders have broadly welcomed the increased target and the greater emphasis on new social rented houses. Some stakeholders, (e.g. Shelter Scotland and SFHA and CIH Scotland) have argued that a target of around 60,000 units over the five years would be more appropriate. However, stakeholders also recognise that there may be capacity issues in meeting this target. The recession has resulted in a shortage of skills, labour and materials which need to be addressed. There also needs to be an adequate supply of land available and ready to build on.

Other Housing Supply Funding

Of the £117m remaining in the housing supply budget, the main area of expenditure is the Help to Buy (Scotland) Affordable Homes New Build Scheme (£80m in 2016/17). Under the scheme, the buyer purchases a new build property from a participating developer. The Scottish Government helps buyers to purchase the property by taking an equity stake of up to a maximum 15% of the value of the property.

The scheme has been refocused to concentrate more on affordable housing. The maximum prices which buyers can buy at will gradually be reduced to £175k for transactions that will conclude in 2017/18 (previously the maximum purchase price was £250,000). The Scottish Government hopes to fund around 7,500 units through the scheme over the next three years.
INTRODUCTION

The Scottish Government’s housing supply budget provides funds to Registered Social Landlords (RSLs), councils, individuals and private developers through a mixture of various grants, loans and guarantees. Most of the housing supply budget is used for new build housing, although it can also be used for the rehabilitation of existing housing and purchases of existing housing.

The Scottish Government intends to spend at least £3bn over the next five years on housing supply programmes. In this financial year (2016/17), the housing supply budget is around £690m (Scottish Government 2015a), of which the majority, £572m (83%), will be used for ‘affordable housing’ funded through the Affordable Housing Supply Programme (AHSP) (Scottish Government on-line).

There can be confusion about what the term ‘affordable housing’ means, but for the purposes of the Scottish Government’s AHSP it includes:

- housing for social rent provided by local authorities and RSLs
- mid-market (or intermediate) rented housing
- low-cost homeownership

The remainder of the housing supply budget will be spent on other housing supply initiatives such as the Help to Buy scheme.

The following sections provides further detail on the housing supply budget and how it is managed along with information on affordable housing supply targets.

HOUSING SUPPLY BUDGET – DETAIL

The overall housing supply budget is set out each year in the budget documents. Further details about allocations to particular schemes are announced at various points throughout the year.

In-year additions to the budget can be made and, in some cases, money will be reallocated to schemes throughout the year as some of the schemes develop more quickly or slowly than anticipated. The complexity of funding arrangements and the difficulty of tracking how the
housing supply budget is being spent has been raised in the past (Audit Scotland 2013, Infrastructure and Capital Investment Committee 2012). Details of the announcements concerning the housing supply budget made in Scottish Government news releases can be found here: http://www.gov.scot/Topics/Built-Environment/Housing/investment/ahsp/press-releases

Since 2008-09, the Scottish Government has also published ASHP outturn reports (around February of each year) which also contain information on spend by local authority and housing association. These are available at this link: http://www.gov.scot/Topics/Built-Environment/Housing/investment/ahip

GRANTS AND FINANCIAL TRANSACTIONS

The housing supply budget is composed of a mix of grant funding and ‘Financial Transactions’ funding (FTs). In recent years, the Scottish Government has received Barnett consequentials resulting from a range of UK Government housing-related equity/loan finance schemes. The Scottish Government has to use these funds to support equity/loan schemes beyond the public sector, but has some discretion in the exact parameters of those schemes and the areas in which they will be offered. The FT funding will ultimately be repaid to HM Treasury, probably over a period of around 30 years, reflecting the long term nature of the support involved. Grants, on the other hand, do not have to be repaid. Further information on how FT funding in 2015/16 was spent is available at this link: http://www.gov.scot/Topics/Built-Environment/Housing/Financial-Transactions-budget-for-2015-16

TOTAL HOUSING SUPPLY BUDGET 2016/17

While the housing supply budget of around £690m in 2016/17 has remained relatively stable compared to the budget of £695m in 2015/16, the amount allocated for affordable housing supply purposes has increased by 21% from £471m in 2015/16m to £572m in 2016/17 (see Fig 1).

Table 1 shows that most of the housing supply budget is comprised of grant funding. TMDF relates to the Transfer of Management of Development Funding arrangements which apply to Glasgow and the City of Edinburgh Councils. These councils receive grant funding from the
Scottish Government to manage the housing supply programme in their areas. The “resource” budget is for non-capital expenditure such as legal fees.

Table 1: Housing Supply Budget 2016-17: Detail

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant</td>
<td>365</td>
</tr>
<tr>
<td>TMDF</td>
<td>96</td>
</tr>
<tr>
<td>Financial Transactions</td>
<td>224</td>
</tr>
<tr>
<td>Resource</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>690</strong></td>
</tr>
</tbody>
</table>

Source: information supplied by Scottish Government officials 13 May 2016

**AFFORDABLE HOUSING SUPPLY PROGRAMME BUDGET**

Table 2 shows the breakdown of the ASHP in 2016/17. Most of the budget, £406m, is provided for local grant programmes (see p 9). The remaining £166m is made up of grant for the centrally managed programme (see p12) and other initiatives funded through FTs.

