

FINANCE COMMITTEE

DRAFT BUDGET 2014-15

SUBMISSION FROM SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS

Executive Summary – Key Points

1. A well-functioning housing system has major economic as well as social benefits for Scotland, not only in providing jobs and training but by providing affordable homes to allow labour market movement.
2. While the deep cuts that followed the financial crisis have to an extent been restored by incremental increases in housing grant, long term stability and certainty over funding is needed in order to allow our members to plan deliver affordable housing as effectively as possible.
3. Housing associations and co-operatives assist government to meet all 16 national outcomes through the provision of good quality affordable housing and services to Scotland's communities.
4. Investing in the increased energy efficiency of social housing cuts carbon emissions, reduces fuel poverty and creates jobs and training opportunities in a labour intensive industry.
5. Two national indicators are particularly relevant to the work of housing associations and co-operatives, namely accessing housing options for those in housing need and increasing the number of new homes. We do not think that simply measuring homelessness statistics and new house completions enables national investment decisions to be made. Nor do they allow accurate monitoring of progress in achieving these national outcomes.
6. We support Audit Scotland's call to improve the reliability of national information on housing.
7. We endorse the detailed work carried out by the Housing Policy Advisory Group in devising a housing and regeneration specific framework.
8. This needs to be effectively linked to the NPF in order to make meaningful housing supply and services investment decisions.
9. Links between housing investment, budgetary decisions and the delivery of supply to meet national outcomes require to be strengthened to ensure the effectiveness of national spend.

10. We endorse the principle of a logical framework to measure national performance against targets to make transparent and accountable spending decisions by government. Yet the NPF requires a radical overhaul to provide the correct information for spending decisions to be based upon.

Introduction

11. As the national representative body for housing associations and co-operatives in Scotland, the Scottish Federation of Housing Associations (SFHA) welcomes the opportunity to respond to the Finance Committee's call for evidence to inform its scrutiny of the Draft Scottish Budget 2014-15 through the Budget Strategy Phase process.

12. We note that the Committee has agreed to focus its scrutiny of the Draft 2014/15 Budget on examining the use of the National Performance Framework (NPF). The key issue is to what extent the NPF enables spending decisions to achieve the single overarching purpose of focussing government and public services on creating a more successful country with opportunities for all of Scotland to flourish through increasing sustainable economic growth.

13. We believe that considerable progress has been made since the 2013/2014 budget. The importance of investment in housing supply is recognised in a range of parliamentary committee agendas with its strong links to the economy, health, education, rural development and infrastructure. The additional capital allocations during the 2013/14 budget process and beyond increasing the budget for new homes in 2013/14 to £ 340m are welcomed as are the recent changes to subsidy levels. However, there is no room for complacency as evidenced in the recent Audit Scotland Report which makes a strong case that housing supply is not meeting current levels of need.

14. We are taking this opportunity to restate our case for significant investment in housing and housing related services. Good quality, warm and genuinely affordable housing is central to a successful Scotland; Scotland's housing associations and co-operatives have an excellent track record in providing this. The range of additional services our sector provides, alongside housing provision, makes a significant contribution to the prevention of costly public expenditure in other areas of the Scottish Budget.

15. We also welcome the emphasis on the importance of investing in the energy efficiency of existing homes, with £79m in the 2013/14 budget to support home energy efficiency. We welcome this investment, but contend that more money needs to be invested in the energy efficiency of social housing if we are to meet the Scottish Government's carbon emissions targets and end fuel poverty.

16. This submission outlines the requirement to align government policy and adequate public investment in housing to ensure the continued and improved delivery of the Scottish Government's overarching purpose.

17. Our members provide vital housing, housing support and community regeneration services throughout Scotland, from the most densely urban to the most remote rural communities. They often operate in the poorest communities in our country. Housing associations and housing co-operatives in Scotland own, manage and maintain 11% of the total stock in Scotland and 46% of the country's affordable rented housing stock. This represents 274,996 homes across Scotland.

