

UNITED KINGDOM (SCOTLAND)

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DATE 23-May-2025
SERIES Social and Public Housing in the EU & UK

PARTNER ORGANISATIONS



THIS RESEARCH HAS BEEN
FUNDED BY



An Roinn Tithíochta,
Rialtais Áitiúil agus Oidhreachta
Department of Housing,
Local Government and Heritage

The views expressed in this paper are those of the authors and they should not be regarded as an official position of the Department of Housing, Local Government, and Heritage.

Table 1: Housing stock in Scotland, 2022

Tenure	# of Dwellings	% of total
Social Housing	618,000	23.0
– of which: Housing Associations	297,000	11.1
– of which: Local Authorities	321,000	11.9
Private Rental	358,000	13.3
Owner Occupiers	1,711,000	63.7
Total	2,687,000	

Source UK Housing Review 2025 - Table 17a and 17b

Origins and brief historical overview

Like other nations, but arguably to a uniquely intense level, Scotland's path to developing social housing arose from the housing consequences of rapid and unprecedented industrialisation accelerating through in the 19th century.¹ As Rodger (1999, p.193) stated: 'By 1911, with 50% of the population living in towns of 20,000 or more, Scots were a more urbanised nation than any other in the world, except for England. Together, natural increase and migration produced a 48% increase in the population of Burghs with over 5,000 people between 1831 and 1861 and a further 113% increase between 1861 and 1901'.

Labour-intensive industrial work combined with large numbers of migrants from the Highlands and Ireland seeking work in the central belt of Scotland to produce low wages and a drive to the bottom of the low-cost low quality often dangerous, housing market. This resulted in high density speculative tenement rental housing characterised by extreme overcrowding, unsanitary public health outcomes and significant morbidity and mortality consequences. Rodgers (pp193-94) observes that in this era, across Scotland there were only 'sketchy powers' relating to housing bylaws and building controls, with inevitable consequences. Rodgers argues (p194) that this extreme overcrowding led to the degradation of the housing stock.

Although the percentage of overcrowding declined between 1861 and 1911, the absolute numbers grew from 1.7m to 2.1m. In total, 2.3m Scots lived in one or two roomed houses (Rodgers, p.203) – half of the entire population. This was especially apparent with child morbidity: terrible infant mortality in some of the densest areas of central Glasgow and Edinburgh, lower weight and chronic illness associated with overcrowded and unsanitary housing.

As early as the 1860s, councils had begun to consider demolishing the worst slums and even to directly replace them with better quality housing. Glasgow's Improvement Trust demolished many central slums, but by not rebuilding—or when they did, they did not offer affordable rents to low-income workers—they simply made the demand-supply imbalance or shortage worse. Glasgow did put up 7 municipal 'lodgings' on cleared ground, and this was repeated by a few other councils. Edinburgh was the first to build council housing to scale, developing 600 flats between 1897-1907. By 1913, these

¹ Reading in this section comes from Gibb, A (1983) *Glasgow: Making of a City*, Croom Helm: Aldershot. Begg, D (1996) *Scottish Housing Policy*. John Donald: Edinburgh. Rodger, R (1999) 'Building development: urbanisation and the housing of the Scottish people, 1800-1914', in Glendinning, M and Watters, D (editors) *Homebuilder*. RAHMS: Edinburgh. See also, Meen, G, Gibb, K, Leishman, C and Nygaard, C (2016) *Housing Economics An Historical Approach*. Palgrave Macmillan: Basingstoke.

developments along with others in Glasgow, Perth, Aberdeen, Dundee and elsewhere meant that council housing accounted for 1.3% of the total housing stock just prior to World War one.

The war postponed, but also accelerated, larger scale housing intervention in Scotland.² During the war, Glasgow women led rent strikes that culminated in rent control legislation in 1915, which was subsequently extended in 1919. In 1912, the Ballantyne Commission had been established and later recommended proposals that appeared in the 1919 (Addison) Housing Act that required Scottish councils to understand levels of local housing need and to build necessary numbers of homes for working class people supported by UK Government exchequer subsidy.

In 1923, much of this was led or reversed by the (GB-wide) Chamberlain Act, which sought to subsidise private housebuilding and rolled back the scope of council housing by reducing the per unit subsidy and ruling general needs housebuilding unless it was demonstrated that the market could not deliver. However, the 1924 Labour Government introduced the Wheatley Act, which reestablished the powers of councils to meet the housing needs without first needing to prove market failure. Scotland was able to maintain subsidy longer than in England and Wales after subsidy was eliminated there – although housing costs and values had fallen sharply in the depression. After 1933 general needs subsidy was removed with funding thereafter aimed only at special needs arising from slum clearance.³

Although the first phase of mass council building was declining and arguably quality suffered when subsidy reduced, nonetheless, by the end of the 1920s, more than 106,000 Scottish public sector homes (70,000 of which were council houses) were built, with 10,000 more under construction (Begg 1994 p 27). Many of these buildings were three or four storey tenements, as well as terraced and four in a block 'cottage' flats.

