Homes for Scotland (HFS) welcomes the opportunity to provide the Scottish Parliament’s Local Government and Communities Committee views on the Scottish Government’s draft budget for 2017-18.

Our response will focus on the Committee’s call for evidence on the Scottish Government’s target to build 50,000 affordable new homes over the next five years.

HFS Chief Executive Nicola Barclay has also accepted the invitation to participate in the round table evidence session focused on housing on 16 November.

**Housing Supply Budget**

**Question 5**

**How well the centrally managed funding programmes are managed, what outcomes they deliver and do they represent value for money?**

Our direct experience is with the management of the Help to Buy (Scotland) (HTB) funding which has been patchy since its introduction. The funding ran out early in 2014/15 and 2015/16 which meant the scheme experienced a stop/start which had an effect on market behaviour and the confidence of builders. This is in contrast to the scheme in England where funding was committed for a number of years which gave the industry confidence to open up sites and customers the confidence that the purchase was not urgent and they could save and plan accordingly. This helpfully resulted in less distortion in purchasing trends through the HTB scheme in England.

In 2016 3 years of funding was committed (all be it with new scheme criteria with a cap in house prices and reduced max equity available) and this was welcomed to avoid a repeat of the above. However whilst we are working closely with the Scottish Government on monitoring the scheme, we do have concerns that the levels of funding will not be adequate to support sales through the years going forward.

Also to reduce demand on the budget new price caps are to be introduced in 2017/18 and 2018/19 and we have concerns about the coverage of the scheme going forward. The Scottish Government’s aim is to tail off the scheme but if this is to happen we would still like to see the scheme available throughout the country as it happens, as opposed to concentrated in certain sites where the lower price cap remains viable such as in Glasgow.
In terms of value for money the funding for HTB does more than support those customers who qualify. It gives confidence to builders to open up new sites and drive forward with build programmes which will also result in the delivery of affordable homes. Without this confidence production could slow. In addition to this a benefit of HTB from a housing supply budget point of view is that the money invested in people’s homes will be returned to the Scottish Government at a point in the future, along with any associated valuation growth.

**To what extent are the innovative funding packages leading to a change in the way affordable housing is being delivered?** (Information on innovative financing is available on the Scottish Government website at this link.)

Home builders would wish to provide affordable housing units over a mix of tenures but local authority policy is by and large highly weighted towards providing social rent. We believe that innovative funding packages have in recent years resulted in greater variety and creativity in the delivery of affordable housing and we welcome this.

There is more than one type of affordable housing and to help developments happen private home builders, RSLs and others have brought forward mid market rent units, shared equity, discounted home ownership (i.e. golden share) etc. Not everyone in housing need in Scotland requires or wants a social rented unit. This can be demonstrated by the high levels of demand evidenced for mid market rented developments.

**The extent to which the centrally managed funds support development of the appropriate mix of affordable housing to meet housing needs (such as mid-market rent as compared with social rent or private rent)?**

See comment above.

**Question 6**

**To what extent do the Resource Planning Assumption and the Strategic Local Planning Agreements processes effectively enable local housing needs to be prioritised and resourced?**

Despite slippage in programmes and projects having RSL support, builders have encountered local authority unwillingness to add “shovel ready” affordable housing projects to SHIP’s/Programmes. This is hampering the delivery of affordable homes as it means Scottish Government subsidy cannot be secured.
We would like to see more flexibility in the resource planning to allow new developments to come forward and be in a position to provide the affordable housing required in a timely manner.

Some projects contained in SHIPs are blocked for a variety of reasons and if another project can deliver then it should be replaced. Whilst it is helpful that the Local Authority identifies priorities, they must work much closer with the private sector to ensure money is allocated in the right places. Flexibility is the key to delivery in an ever changing market.

We would also suggest a cascade mechanism/structure that easily allows other forms of affordable housing to be considered where there is no funding available for social rented units.

Furthermore, we would suggest that an affordable housing credit system be considered where it is possible to deliver more affordable units on one site if for viability reasons they can then deliver less on another. This works in Perth & Kinross, Moray and Aberdeenshire and we would be keen to see this flexibility rolled out throughout the country.

Finally, despite our calls to increase flexibility within the plans to respond to changes, we see a long term funding horizon as essential for all stakeholders to plan accordingly. Annual budgeting would not be helpful to anyone.

**Question 7**

*We seek written responses on whether the increased subsidy levels will support new housing developments; and in particular whether the flexibility in subsidies will improve the provision of housing for older people or for people with particular needs.*

The lower grant levels on offer in recent years were problematic in terms of managing the impact in both labour and material costs within the industry. Feedback from our members suggests that the increase grant levels were welcomed and should, going forward, help affordable housing schemes stack up financially.

This however should not stop innovation and as a sector we should continually look at ways that efficiencies in delivery can be increased. For example, through procurement routes with the introduction of a standard product range. Feedback from our home building members suggests that at the moment there is a different design brief and expectation of finished product for every new affordable scheme, RSL or Council. This it could be argued does not result in the best use of money.
We agree that additional subsidy levels should help deliver higher cost projects such as those for elderly, disabled, those with ‘green’ credentials and those in rural locations where build costs could be higher. The additional subsidy should be kept under review to ensure it is enough to help cover additional costs.

**Question 8**

Do you have any other comments to make about the outcomes the Scottish Government seeks from its Housing Supply Budget and how it delivers those outcomes?

**Infrastructure Loan Fund**

We understand that the Infrastructure Loan Fund is funded from Financial Transactions. We wonder whether further funding could be allocated within the housing supply budget to maximise its impact and help unlock sites to deliver much needed new homes. This financial year £50m was allocated to the loan fund. Whilst this was welcomed the financing of infrastructure is one of the biggest blockers to the delivery of new homes and we would like the Scottish Government to offer further support. Education provision for example could not be included in the fund given its financial limits. The ability of builders to fund the provision of education, particularly high schools, is blocking the delivery of housing across the country. Whilst the housing developments could potentially afford to contribute towards the funding of education, home builders are unable to afford to do this upfront and a facility such as the Infrastructure Loan Fund could go a long way to make the difference if its lending ability was increased.

**Build to Rent Private Rented Sector**

The Scottish Government is currently exploring the use of a Rental Income Guarantee to provide some financial security to investors to come to Scotland and deliver purpose built, quality, professionally managed PRS developments in what is currently a market in its infancy. Whilst it is a guarantee scheme we expect it will require some form of provisioning within the housing supply budget and we would be keen for the Scottish Parliament to offer its support to its introduction.

**General comments**

In closing we would like to take the opportunity to remind the Committee of the importance of increasing the supply of all housing tenures. The Scottish Government’s ambitious target to deliver 50k affordable homes during this Parliamentary term will be absolutely reliant on an increased supply of homes within the private sector.
Whilst this response is focused on the housing supply budget, it is very important to note that there are other significant factors that can hamper delivery. The delivery of affordable homes will encounter the same challenges to delivery as those in the private sector, such as planning, building warrant approvals and skill shortages. We would be happy to share further information on the challenges of delivery to the Committee. It is absolutely crucial that improvements to the system are made if much needed new homes are to be built.