18. Our evidence on the Scottish Budget is in four parts:

- comments on the effectiveness of the NPF in targeting housing investment to meet overall outcomes, with three appendices;
- how housing contributes to the 16 national outcomes;
- specific detail on issues raised by other Committees with the Finance Committee as part of the Budget Strategy Phase;
- an agenda for investment to meet the supply challenge.

In addition to this core evidence we have provided three appendices covering specific issues:

- Appendix 1 Evidence Raised By Subsidiary Committees during the Budget Scrutiny Process
- Appendix 2 Innovative Financing Options
- Appendix 3 Details of How Housing Associations and Co-operatives Meet MPF Outcomes

19. Appendix 3 lists the work of Scotland's housing associations and co-operatives in delivering the 16 national outcomes which sit under the strategic objectives and over-arching purpose of the Government as set out in the NPF.

Progress on meeting the 16 national outcomes, 50 indicators and 11 purpose targets within the NPF

20. Quantifying progress in delivering the national outcomes through housing's direct contribution is hard to measure. Top level figures such as construction spend on new affordable housing demonstrate the economic impact but many national outcomes are one step removed from any directly measurable housing indicators, such as the importance of a good quality affordable home to improving the life chances for children .

21. Audit Scotland published a report on Housing in Scotland in July 2013 which specifically asks Scottish Government to:-

“demonstrate how its long term vision for housing underpins relevant national policies and informs local planning and practice” (1)

22. The report identifies that national and local government recognise that good housing can make a positive contribution to many government priorities, including economic growth, community empowerment and improved health, but the role of the housing sector is often not specifically identified or measured. A key message is that effective leadership is required at a national and local level to ensure housing is well planned and linked into other policy areas.(2)

23. We are aware of the work being undertaken by the Scottish Government Housing Policy Advisory Group to link in detailed housing and regeneration visions and outcomes to the national outcomes in the NPF. This work identified four key housing and regeneration outcomes:

- a well functioning housing system
- high quality sustainable homes,
- homes that meet people's needs
- sustainable communities

These outcomes feed into National Outcome 10 –

24. “we live in well designed sustainable places where we are able to access the services and amenities that we need.”

25. However, the HPAG report also makes the point that housing and regeneration policies have a wide range of interconnections across all sixteen of the National Outcomes. Other policy links are made in Homes Fit for the 21st Century which remains the principal Scottish Government statement of housing policy, but links to impact on the NPF are hard to measure.

26. There is agreement on what housing providers need to make progress on, but a wide gulf between the perceived benefits of housing investment in achieving the national targets and outcomes and actually measuring progress.

Progress in relation to specific indicators or targets

27. Two national indicators are directly relevant to the work of housing associations and co-operatives within the 16 outcomes and targets, namely:-

- Improving access to suitable housing options for those in housing need
- Increase the number of new homes.

28. The Committee asks what progress is being made to achieve these targets and indicators.

Access for those in Housing Need

29. Housing need is assessed by the percentage of homeless households that are entitled to settled accommodation.

30. While the percentage shown in the NPF website demonstrates improved access to suitable housing options for those in the most extreme housing need, the

majority of measures detailed in the NPF are to increase access relate to the promulgation of guidance and monitoring. The provision of new affordable housing is the key, but there is a whole world of complex housing strategy and planning activity which it would be impossible to access from the information in the Scotland Performs indicators.

31. Performance based on housing homeless households does not reflect significant areas of housing need addressed by housing associations, such as:-

- Housing of elderly people with support needs,
- Assisting with job mobility through having stock in areas of economic activity
- Building homes for people with disabilities and support needs
- Providing housing in remote rural areas
- Assisting families on low incomes to rent a decent home
- Assisting first time buyers on to the property ladder
- Assisting those in poor quality private market rentals
- Assisting people to deal with the impact of welfare reform e.g. through the provision of one bedroom homes.

32. Homelessness figures do not give information about the full range of needs met by housing associations and co-operatives to assist achievement of to the 16 national outcomes. This is not captured through the NPF.