Table 2: Breakdown of ASHP 2016/17

<table>
<thead>
<tr>
<th>Local grant programme – Resource Planning Assumptions including TMDF grant</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant programme managed centrally.*</td>
<td>55</td>
</tr>
</tbody>
</table>

FTs - £111m (est):

<table>
<thead>
<tr>
<th>Open Market Shared Equity (OMSE)</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Affordable Rent (LAR)</td>
<td>26</td>
</tr>
<tr>
<td>Town Centre Empty Homes Fund</td>
<td>2</td>
</tr>
<tr>
<td>Self-Build Fund Highland</td>
<td>2</td>
</tr>
<tr>
<td>Rural Housing Fund</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>572</strong></td>
</tr>
</tbody>
</table>

*The Scottish Government does not publish a breakdown of the central programme, but this includes for example funding for the Home Owners’ Support fund, Wheatley Bond finance and the Govanhill Early Action Programme.

Source: Information supplied by Scottish Government officials 13 May 2015

**TRENDS IN AFFORDABLE HOUSING SUPPLY SPENDING**

Figure 2 shows the actual spend on AHSP (and previous equivalent programmes) since 1999/00, in both cash and real terms, and the budget for 2016/17.

Spending peaked in 2009/10. This was related to a re-profiling of the three year spending review period (2008/09 to 2010/11) in response to the economic downturn. After a decline in spending to 2013/14, spending has risen in the last couple of years, although still below spending for the period 2006/07 to 2010/11.

---

1 £120m of planned spending was brought forward from 2011/12 into 2008/09 and 2010/11
Figure 2: ASHP spend 1999/00 to 2015/16 and budget 2016/17, Cash and Real Terms (2016/17 prices)


OTHER HOUSING SUPPLY FUNDING

Table 3 shows the breakdown of the other housing supply funding in 2016/17. With the exception of the resource amount, all the initiatives are funded through FTs. The majority of the other housing supply funding is spent on the Help to Buy (Scotland) Affordable New Build scheme (see p13).

Table 3: Other Housing Supply Budget 2016/17

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTs</td>
<td></td>
</tr>
<tr>
<td>Help to Buy (Scotland) Affordable New Build Scheme</td>
<td>80</td>
</tr>
<tr>
<td>Charitable bond</td>
<td>25</td>
</tr>
<tr>
<td>Other supply initiatives</td>
<td>8</td>
</tr>
<tr>
<td>Resource</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>117</td>
</tr>
</tbody>
</table>

Source: Information supplied by Scottish Government officials 13 May 2016

Help to Buy – budget detail

Table 4 shows that the Help to Buy budget for the three years 2016/17 to 2018/19 is £195m. The budget has fallen by £110m compared to the previous three year period, 2013/14 to 2015/16, when the total budget was £305m (Scottish Parliament 2016). The budget for the scheme has been reduced because of a fall in FT funding from the UK Government.
Table 4: Help to Buy (Scotland) Affordable New Build and Smaller Developers Scheme

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>Total 2016/17 to 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget</strong></td>
<td>80m</td>
<td>195m</td>
</tr>
</tbody>
</table>

Source: Scottish Government 2016c

**MANAGEMENT OF THE HOUSING SUPPLY BUDGET**

The housing supply budget is managed by the Scottish Government through a network of area offices, supported by a central investment co-ordination unit. The Scottish Government controls centrally delivered programmes while the majority of the budget is distributed to councils to develop locally-led programmes.

**LOCALLY-LED PROGRAMMES**

In 2016/17, £406m (71% of the AHSP budget) has been allocated to councils for locally developed programmes.

Councils have strategic housing functions and have a duty to prepare local housing strategies, supported by housing need and demand assessments. The local housing strategies should set housing supply targets that are broadly consistent with those in the Strategic Development Plan/Local Development Plan.

Since 2012-13, the Scottish Government has provided each council with a three year Resource Planning Assumption (RPA). Based on their RPA, councils develop Strategic Housing Investment Plans (SHIPs) which detail priority projects to meet housing needs identified in local housing strategies.

These SHIPs are submitted to the Scottish Government every two years, and are used by the Scottish Government to draft Strategic Local Planning Agreements (SLPAs) which are discussed with local delivery partners and finally agreed with councils.

Once agreed, SLPAs form the basis of individual RSL and local authority programme agreements. The Scottish Government has responsibility for monitoring and management of the SLPAs and for project appraisal, approval, payment of grant, programme monitoring and management and post completion processes.

Most of the housing delivered through locally-led programmes is for social rent, mid-market rent or new supply shared equity (see Annex 2 for further detail). In certain circumstances, RSLs can use this funding for major adaptations. Further information on the above process is contained in the Scottish Government guidance notes [HSGN 2014/05](#) and [HSIDGN 2015/03](#).