The focus of this section is the evolution of social housing after World War two. It focuses first on the uneven but sustained period of mass council and wider public sector housebuilding that extended from the late 1940s through to the mid 1970s, including large scale urban clearance, comprehensive redevelopment and the expansion of non-traditional property development in cities and towns but also peripheral estates. The subsequent demise, second, of council housing in terms of new investment but also rapid and extensive tenure change including through the right to buy. This period also saw the growth of the housing association sector as a not for profit route to deliver social housing, as well as a greater focus on refurbishment and rehabilitation. The third phase covers the period broadly since devolution in 1999 when the new Scottish Parliament took responsibility for social housing matters.

Public Sector Expansion

While the initial broadly 30 years phase of expansion was dominated by council housing, it is important to also note the post war expansion of the Scottish 'new towns', which all ran large scale social housing through their development corporations (all subsequently sold off in the 1980s and 1990s to individual sitting tenants or transferred to housing associations or similar bodies), as well as the Scottish Special Housing Association (SSHA), a public corporation established in 1938 to support social housing in special areas of economic development (later merged with the Housing Corporation to form Scottish Homes in 1987, with all of its stock sold off to housing associations or to individual sitting tenants over the next 15 years).

Starting with the Atlee Government elected in 1945 and expanding first through the 1950s Conservative Governments, and then for a third phase increase under both Conservative and Labour Governments in the 1960s, this period allowed a massive expansion of council housing, often built on

² O'Carroll, A (1999) 'Social Homes, Private homes' in Glendinning, M and Watters, D. (editors) Homebuilders. RCAHMS, Edinburgh.

³ Ibid.

council land on peripheral or suburban locations (great new estates emerged on the edges of Glasgow, Edinburgh, Dundee, Stirling, and elsewhere in smaller towns like Motherwell, Hamilton and Greenock).

Many of these estates formed the later logic of overspill, moving people from dense city centres out to new estates with larger and better equipped homes, but often few social and retail amenities. They used industrial methods and non-traditional building styles like large and then even larger multi-storey buildings (more than a 100 in Glasgow alone). New towns combined mixed tenure housing, public sector housing and economic development land uses for new businesses, factories and a generally car-oriented transportation philosophy. In the 1960s, Glasgow bought into the idea of comprehensive redevelopment, picking a large number of generally poor quality tenemental neighbourhoods, demolishing them and replacing them with new often non-traditional public housing. Neighbourhood examples of Anderston and the Gorbals did not sustain and were themselves demolished and redeveloped within around 30 years of the initial redevelopment.

Later on in the 1980s and 1990s, the then Conservative Government undertook experimental regeneration of well-established peripheral public housing estates in Glasgow, Edinburgh, Dundee and Paisley. While these were much wider than just being about housing improvement and tenure change, *New Life for Urban Scotland*, sought to use housing to strengthen change, for instance, by exporting the inner-city development of tenemental neighbourhoods owned and run by community-based housing associations into the big estates through neighbourhood level stock transfer to tenant run organisations. This reappeared across Glasgow during this decade.

Large scale mass public house building allowed a scale never seen before and this enthusiasm for high towers continued until the Ronan Point disaster in 1968⁴. The scale of construction was extraordinary and swamped (and probably impaired) private housebuilding. According to the data we can see that, taking each decade,⁵

- For the period 1945-51, total public sector build (including new towns and SSHA) in Scotland grew from 1,428 in 1945 to 25,029 in 1950, falling back to 21,783 in 1951; private housebuilding never exceeded 1,541 annually in that period.
- For 1950-60, total public sector new build in Scotland ranged from 21,783 in 1951 to as high as 37,155 in 1953 and then fell back to 22,063 in 1960; private housing grew unevenly from 782 in 1950 to 6,529 in 1960.
- Between 1960-1970, total public sector new build in Scotland hovered around 22,063 from 1961-64, before accelerating to finish at 34,906 in 1970; private housebuilding in the 1970s fluctuated from 6,622 in 1963 up to 8,220 in 1970.
- 1970-79 was the watershed: public sector housing collapsed from 34,906 in 1970 to just 8,607 in 1979; private house new build grew from 8,220 in 1970 to 15,175 in 1979. [p165]
- 1979-2010 – public sector housing completions (i.e. council) nearly ceased entirely with just 6 units in 2005-6 before rising to 340 in 2008-9 and achieving a thousand or more units broadly since 2011-12; housing associations meanwhile were building between 2,300 and 5,800 in every year since 1990-1. Meanwhile private sector completions swung between 9,890- and 21,660.