33. Audit Scotland gave a key recommendation to Scottish Government which was to:-

34. "Improve the detail and reliability of national information in housing, including an assessment of the needs of current and future populations. This should assess need for council, RSL and affordable homes"()

Increase the number of new homes

35. On one level this is a simple measure, recording a base number of new build completions both private and public sector. Recent performance in both sectors has been dismal. Housing association new build activity has been declining as a result of cuts to:

a) the volume of housing investment available through the affordable housing supply programme

b) the rate of subsidy to a level which made development of social affordable rented homes unviable.

36. The lack of viability of projects at affordable social rents has resulted in the slowdown in completions - some housing associations have stopped building altogether while others are building fewer homes.

37. While there is reference to published statistics on public and private starts and completions as detailed in Scottish Government's quarterly statistical reports, these do not enable any analysis of how far any particular activity goes to address need.

38. The bare information in the format given on the Scotland Performs NPF website does not link the number of houses provided with progress in achieving the 16 national outcomes.

39. Current performance as measured by completions is poor because of a) and b) above. Measuring housing completions across different sectors does not enable measurement of the Scottish Government's own affordable housing target of 30,000 homes over 5 years. It has become impossible to track annual progress on the 5 year target, as the Audit Scotland report concluded.

40. Significant progress has been made since last year's Finance Committee budget scrutiny to increase housing capital budgets and also change the terms on which subsidy is provided to assist in reversing the decline in starts and completions. This is still against a background of cuts to the overall capital budget, but we acknowledge the increased emphasis given to housing provision over the course of last year's Budget process.

41. However, referring again to the Audit Scotland Report, there is criticism of the reporting of housing budgets. A further key recommendation to Scottish Government is:-

"improve its reporting of housing budgets, spend and what the money has delivered to ensure that it is easy to track, takes account of in year revisions and provides details on amended spend as and when it occurs "

42. There is no link between the achievement of a new homes supply target and how this measure can then be used to assess the contribution to the national outcomes.

Spending decisions, outcomes and the NPF – Answers to specific questions
Whether national indicators and purpose targets are an effective means of measuring the performance of government

43. The Audit Scotland report on Housing in Scotland does not mention the NPF nor any specific national outcome or national indicator in relation to housing. This illustrates the current disconnect between housing policy, information to formulate policy and national and local outcomes echoed by Audit Scotland in the report.

44. We would therefore conclude that the national indicators and targets are not effective in terms of housing and its impact on the performance of government.

45. The work being undertaken by the Housing Policy Advisory Group on developing an outcomes approach for housing and regeneration mentioned previously commenced towards the end of 2011.

46. The housing and regeneration visions described by HPAG are well stated as follows:

-that all people in Scotland live in high quality sustainable homes that they can afford and that meet their needs:-

-for a Scotland where our most disadvantaged communities are supported and where all places are sustainable and promote well being,

47. The four key housing and regeneration outcomes as previously stated above all support these visions and would feed into National Outcome 10 – “we live in well designed, sustainable places where we are able to access the amenities and services we need “ but until these visions and outcomes are fed into the NPF they remain another set of policy aspirations as yet unmeasured and unsupportive of the NPF

48. The work done to promote the connection between the visions, outcomes and National Outcome 10 by the Housing Policy Advisory Group should be available publicly on Scotland Performs as soon as possible. Our comments on the remaining questions relate to the information available publically on the Scotland Performs website.

Whether there should be additional indicators and targets

49. There is a strong argument for fewer indicators and targets expressed in a clearer manner.

50. On housing supply while we think the national indicators may be correct – measure housing need and address this with supply – we have already commented that these indicators do not enable you to then link into any of the other national outcomes and we have comments on the data used which we address in section 2.6 below.

The data used to measure targets

51. We do not consider that the data used on homelessness and supply to measure national indicators is sufficient evidence as to whether the national outcomes are being delivered.