To give councils as much advance notice as possible of their RPAs, the Scottish Government intends to offer five year resource planning assumptions following the 2016 Spending Review (Scottish Government on-line). Councils’ RPAs to March 2020 are shown in Annex 1.

---

2 As required by the Housing (Scotland) Act 2001

3 This guidance note is in the process of being updated and is scheduled to be published early summer
City of Edinburgh and Glasgow City Councils – TMDF authorities

As noted earlier (p7), through the TMDF arrangements, Glasgow City Council and the City of Edinburgh Council manage the housing supply budget for their areas. They are responsible for project appraisal, approval, payment of grant, programme monitoring and management and post completion processes in their relevant local authority area.

SUBSIDY LEVELS

In 2014/15, it cost RSLs around £120k to build a new house for social rent. On average, £62k of the cost (52%) was met through Scottish Government subsidy (Scottish Government 2016a).

If Scottish Government subsidy levels are inadequate, social landlords may find it difficult to make new developments financially viable. For example, the cost of any extra private borrowing would have to be paid for by rental income and this could result in rent increases beyond what might be considered an affordable level for tenants. A concern about continued above inflation rent rises by RSLs, and the potential impact on tenant affordability, was recently raised by the Scottish Housing Regulator (Scottish Housing Regulator 2016).

As Figure 3 shows, Scottish Government subsidy levels for RSL social rented properties have varied over the years (council houses generally receive a lower level of subsidy).

**Figure 3: Average Scottish Government Grant Rate % for RSL rented properties 2007-08 to 2014-15 (grant as a % of total cost)**

![Chart showing subsidy levels]

In 2011, following research (Bramley et al 2010) that suggested there was scope for increased RSL private borrowing, subsidy levels were reduced. However, subsidy levels were subsequently increased in 2013 after the Financial Capacity Working Group identified increased costs for social landlords, including pensions, VAT and the cost of meeting the Scottish Housing Quality standard, in addition to a stricter borrowing climate (Scottish Government 2013).
Further increases in subsidy benchmarks were made at the start of 2016 after the report of the 2015 Subsidy Working Group (Scottish Government 2015b) highlighted concerns about existing subsidy levels:

- Projects experienced a funding shortfall of, on average, £10,000 – £15,000 per unit.
- There was a perceived lack of flexibility in the awarding of grant subsidy for higher cost projects, such as those with land decontamination issues.
- There was concern that existing grant subsidy benchmarks were making it difficult to develop care housing for older people or for people with particular needs.
- Some RSLs in particular parts of Scotland were struggling to develop financially viable schemes for mid-market rent. Mid-market rent grant subsidy levels were not increased in 2013 and did not always support schemes outside areas with higher market rents, such as Edinburgh, without additional contributions from other sources.
- A number of RSLs were making additional financial contributions to projects. However, this was not considered sustainable in the longer term.
- The 2015 Building Regulations (which will take effect for building warrant applications from October 2015) will introduce a number of changes to the existing regulations – many of which will have cost implications for the construction of new affordable housing.

An increase in subsidy benchmarks of up to £14,000 per unit, for an initial three year period, was recommended and accepted by the Scottish Government in January 2016. Table 5 provides the current subsidy benchmarks.

Table 5: 2016 Subsidy Benchmarks (based on 3 person equivalent benchmarks unless otherwise stated)

<table>
<thead>
<tr>
<th></th>
<th>West Highland, Island Authorities and remote and/or rural Argyll</th>
<th>Other rural</th>
<th>City and urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSL social rent – greener*</td>
<td>£84,000</td>
<td>£74,000</td>
<td>£72,000</td>
</tr>
<tr>
<td>RSL social rent – other</td>
<td>£82,000</td>
<td>£72,000</td>
<td>£70,000</td>
</tr>
<tr>
<td>RSL mid-market rent – greener*</td>
<td>£46,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RSL mid-market rent – other</td>
<td>£44,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Council social rent – greener*</td>
<td>£59,000                                        (flat rate benchmark for council projects)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Council social rent – other</td>
<td>£57,000 (flat rate benchmark for council projects)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*To qualify for the higher "greener" subsidy, new homes must include energy for space heating, as detailed within Section 7 of the 2011 Building Regulations.


4 (The group was set up in response to an action in the Joint Housing Delivery Plan for Scotland).
CENTRALLY MANAGED PROGRAMMES

The Scottish Government has responsibility for developing and administering a number of centrally managed programmes including the development of innovative approaches to financing housing supply, some homeownership schemes and the Home Owners’ Support Fund (see Annex 2 for more detail).

Of the £690m housing supply budget in 2016/17, £284m is centrally managed, including £166m of the AHSP.