The large changes in tenure and society were impacted by first the huge growth in public housing and then since 1976 (the year of macroeconomic retrenchment and change of direction, three years prior

⁴ Ronan Point was a multi storey building in Newham, London, which partially collapsed just months after opening to residents. Four people died when part of the building collapsed from the 18th floor downwards. This led to a rejection of the widely blame building methods associate with high residential towers and ended the appetite for mass building in this form across the UK.

⁵ Begg, D (1996) Housing Policy in Scotland. John Donald: Edinburgh, pp108, 119, 146, 165; and from the UK Housing Review 2024, table 19f

to Mrs Thatcher first coming to power), the switch into home ownership was unprecedented. In 1976, a third of dwellings were owner-occupied and 54% were in the public sector (not including housing associations). This was the high-water mark and, as we shall see, comprehensive far-reaching tenure change then rapidly followed, which was far more dramatic than elsewhere in the UK.

Table 2: Tenure change 1971-81 (thousands of units)

Dwelling tenure	1971	1976	1981
Owner-occupied	569	645	718
Public rented ¹	948	1,042	1,027
Private rented ²	305	234	191

Source: Begg, D (1996) Housing Policy in Scotland. John Donald: Edinburgh. p166

1. Includes new towns and Scottish Special Housing Association;

2. Includes housing associations (RSLs)

Council and public housing varied enormously in quality, outlook, built form and condition. While there was a lot wrong with what was ultimately created in places, there was also much good done in terms of incomparably better housing conditions than that found in much of the pre-1919 poorer quality tenements. However, low rents, financial challenges for local government, and an inability to deliver consistent management services—and even specific repair services—did lead to cumulative problems. Despite all this, it is noteworthy that in the current period, many councils are buying back ex-council houses sold to tenants and now in the private rented sector, because of their underlying high quality and size standards. There is also no doubting the ideological backlash against council housing that occurred in the 1980s and 1990s, which also encouraged the wholesale tenure change towards ownership in Scotland.

As a final precursor to what followed, the housing association movement also took shape in the latter part of this period in part because of the development of a regulator, the housing corporation in Scotland facilitated by legislation in 1965 and by financial powers to offer grant and public loans by legislation in 1974. At the same time, Glasgow had awoken to possibility to use these hitherto small-scale models of social housing to rehabilitate and extend the life of traditional tenements, while empowering residents as board members to actively support the improvement of their communities. Initial successes in Govan led ultimately to more than 60 community-based housing associations across the city receiving deep subsidies to purchase and then rehabilitate the buildings, new management and ownership, and successfully transforming many neighbourhoods both in the inner city and on peripheral estates. In this way Glasgow transferred tenure first from the private sector to housing association social housing and then later from council stock to housing associations.

Turning Away from Council Housing

The period after 1976—and especially after 1979—was revolutionary for housing. The new Conservative Government essentially stopped councils building more homes through borrowing controls and then introduced the legislative ‘Right to Buy’ council homes by sitting tenants with discounts increased by length of tenancy. Bearing in mind that Scotland is less than a tenth of the population of England, it had broadly half a million council house sales, whereas England has two million—a disproportionately higher level of sales in Scotland and a significant part of the reason for the rapid expansion in home ownership. Not only did the stock of social housing rapidly decline, but it was not replaced because of rules governing the capital receipts received by councils, which were required to pay off council housing debts, rather than invest in stock or build anew.

A second major policy switch happened in the ‘1988 Housing Act’, which provided mixed finance for housing associations to build social homes; i.e., a combination of up-front grant in aid combined with private loans, which are repaid out of rents. This essential model remains in place today and has been

more resilient and stable in Scotland (even if it is now facing considerable challenge, which we discuss later). The private rented sector was also deregulated, which was a necessary condition for the rental market's return to growth (though this was driven 10 years later by the buy-to-let phenomenon).

Third, 1988 saw the enabling of housing stock transfers, initially accelerating partial stock transfers among new towns, the sell-off of Scottish Homes stock and other partial local authority sites (such as the Ardler estate in Dundee to be regenerated by a housing association in partnership with a private developer). In each case, tenants were balloted for the transfer, they were offered some inducements (such as guaranteed repairs), retention of the right to buy, and rent guarantees. The properties were valued over 30 years with sitting tenants, not as vacant possession capital value. Initially, these were all transfers that made a net return over the 30 years timeframe; later those in a deficit were subsidised to facilitate transfer.