52. Homelessness figures do not give any evidence of whether housing is contributing to the housing needs that would emerge from any analysis of the national outcomes.

53. The crude measure of housing completions evidences the increase in the number of new homes but it does not enable any analysis of the impact of these new homes on national outcomes.

54. The failure to increase supply over the last few years is clearly linked to the need to make further investment, but without a strategic approach to need such that investment is targeted at assisting outcomes, then the sheer fact that supply has increased is no indicator of the achievement of any of the benefits aspired to.

Linkage between performance and spending priorities

55. As a result of the information on performance not being cohesively linked to evidencing achievement of the national outcomes, any prioritisation of spending decisions must rely on fairly broad brush assumptions

56. At the same time we agree that corrections made to high level spending priorities were influenced by performance – the catastrophic drop in the building of new homes led to additional capital allocations to fund affordable rented housing throughout this financial year and recently to changes to subsidy levels to promote social and affordable house building We welcome these changes.

57. We contend that these decisions were made using specific detail on the impacts of the capital and subsidy cuts which underlie the Scotland Performs data (which highlighted a drop in new build affordable housing), but could not have been picked up from the NPF in itself.

58. Clearly, therefore, a much stronger link to national outcomes and the overarching purpose of government is desirable in deciding on spending priorities.

Examples of links to specific spending decisions

59. The Audit Scotland report criticises how specific investment decisions are made and believes they are currently based on confusing and inadequate information. The crude reduction in the number of affordable houses being built would indicate a lack of performance through inadequate capital allocations and subsidy levels, but much further detail was evidenced and required before spending decisions were made to raise grant levels and allocate more capital.

How should Scotland Performs be utilised to inform policy development and spending decisions?

60. A review of the purpose, targets, objectives, outcomes and indicators should be carried out to ensure that there is a logical link right through from the Government's purpose to how achievement is measured. Work on specific policy areas such as the Housing Policy Advisory Group's underpinning visions for housing and regeneration with additional outcomes and indicators should clearly link to the high level framework.

61. The framework is trying to cover all bases, but it may be that a return to grouping outcomes under the 5 strategic objectives, then linked to evidence to support performance around these objectives as indicators would provide better clarity and more supportable and sustainable spending decisions.

A Statutory Basis

62. We have no view on whether the NPF should be enshrined in statute.

Wider consultation on performance outcomes and indicators

63. We argue that Scotland Performs needs to have a much clearer logical structure with a purpose and outcomes in line with Scottish Government statutory and political obligations.

64. Once a more logical structure has been devised, consultation on its purpose and how it could affect and influence spending decisions should be carried out to get people's views and commitment as to whether the strategic connections can then be made to better direct resource.

Future spending decisions to continue to be shaped by the NPF and how that should happen within government

65. We endorse the principle of a logical framework to measure national performance against targets, and that this should be used to make transparent spending decisions.

66. However, as previously stated, a radical overhaul of the framework is required. In relation to housing, no detailed specific spending decisions could be made with the information given as part of the national indicators at present. The work of the Housing Policy Advisory Group to develop housing and regeneration visions, outcome and indicators is welcome, but also complicated

67. For example homelessness appears to be decreasing while new supply is also decreasing – on one policy level, if need is only measured in homelessness, then the requirements for increased new supply are not present, when by every housing statistic and population forecast measure, including the Audit Scotland report, supply is at crisis point. Recorded homelessness figures are distorted in any case by the use of temporary accommodation and by diverting people to hubs through the housing options approach.

68. We have a good cause to strengthen the budgetary links between investment in housing, as evidenced by housing's applicability and influence on many national outcomes. However current indicators do not enable comprehensive logical investment decisions to follow on from supporting data and thus feed into the achievement of national outcomes and the Scottish Government's purpose.

Appendix One – Evidence in relation to areas raised by Subsidiary Committees in the Budget Scrutiny process.