Innovations

In its 2011 housing policy paper, *Homes Fit for the 21st Century* (Scottish Government 2011b), the Scottish Government made it clear, that in light of the economic climate and constraints on public finance, traditional models of finance alone could not be relied on in the future. It argued that there had to be a decisive change in the way affordable housing is delivered, using Government funding to lever in the maximum possible investment from other sources, and encouraging innovation.

Audit Scotland’s 2013 report into *Housing in Scotland* sounded a fairly cautious note about new innovations and commented, “…the use of alternative models of finance has been limited and the extent to which they can compensate for reduced levels of subsidy is not clear”. They also suggested that alternative models have associated risks that need to be carefully managed (Audit Scotland 2013)

Since then, further progress has been made on new innovations. These include:

- **Charitable bonds** The bonds, issued by Allia, a social investment charity, provide a new source of finance for housing associations to build new affordable homes, while interest on the loans provides grants for social homes.

- **Local Affordable Rent Housing Trust (LAR)** LAR is a new investment vehicle that will provide up to 1,000 affordable homes for rent across Scotland and was launched in October 2015. It is a Scottish charity set up to provide long term mid-market rented housing and is funded by a £55 million loan from the Scottish Government. The first homes available through LAR in East Lothian have been let.

- **Pension fund investment**: The Scottish Government has provided enabling support for the Falkirk Local Government Pension Scheme fund to invest £30 million in affordable housing to deliver around 300 units and will continue to support project delivery in the Forth Valley area and other areas.

- **Mid-Market Rent schemes** – guarantee schemes were first used with the National Housing Trust initiative to develop mid-market rented housing which will deliver over 2,000 homes. To deliver more mid-market rent homes, the Scottish Government has invited prospective mid-market rent providers to submit proposals for expanding mid-market rent provision.

- **New Investment Vehicle** – the Scottish Government is working with the Scottish Federation of Housing Associations (SFHA) and the Scottish Futures Trust to establish a new investment vehicle knows as HARIS – the Housing Association Resource for Investment Scheme. Ultimately, HARIS (which will be a not for profit company owned by
all the members who join) will be able to provide benefits such as access to cheaper borrowing costs and rates and off balance sheet borrowing for members with covenant or financial capacity problems.

- **Institutional investment into the Private Rented Sector** - The Scottish Government recently published (jointly with the industry-led Private Rented Sector Working Party) a market engagement document to seek views from stakeholders on how best to support the delivery of new build-to-rent private rented housing in Scotland.

In particular, views were sought on the appropriateness and structure of a proposed Rental Income Guarantee Scheme. The proposal is based on underwriting a proportion of the revenue risk for a specific private rented sector development for a limited period, thereby allowing investors and developers time to become familiar with the dynamics of local rental markets (Scottish Government 2016b).

## HOME OWNERSHIP SCHEMES

The [Open Market Shared Equity Scheme](http://www.gov.scot/Topics/Built-Environment/Housing/BuyingSelling/help-to-buy) is a fairly well established scheme which allows first time buyers to purchase a property on the open market with the government taking an equity stake. Priority access is given to priority group applicants, including those who live in social rented housing, disabled people, members of the armed forces and veterans.

### Help to Buy (Scotland) Affordable New Build Scheme & Small Developers Scheme

Help to Buy involves the Scottish Government taking an equity share of up to 15% of the value of a new build property bought from a home builder that has been approved to participate in the scheme. Larger homebuilders can participate in the main Help to Buy (Scotland) Affordable New Build Scheme while smaller developers participate in the Help to Buy (Scotland) Smaller Developers Scheme where ring-fenced funds are reserved for use by their customers. Otherwise the schemes operate under the same rules. Mortgage lenders are likely to require a deposit of around 5% of the value of the home and the buyer’s mortgage plus their deposit must cover a combined minimum 85% of the total purchase price.

The previous Help to Buy Scotland scheme was launched in September 2013, and at that time it largely replicated the UK Government’s Help to Buy equity scheme launched earlier in that year. The aim was to support the housebuilding/construction industry in Scotland and to assist first time buyers and “second steppers” moving on from their first property to purchase a new build property. The scheme closed on 31st March 2016. By 23 March 2016 over 8,000 households had received support through the scheme (Scottish Government 2016c).

At the start of 2016, the [Help to Buy Scotland Affordable New Build](http://www.gov.scot/Topics/Built-Environment/Housing/BuyingSelling/help-to-buy) and Smaller Developers Schemes were launched with a greater focus on affordable new build properties (Scottish Government 2016d). The maximum purchase price allowed under the scheme has been reduced from £250,000 to:

- £230,000 for purchases which complete on or before 31st March 2017
- £200,000 for purchases on or before 31st March 2018

---

5 As highlighted on SFHA website


7 A key difference between the two schemes is the maximum purchase price – in the UK Government’s scheme the maximum price is £600k.

8 Initially the maximum purchase price was £400k.
• £175,000 for purchases on or before 31st March 2019

Recently, the average purchase price under the scheme has been £189k, although this rose to £211k in the North-East Scotland region (Scottish Government on-going).