Infrastructure and Capital Investment Committee

69. The Infrastructure and Capital Investment Committee has a list of areas where an update from Government is requested on progress in delivering priorities as set out in the 2011 Spending Review. It has also asked for further focus on three areas, namely the Scottish Futures Fund, EU Structural Funds and The Scottish Futures Trust. An update on alternative sources of funding for housing projects has also been requested.

70. We would like to record our thanks to the Infrastructure and Capital Investment Committee for the in depth analysis of the position regarding housing supply delivery detailed in their response to the 2013/14 budget review:

http://www.scottish.parliament.uk/S4_InfrastructureandCapitalInvestmentCommittee/Reports/tr12-BudgetReport.pdf

71. The approach of the Committee and their views on the level of subsidy available for housing associations and co-operatives was hugely helpful in our case to Scottish Government for a review of the subsidy levels which have since been adjusted. While capital funding for housing has not been restored to previous levels and supply is well short of need as evidenced by the Audit Scotland report, we are

still appreciative of the additional resources to be able to build homes at affordable social rents in Scotland.

Progress on priority areas

Housing Supply

72. The vision of an affordable home for all does tie in with the HPAG vision of all people in Scotland living in high quality sustainable homes that they can afford and that meet their needs, is another example of blurred strategic objectives not linked to the resources necessary to achieve the vision.

73. We welcome the reaffirmed commitment to the delivery of 30,000 new affordable homes within the 5 year life of the Parliament, and would also welcome the focus on identifying particular needs such as older people by way of a specific strategy. We would encourage implementation of the Report on Adaptations produced by Scottish Government in December 2012, as being instrumental in enabling people to stay in their homes rather than occupy expensive hospital or nursing home provision and we would expect to see increased resources allocated towards these preventative spend measures which will pay dividends for Scotland in the long run.

74. The SFHA welcomes the commitment to increase supply across all tenures to provide homes for a growing population and to boost economic recovery through the construction industry. We applaud the increase in grant benchmarks to more realistic levels and this is significant. However, at the time of writing this evidence, we are aware that the additional £44M announced by Nicola Sturgeon on 8th July 2013 will not enable all projects in Strategic Housing Investment Plans (SHIPS) to proceed at the higher levels of grant. We have been given assurances by Scottish Government programme managers that additional funds will be available through reallocation of slippage and funding projects into 2015/16, but we would urge Scottish Government in the budget for 2014/15 to ensure that sufficient capital is there to enable all programmed projects to proceed at benchmarks, go quickly on site and achieve the supply and socio economic benefits desired by Government.

75. The initiatives to improve energy efficiency are welcomed and we note the continuation of the Energy Assistance Package, Universal Home Insulation Scheme and the Boiler Scrappage Scheme. As we noted in our submission to the Economy, Energy and Tourism committee, however, increased investment in home energy efficiency is required if the carbon reduction targets set in the Climate Change Scotland Act are to be met.

76. We have been working with Government to produce the EESH standard for social housing, and our members accept the need to improve energy efficiency in order to cut fuel poverty. It is vital, however, that investment is made available to support improved energy efficiency. The majority of housing association homes already meet the Scottish Housing Quality Standard, and while we endorse any measures that support the alleviation of fuel poverty and the provision of better homes, budgetary resources need to be available to deliver these targets and standards.

Procurement

77. The overall aims of the Public Procurement Reform Agenda are laudable and no-one would argue against trying to achieve best value and efficiencies in the current fiscally restrained climate.

78. We have been working with Government on the Review of Procurement in Construction, a specific review of Procurement in the Affordable Housing Sector and we have sat on the sounding board for the Procurement Reform Bill.

79. Scottish housing associations and cooperatives comprise a wide range of organisations from Glasgow Housing Association – one of the biggest in the UK – to small Abbeyfields which cater for a small number of people with particular needs. As individual businesses whose main income comes from tenants' rents rather than revenue grants and whose local impact in terms of buying power for their local economies can be significant, the balance must be struck between the benefits of wholesale adoption of public sector procurement practices and the thrifty and economical way most associations run their organisations. Associations are proud of their support for the SME sector in Scotland and the local economic impact in terms of jobs and business that they bring.

80. The sector is open to collaborative procurement initiatives. Many sector groupings exist such as IFlair in Inverclyde who collaboratively procure goods and services and Bield/Hanover/Trust housing associations who all cater for elderly tenants. Many associations also use the Public Contracts Scotland website and processes to tender with great benefit

81. The point is that it is a business decision to collaborate and procure, not a set of processes imposed from above on a widely differing set of organisations operating in quite divergent circumstances.

82. Our members have a fundamental issue with the potential classification of housing associations as public bodies. The European position seems to be accepted – that we are public bodies for the purposes of EU procurement. However we are working with colleagues from the four UK housing federations to lobby the UK and Scottish Government to take a different view as it is for Scottish Government to decide whether to apply the European interpretation. This will be particularly important if the Procurement Reform Bill institutes lower thresholds for public procurement processes in Scotland.

83. Ultimately, the sector is regulated by the Scottish Housing Regulator and therefore in terms of openness and accountability for using tenants' revenue to run the businesses efficiently and wisely, this examination is carried out through regulation.

Detailed Responses to Specific Areas

Scottish Futures Fund

84. It is extremely welcome that the Scottish Government has provided this funding to support the development of renewable energy in fuel poor communities.

85. We welcome the creation of the fund and the commitment shown. We are concerned however, that outwith development funding for feasibility work, the fund is set up as a loan fund with interest rates at commercial levels.

86. We contend that because housing associations and co-operatives will use any money received through the Feed in Tariff and the Renewable Heat Incentive to develop affordable housing, improve the energy efficiency of their existing homes and to develop jobs and training schemes, then the WHF should be a mix of grants and interest free loans.

87. Otherwise the WHF and other Scottish Government renewables loans funds (REIF and SPRUCE) will not be taken up and will not achieve their aims of cutting carbon emissions, reducing fuel poverty and boosting the low carbon economy.

European Structural Funds

88. ERDF has the potential to support energy efficiency retrofit schemes – reducing fuel bills, cutting carbon emissions and creating jobs. Highly successful schemes in Wales and France demonstrate that ring fencing 4% of ERDF to spend on energy efficiency schemes is a highly effective way to spend money on creating jobs and cutting fuel poverty. The SFHA is calling on the Scottish Government to create a similar fund to support housing associations and co-operatives to reduce carbon emissions and meet the tough targets set by the Energy Efficiency Target for social housing.

89. The fund should be a mixture of zero interest loans and grants to support housing associations and co-operatives to develop community renewable schemes, district heating schemes and area based retrofit schemes.

Scottish Futures Trust

90. The SFHA supports the work of the Scottish Futures Trust in delivering the National Housing Trust programme of mid market rent housing and values its contribution to meeting housing supply in a cost effective way which does not remove resources from the mainstream housing supply budget.

91. This has been the most innovative Scottish contribution to date to increasing supply through innovative finance and procurement measures.

92. We are also working towards sharing opportunities for collaboration with SFT, whether through housing association participation in specific HUB projects. For example, Elder Park Housing Association participates in the Govan HUB, so that they can benefit from infrastructure investment over a much wider regeneration project. We would also look to share expertise such as access to European Investment Bank Funds.

93. We do not think that housing associations could take part in any general regional procurement HUB however. The nature of housing association development is such that it involves a significant period of time to evolve a project, often quite small and specialised and not able to take advantage of much larger contracts.

Alternative Sources of Investment for Housing

94. The ICI Committee has specifically asked for a progress report on alternative sources of finance for housing. This must be within the context of the fact that affordable housing – social rent, low cost home ownership and mid market rent – all require subsidy.