In the next three years, the Scottish Government expects around 7,500 people to purchase their own home under the scheme (Scottish Parliament Infrastructure and Capital Investment Committee 2016).

There has been no evaluation of the Scottish schemes but an evaluation of the UK Government’s Help to Buy shared equity scheme has recently been published. It noted that there had been some concerns around targeting of the scheme and questions about whether, in practice, the scheme allowed people to buy bigger/better homes rather than just enabling them to buy a first home. But overall, the evaluation was generally positive concluding that the scheme had been a success in delivering the objectives set out for it. It increased supply and, “… helped restore market confidence as shown by consumers, developers and lenders and as expressed in re-invigorated regional and local housing markets.” (Finlay, IPSOS MORI, in partnership with Williams, Whitehead and the LSE 2016)

In their election Manifesto, the SNP said:

“We will also consider the introduction of a similar scheme to Help to Buy for new build homes to encourage growth in the retirement housing sector to better meet the need for affordable retirement homes, sheltered, and very sheltered housing.” (SNP 2016)

OTHER INITIATIVES

Other Scottish Government initiatives include:

**Rural Housing Fund**: The Rural Housing Fund is available to a wide range of applicants in rural areas, including community organisations and private developers. The fund has two components. The main one offers capital support (grant and loan) to enable the direct provision of new affordable housing and refurbishment of existing empty properties. A second, smaller component provides a contribution to feasibility studies. Further information is here: [http://www.gov.scot/Topics/Built-Environment/Housing/investment/grants/rural-housing-fund](http://www.gov.scot/Topics/Built-Environment/Housing/investment/grants/rural-housing-fund)

**AFFORDABLE HOUSING SUPPLY TARGETS**

Over the five year period, 1 April 2016 to 31 March 2021, the Scottish Government’s affordable housing supply target is to deliver at least **50,000 units**, of which **35,000** will be for social rent.

Source: Scottish Government on-line

The outputs the Scottish Government hopes to achieve from its AHSP are set out in its affordable housing supply targets. No targets are made for overall housing supply as this depends heavily on the activities of the house-building industry which is largely outwith Scottish Government control (Scottish Government 2016e).
Housing supply targets are measured by the AHSP completion statistics which include all the affordable housing activity funded by the AHSP including new builds, off the shelf purchases and rehabilitations. It also includes units for the Home Owners’ Support Fund. The statistics are available at this link: [http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuild/AHSPtables](http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuild/AHSPtables)

Over the previous five year period, 1 April 2011 to 31 March 2016, the Scottish Government committed to deliver at least 30,000 units, of which 20,000 would be for social rent. By the end of December 2015, the Scottish Government had exceeded its supply targets, with 31,304 completions having been achieved; 20,854 were for social rent, including 5,405 council houses (Scottish Government 2016f). However, there had been some criticism that the initial targets were not ambitious enough (see p17).

Over the next five year period, affordable housing supply targets have increased - overall the target has increased by 67%, with the target for social rented properties increasing by 75% (see Table 6).

<table>
<thead>
<tr>
<th>Table 6: Affordable Housing Supply Targets: Number of Units to be delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Of which social rent</td>
</tr>
</tbody>
</table>

10 Q4 completions for 2015-16 (Jan-Mar 2016) will be published in June 2016. The full 5-yr total will also be available then.
TRENDS IN AFFORDABLE HOUSING SUPPLY COMPLETIONS

Figure 4 shows the total number of units completed each financial year through the AHSP since 2000-01. Over the 15 year period 2000/1 to 2014/15, an average of 6,147 units has been completed each year (see breakdown of actual figures in Annexe 3). A record number of completions (8,092) were achieved in 2009/10. This can be explained by the re-profiling of the 3 year spending review period as explained above.

Figure 4: Affordable Housing Supply Programme Completions 2000/01 to 2014/15

Source: Scottish Government Housing Statistics for Scotland Affordable Housing Supply Tables.

Figure 4 also shows that, in the last few years, there has been a rise in the number of “affordable rent” properties completed (which includes mid-market rent and those funded through the National Housing Trust Initiative) and a reduction in the number of social rent properties completed. Affordable rent properties have a lower subsidy level than the traditional funding of RSL and council new builds for social rent.

From April 2011 to the end of December 2015, just over two-thirds of completions, 67%, were for social rent, one tenth were for affordable rent and just over one-fifth were for low cost-homeownership (see Fig 5). Over the next five years, a slightly higher proportion of social rented houses, 70%, is expected to be completed.
DEBATE ON THE SUPPLY OF AFFORDABLE HOUSING

Over the years there has been much debate about whether the supply of affordable housing is meeting housing needs in Scotland.

Audit Scotland’s report into *Housing in Scotland* (Audit Scotland 2013) noted the difficulties of assessing housing need accurately. For example, projections on the number of households Scotland will have in the future are based on assumptions around issues such as future migration and birth rate. Information is also limited on some aspects of current housing supply and need, such as the housing needs of people with disabilities. Their analysis, based on previous research commissioned by the Scottish Government (Bramley et al 2006), and population projections, suggested that the Government’s AHSP was not meeting needs and that it could be more than 20 years before enough new homes are built to meet the projected increase in households in any one year.

More recently, two reports have made estimates of the need for affordable housing.

In June 2015, the Commission for Housing and Well-Being, set up by Shelter Scotland, recommended that:

“The Scottish Government should increase the level of new building funded by the Affordable Housing Investment Programme to 9,000 houses each year over the period up to 2020. The social rented new build programme should be increased to 7,000 houses each year (an increase of 3,000 over the current level) and there should be a doubling of the mid-market rental new build programme which, together with the existing level of grants for new owner occupied houses, would provide 2,000 new houses each year.” (Commission for Housing and Well Being 2015)

Their report also argued that, in addition to increasing housing supply, the new homes should be of good quality and that there should be a good balance between the different regions and particularly between the varying needs of urban and rural communities.

Later, in September 2015, the report *Affordable Housing Need in Scotland* (Powell, Dunning, Ferrari, and McKee, 2015) commissioned by SFHA, CIH Scotland and Shelter Scotland also called for an increase in affordable housing provision. The report estimated that there was a minimum affordable housing requirement of approximately 12,000 new homes over the next five years i.e. 60,000 over the five year period.
Key stakeholder organisations have generally welcomed the Scottish Government's increase in funding and supply targets, although in their manifestos SFHA (2016) and Shelter Scotland (2016) still campaigned for at least 12,000 affordable homes each year (as did Scottish Labour and Scottish Greens in their 2016 election manifestos –see Table 7). However, stakeholders also recognise that there may be capacity issues to address before this level of building can be achieved (CIH Scotland 2016). For example, the recession led to a drop in the level of available skills, labour and materials.

Table 7: Scottish Political Parties’ Manifesto Five Year Housing Supply Commitments

<table>
<thead>
<tr>
<th>Party</th>
<th>Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish Liberal Democrats</td>
<td>50,000 affordable homes of which 40,000 for social rent</td>
</tr>
<tr>
<td>Scottish Conservatives</td>
<td>100,000 homes around half (50,000) for affordable housing</td>
</tr>
<tr>
<td>Scottish Greens</td>
<td>60,000 socially rented homes i.e. 12,000 per year</td>
</tr>
<tr>
<td>Scottish Labour</td>
<td>At least 60,000 affordable homes, 45,000 of which will be available for social rent</td>
</tr>
</tbody>
</table>

Giving evidence to the Infrastructure and Capital Investment Committee in March 2016, the then Minister for Housing and Welfare, Margaret Burgess MSP, was questioned on whether, over the next Parliamentary session, the Scottish Government could build more than the target of 50,000 homes and meet the suggested 60,000 five year target. In response, the Minister said that:

“… our officials are continually looking at other ways to increase the supply. In addition to the 50,000 affordable homes target, there is the help-to-buy scheme. We are also looking at the private rented sector and mid-market rented homes. All those schemes are on-going and are in addition to the 50,000 affordable homes that we have committed to. The target that we have set is at least 50,000 homes, but, as I have said, help to buy and other schemes will add to that figure” (col 6). (Scottish Parliament Infrastructure and Capital Investment Committee 2016)

OTHER ACTION TO INCREASE HOUSING SUPPLY – MORE HOMES SCOTLAND

While the focus of this briefing has been on the housing supply budget, in relation to the affordable housing supply targets discussed above, other activities are relevant. Even with sufficient funding, suitable land needs to be available to build on as does the material and people needed to build houses. The Scottish Government is undertaking further actions to increase the supply of housing, under its More Homes Scotland approach. In particular, these actions include:

- **A review of the planning system** - part of which focusses on housing delivery, has undertaken by an independent panel. Their report, *Empowering Planning to Deliver Great*
Places, (Beveridge, C, Biberbach, P and Hamilton, J 2016) published on 1 June 2016, made five specific recommendations around the ‘delivery of high quality homes.’

- **Removing infrastructure blockages** – some major housing developments have been unable to proceed because getting the right infrastructure such as roads, sewerage and water in place has proven difficult. A five year £50m fund comprising loans and grants has been established to help with these problems (Scottish Government 2016g).