95. Despite the best efforts of the Innovation Unit within the Housing and Regeneration Division at Scottish Government, access to alternative sources of funding has been slow to take off in Scotland. This is for a number of reasons:-

- Most housing association projects are small, involving perhaps up to 20 homes being constructed at a time because of constraints on land supply and site availability.
- Alternative finance such as bond and pension funds require significant sums to be borrowed because they are costly to set up in the first place.
- Many housing associations have existing borrowing from high street lenders which places covenants on future borrowing from other sources.
- Covenants can also trigger the repricing of all existing loans with a lender at significant cost to the housing association
- Many new sources of finance require the mortgaging of existing tenants homes which are not already used as security for existing loans. Not all associations have such free equity or are able to remortgage.
- The terms of high street loans are too short
- Grant rates were too low before 8th July 2013 to enable high cost social housing projects to be delivered.
- The Scottish Housing Regulator has a conservative view of risk and encourages governing bodies to exercise extreme caution in looking at new sources of finance.

96. Our experience of the various types of innovative finance proposed is as follows:-

- Private Pension Funds - Open for business to Scottish housing associations but limited take up because of scale problems, few projects proceeding because of grant levels and existing lender issues
- Local Authority Pension Funds – In theory could be available based around an argument to do with ethical investment, but trustees still able to get a better return from other infrastructure investment so little interest. Small scale attempts south of the border such as Manchester.
- Bonds – Private – Carduus is a bold attempt to raise a Scottish housing bond based on aggregating projects to allow for relatively low levels of borrowing by individual associations. The first bond is currently due to be launched in autumn 2013 but now includes refinancing of existing debt and some Northern Ireland housing associations because of Scottish volume problem.

- The Housing Finance Corporation – long established intermediary which accesses EIB funding and on lends to UK housing associations. While some Scottish associations have drawn down funds using this source, the asset cover required is high and not useful for many associations.
- Specific leaseback initiatives have involved confidentiality agreements, seemingly complicated models and shifting sands on the approach by the Regulator, the 20 year lease issue and equity required to back any lending.

97. All new finance is impeded by the attitude of the existing lenders to covenants on existing lending making it very difficult to participate or to refinance.

98. Alternative funds are difficult for many associations to access in any case, because the scale of their lending requirements is well below minimum drawdown levels, Funds are required to be released in one lump sum when the need for funds may be over a longer period as projects come off site and the margin between what they can gain by investing unused funds and the interest available, is too great.

99. There is an issue about complexity and risk – many deals seem to take a very long time, terms constantly change and projects slip or are delayed or have viability problems.

Rural Affairs

100. The Rural Affairs Committee does not refer to housing in any of the areas that they have suggested updates on, other than a reference to the creation of a new land fund. The SFHA has always felt that there are huge opportunities to replicate the success of enabling communities to invest in rural housing through the operation of the original land fund as demonstrated by Gigha and Knoydart.

101. SFHA has given evidence to the current review of the Land Reform Act 2002 which is to report in the autumn, on ways whereby community land purchases – urban and rural – can promote community housing projects led by local housing associations and co-operatives.

Economy, Energy and Tourism Committee

102. Our response to the issue raised by this Committee has been submitted under separate cover on 19th August 2013.

Appendix 2 - Some innovative finance suggestions

103. The housing association and co-operative sector in Scotland is aware of the need to find new ways of financing affordable housing projects in the light of the economic downturn and radical changes to our banking system.

104. There are a number of innovative finance routes we are exploring with Scottish Government's Housing and Regeneration Innovation Unit, to unlock new ideas.

Renewable Investments

105. This is an idea from Grampian and Berwickshire Housing Associations, which sees housing associations borrowing finance to build and own wind and other renewable power generation devices such that borrowing is paid off quickly, leaving the association and also any community investors with significant surpluses to invest in new affordable housing and other community infrastructure.

106. This is being pioneered at the moment but it could be used on other public landholdings and also need not be in rural areas exclusively.

European Investment Bank Funding

107. The UK government has issued guarantees which have been used to back an affordable housing fund which will channel EIB finance to UK housing associations. This fund is being administered by The Housing Finance Corporation. While this fund is welcome, it is unclear how it will operate in Scotland, whether small and medium sized associations can participate in the fund and on what terms.