Further detail on the Scottish Government’s *More Homes Scotland* approach is available here: [http://www.gov.scot/Topics/Built-Environment/Housing/reform/more-homes-scotland](http://www.gov.scot/Topics/Built-Environment/Housing/reform/more-homes-scotland)
### Resource Planning Assumptions (RPAs) issued to councils (minimum 2016-17 to 2019-20)

<table>
<thead>
<tr>
<th>Council</th>
<th>2016-17 £m</th>
<th>2017-18 £m</th>
<th>2018-19 £m</th>
<th>2019-20 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen City</td>
<td>10.956</td>
<td>8.765</td>
<td>6.574</td>
<td>4.382</td>
</tr>
<tr>
<td>Aberdeenshire</td>
<td>17.167</td>
<td>13.734</td>
<td>10.3</td>
<td>6.867</td>
</tr>
<tr>
<td>Angus</td>
<td>5.394</td>
<td>4.315</td>
<td>3.236</td>
<td>2.158</td>
</tr>
<tr>
<td>Argyll &amp; Bute</td>
<td>11.075</td>
<td>8.86</td>
<td>6.645</td>
<td>4.43</td>
</tr>
<tr>
<td>Clackmannanshire</td>
<td>3.654</td>
<td>2.923</td>
<td>2.192</td>
<td>1.462</td>
</tr>
<tr>
<td>Dumfries &amp; Galloway</td>
<td>12.79</td>
<td>10.232</td>
<td>7.674</td>
<td>5.116</td>
</tr>
<tr>
<td>Dundee City</td>
<td>10.68</td>
<td>8.544</td>
<td>6.408</td>
<td>4.272</td>
</tr>
<tr>
<td>East Ayrshire</td>
<td>7.684</td>
<td>6.147</td>
<td>4.61</td>
<td>3.074</td>
</tr>
<tr>
<td>East Dunbartonshire</td>
<td>5.247</td>
<td>4.198</td>
<td>3.148</td>
<td>2.099</td>
</tr>
<tr>
<td>East Lothian</td>
<td>6.894</td>
<td>5.515</td>
<td>4.136</td>
<td>2.758</td>
</tr>
<tr>
<td>East Renfrewshire</td>
<td>3.975</td>
<td>3.18</td>
<td>2.385</td>
<td>1.59</td>
</tr>
<tr>
<td>Edinburgh City</td>
<td>29.249</td>
<td>23.399</td>
<td>17.549</td>
<td>11.7</td>
</tr>
<tr>
<td>Eilean Siar</td>
<td>4.799</td>
<td>3.839</td>
<td>2.879</td>
<td>1.92</td>
</tr>
<tr>
<td>Falkirk</td>
<td>7.015</td>
<td>5.612</td>
<td>4.209</td>
<td>2.806</td>
</tr>
<tr>
<td>Fife</td>
<td>19.747</td>
<td>15.798</td>
<td>11.848</td>
<td>7.899</td>
</tr>
<tr>
<td>GHA</td>
<td>18.425</td>
<td>14.74</td>
<td>11.055</td>
<td>7.37</td>
</tr>
<tr>
<td>Glasgow City</td>
<td>67.28</td>
<td>53.824</td>
<td>40.368</td>
<td>26.912</td>
</tr>
<tr>
<td>Highland</td>
<td>27.362</td>
<td>21.89</td>
<td>16.417</td>
<td>10.945</td>
</tr>
<tr>
<td>Inverclyde</td>
<td>7.531</td>
<td>6.025</td>
<td>4.519</td>
<td>3.012</td>
</tr>
<tr>
<td>Midlothian</td>
<td>5.364</td>
<td>4.291</td>
<td>3.218</td>
<td>2.146</td>
</tr>
<tr>
<td>Moray</td>
<td>6.908</td>
<td>5.526</td>
<td>4.145</td>
<td>2.763</td>
</tr>
<tr>
<td>North Lanarkshire</td>
<td>23.004</td>
<td>18.403</td>
<td>13.802</td>
<td>9.202</td>
</tr>
<tr>
<td>Orkney</td>
<td>3.594</td>
<td>2.875</td>
<td>2.156</td>
<td>1.438</td>
</tr>
<tr>
<td>Perth &amp; Kinross</td>
<td>11.681</td>
<td>9.345</td>
<td>7.009</td>
<td>4.672</td>
</tr>
<tr>
<td>Scottish Borders</td>
<td>8.633</td>
<td>6.906</td>
<td>5.18</td>
<td>3.453</td>
</tr>
<tr>
<td>Shetland</td>
<td>3.201</td>
<td>2.561</td>
<td>1.921</td>
<td>1.28</td>
</tr>
<tr>
<td>South Ayrshire</td>
<td>7.343</td>
<td>5.874</td>
<td>4.406</td>
<td>2.937</td>
</tr>
<tr>
<td>South Lanarkshire</td>
<td>16.934</td>
<td>13.547</td>
<td>10.16</td>
<td>6.774</td>
</tr>
<tr>
<td>Stirling</td>
<td>5.705</td>
<td>4.564</td>
<td>3.423</td>
<td>2.282</td>
</tr>
<tr>
<td>West Dunbartonshire</td>
<td>7.65</td>
<td>6.12</td>
<td>4.59</td>
<td>3.06</td>
</tr>
<tr>
<td>West Lothian</td>
<td>8.963</td>
<td>7.17</td>
<td>5.378</td>
<td>3.585</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>406.531</strong></td>
<td><strong>325.224</strong></td>
<td><strong>243.917</strong></td>
<td><strong>162.614</strong></td>
</tr>
</tbody>
</table>

Source:
ANNEXE 2

Further information on how the Scottish Government uses its Housing Supply Budget:

- **Social Rented housing**: the majority of Scottish Government funding is provided, by way of grant, to councils and RSLs to build new houses for social rent although the funding could also be used for low-cost home ownership, off-the-shelf purchases or rehabilitations. RSLs use this Government subsidy, in addition to other sources of funding (most notably, private borrowing) to build houses. There are around 160 RSLs operating in Scotland although not all of these RSLs will have an active development programme, as this will depend on the resources available to them and the housing needs in their area of operation.