108. There is an embryonic suggestion that the sector could set up its own vehicle to borrow directly from the EIB with the assistance of the Scottish Futures Trust and MURJA consultants. This would be specifically tailored to the sector in terms of size of loans and conditions and all operational surpluses would be fed back into the sector.

Local Authority On Lending

109. East Lothian and Eildon Housing Associations are borrowing Public Works Loan Board monies from East Lothian Council at beneficial rates which enable social housing to be developed on terms which fit the sector.

110. There are differing degrees of caution in various local authorities as to whether this is a possibility to assist local housing association and cooperative housing projects, so consistent guidance would be welcome

ERDF Funding for renewable measures and for social housing

111. As previously noted, there is significant encouragement at EU level for ERDF funds to be invested in social housing. Now that Scottish subsidy rates are in the region of £ 58 K, for housing association projects, this means that the state is contributing over 50% of the cost, so that the remainder could qualify for ERDF or EIB financing as above.

112. The change in grant rates does shift the opportunities for various types of EU finance being available for housing, and we would like to see a joint approach with Scottish Government to unlocking these funds.

113. These arguments can also apply to Energy Company Obligations where we variously hear of vast funds being available but a complete lack of clarity as to how they can be accessed by housing associations.

114. All of the above can be in addition to promoting the newer sources of finance and traditional high street lending.

Appendix 3 - How housing associations and co-operatives work to meet national outcomes.

Strategic Objective	Housing Association Impact
We live in a Scotland that is the most attractive place for doing business in Europe	Access to good quality affordable homes is a requirement for sustainable inward investment
We realise our full economic potential with more and better employment opportunities for our people	Housing association investment in the construction industry is around £ 700 M per annum, securing jobs and apprenticeships
We are better educated, more skilled and more successful, renowned for our research and innovation	Educational attainments can only be sustained and improved where people have a stable home environment, provided by a good quality affordable home
Our young people are successful learners, confident individuals, effective contributors and responsible citizens Our children have the best start in life and are ready to succeed	Young people can only get the best start in life when they have a stable home environment provided by a good quality affordable home
We live longer healthier lives	Poor housing conditions are linked to many health issues. The preventative benefits of providing good quality affordable homes have budgetary links to more effective health service provision.
We have tackled the significant inequalities in Scottish society	Mixed vibrant communities with multiple tenures and a choice of homes for people provided by housing associations breaks down barriers and inequalities.
We have improved the life chances for children, young people and families at risk	A good quality affordable home is the cornerstone for the improvement of life chances for people at all stages of their lives
We live our lives safe from crime, disorder and danger	A good quality affordable home provides a safe, secure environment for people
We live in well designed sustainable places where we have access the	Housing associations build well designed, energy efficient, sustainable

amenities and services we need	places for people in rural and urban areas throughout Scotland
<p>We have strong resilient and supportive communities where people take responsibility for their own actions and how they affect others</p> <p>We value and enjoy our built and natural environment and protect it and enhance it for future generations</p>	<p>Housing associations in Scotland have evolved from community action to take control of their own housing problems and to benefit others in their communities who need help</p> <p>Housing associations have been pivotal in investing in quality developments which respect our built and natural environment, in many cases giving redundant urban and rural buildings a new purpose as good quality affordable housing</p>
We take pride in a strong fair and inclusive national identity	Housing associations work hard for all members of Scottish society who are in housing need
We reduce the local and global environmental impact of our consumption and production	Housing associations have taken the lead in sustainable construction measures and encouragement of energy efficiency and environmental awareness amongst tenants
Our people are able to maintain their independence as they get older and are able to access appropriate support when they need it	Appropriate housing is the key to enabling older people to stay in their own homes and specialist and general housing associations provide support and services including adaptations to homes, which again enable preventative spend savings.
Our public services are high quality, continually improving, efficient and responsive to local people's needs	Housing associations are committed to high standards of service and continual improvement, as verified by external regulation and benchmarking