Scottish Government subsidy for councils to build new homes has been available since 2009/10. Councils use the subsidy, in addition to a range of other sources, most notably public works loan board borrowing, to fund new building. Councils need to ensure that any new borrowing adheres to the prudential borrowing framework (CPIFA 2011) and does not lead to an excessive rise in tenants’ rents.

- **Low Cost Initiative for First-Time Buyers (LIFT)**: aims to help people on low to moderate incomes to become homeowners. The **New Supply Shared Equity scheme** involves grants to RSLs to help them build or buy new homes for sale. The **Open Market Shared Equity** scheme helps people on low to moderate incomes to become homeowners where it is affordable to them over the long term.

- **Mid-Market Rent** (or “intermediate housing”): these properties are aimed at people on incomes that are not high enough to enable them to buy a home but who can afford to pay more than a social rent. They are mainly provided by RSL subsidiaries.

- **Home Owners’ Support Fund**: this fund supports owners who are experiencing difficulty in paying their mortgage.
### ANNEXE 3

**AHSP Completions 2000/01 to Dec 2015**

<table>
<thead>
<tr>
<th></th>
<th>Social Rent</th>
<th>Affordable Rent</th>
<th>Affordable Home Ownership</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000/01</td>
<td>4,201</td>
<td></td>
<td>2,137</td>
<td>6,338</td>
</tr>
<tr>
<td>2001/02</td>
<td>4,531</td>
<td></td>
<td>1,609</td>
<td>6,140</td>
</tr>
<tr>
<td>2002/03</td>
<td>3,983</td>
<td>158</td>
<td>1,078</td>
<td>5,219</td>
</tr>
<tr>
<td>2003/04</td>
<td>3,596</td>
<td>54</td>
<td>503</td>
<td>4,153</td>
</tr>
<tr>
<td>2004/05</td>
<td>4,342</td>
<td>72</td>
<td>1,031</td>
<td>5,445</td>
</tr>
<tr>
<td>2005/06</td>
<td>5,017</td>
<td>55</td>
<td>816</td>
<td>5,888</td>
</tr>
<tr>
<td>2006/07</td>
<td>3,318</td>
<td>31</td>
<td>1,482</td>
<td>4,832</td>
</tr>
<tr>
<td>2007/08</td>
<td>4,226</td>
<td>16</td>
<td>1,428</td>
<td>5,670</td>
</tr>
<tr>
<td>2008/09</td>
<td>4,662</td>
<td>7</td>
<td>1,552</td>
<td>6,221</td>
</tr>
<tr>
<td>2009/10</td>
<td>5,465</td>
<td>59</td>
<td>2,568</td>
<td>8,092</td>
</tr>
<tr>
<td>2010/11</td>
<td>5,836</td>
<td>58</td>
<td>1,337</td>
<td>7,231</td>
</tr>
<tr>
<td>2011/12</td>
<td>5,652</td>
<td>73</td>
<td>1,157</td>
<td>6,882</td>
</tr>
<tr>
<td>2012/13</td>
<td>4,724</td>
<td>416</td>
<td>1,319</td>
<td>6,009</td>
</tr>
<tr>
<td>2013/14</td>
<td>4,368</td>
<td>917</td>
<td>1,727</td>
<td>7,012</td>
</tr>
<tr>
<td>2014/15</td>
<td>4,376</td>
<td>1,077</td>
<td>1,616</td>
<td>7,069</td>
</tr>
<tr>
<td>Apr-Dec15</td>
<td>2,184</td>
<td>624</td>
<td>1,257</td>
<td>4,062</td>
</tr>
</tbody>
</table>

**SOURCES**


Scottish Parliament Information Centre (SPICe) Briefings are compiled for the benefit of the Members of the Parliament and their personal staff. Authors are available to discuss the contents of these papers with MSPs and their staff who should contact Kate Berry on extension 85370 or email kate.berry@parliament.scot. Members of the public or external organisations may comment on this briefing by emailing us at SPICe@parliament.scot. However, researchers are unable to enter into personal discussion in relation to SPICe Briefing Papers. If you have any general questions about the work of the Parliament you can email the Parliament’s Public Information Service at sp.info@parliament.scot.

Every effort is made to ensure that the information contained in SPICe briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

Published by the Scottish Parliament Information Centre (SPICe), The Scottish Parliament, Edinburgh, EH 99 1SP

www.parliament.scot