The Scottish New Town development corporations sold their stock in a transfer programme to existing or specifically created housing associations, drawing on the model used to transfer the social housing stock inherited by Scottish Homes. This involved separate ballots and transfer arrangements for 118 separate local transfer 'packets', accounting for a further 52,000 units.⁶

Another feature that came to the fore in this period was the increasing reliance on housing public expenditure on housing benefit. Government cut deficit subsidy to encourage higher rents among council landlords and this was for the majority on benefits simply redirected to social security costs. Equally as private renting deregulated its now higher and rising rents would in part be met by housing benefit (HB).

Further investment that required higher rents would also allow HB to 'take the strain'. This was in part a peculiar feature of HB that it insulated recipients from further increases in rent—eligibility was only reduced by either 'excessive' rents or by improved income.

Social Housing in Scotland since 1999

Scotland's devolution status—with its own Parliament—was provided for by legislation in 1998 and the first Scottish election took place in 1999. Devolution has been an evolving process, with major new Scottish fiscal powers added in 2012 and 2016. Housing has always been devolved, though the housing elements of social security, key housing-related taxed and financial regulation and public finance rules are all still reserved.

Enabled by legislation in 2001 and mimicking similar policies in England, the Scottish Executive set all social landlords a quality standard that had to be achieved within a timeline but offered specific ways to raise the investment required – councils could borrow within prudential borrowing rules, demolish non-viable stock or transfer their stock in part or in whole to the housing association sector. For housing associations, they could also demolish non-viable stock, or borrow long term to invest in their stock to bring it up to the necessary standards, or even merge with other associations. This policy, as in England, had a significant cumulative effect, incentivising a change in the overall composition of the social housing sector. This was much more than simply about improving standards and housing quality.

⁶ Gibb, K et al (2004) Review of the Effectiveness and Impact of Transferring Scottish Homes Houses into Community Ownership. Precip 59 Communities Scotland: Edinburgh.

Table 3: Scottish local authority stock transfers 2002-2006

Local authority	Number of units transferred
Argyll & Bute	5,600
Scottish Borders	6,700
Dumfries & Galloway	11,900
Glasgow	81,400
Inverclyde	8,600
Western Isles	1,900

Source: Audit Scotland. (2006). Council Housing Transfers. Edinburgh: Audit Scotland

Scotland has 32 unitary local authorities (or councils) and 26 of them continue to supply general needs council housing directly. Six councils successfully transferred their stock to non-council landlords (see Table 2), while several more tried, but failed, to win legally required tenant ballot outcomes. The successful transfers included Glasgow, who undertook the largest stock transfer (just over 80,000 units) in the UK in 2003. The successor Glasgow landlord, Glasgow Housing Association (now a group structure, Wheatley) is the largest social landlord in Scotland with subsidiaries in several other council areas of Scotland.

Homelessness is a key part of the social housing challenge in Scotland. All local authorities are responsible for tackling homelessness in their areas, both through initial temporary accommodation after applicants come forward and are assessed to be homeless, but also in terms of securing long term settled accommodation, often through social housing allocations of existing or new build properties. Landmark legislation in 2003 gave Scotland some of the strongest rights for homeless people in the world (for example ending priority need in Scotland); they were phased in over 10 years.

A major challenge for councils without housing stock is that they must rely on housing associations fulfilling nomination agreements for them to house a given proportion of their vacant properties with homeless people. Councils are asked to pursue rapid rehousing transition plans, to develop Housing First models and also to manage and minimise those in temporary accommodation or seeking long term settled accommodation through homelessness prevention, something Scotland has lagged behind compared to other parts of the UK but has legislation in train just now which seeks to make a significant increase in prevention duties and provision of support. Despite these efforts and forward thinking we will see shortly that homelessness and a specific crisis in temporary accommodation is at the root of the current housing emergency in Scotland.

A key development in Scottish social housing policy was the two-stage phasing out and abolition of the Right to Buy council houses. In a context of growing housing need and the unwillingness of councils to build new homes for general needs, the Scottish Government decided to abolish sales on new build thus removing a key disincentive for council to build. As noted earlier, this did over a few years allow council house building to resume, later supported by grant in aid on similar lines to that long received by housing associations. With cross party support the Government then preannounced that new applications for council house sales would stop altogether from July 2016. The policy was generally viewed to have run its course with more than 40% of ex-council houses in some areas now in the private rented sector, there was broader support for the move, especially given the growing need for more social housing.

The course of social housing policy in Scotland like elsewhere has probably mostly been impacted by external shocks in the form of the global financial crisis. Not only did this spark economic downturn across the UK, but after a change of UK government, there were deep cuts in spending and a long-term process of fiscal austerity. Housing benefits were reduced sharply, and overall household benefit bills were capped along with conditionality sanctioning of benefit recipients for rule breaking.

Additionally, housing capital programmes were sharply cut in 2010 and these reductions passed over onto downward pressure on the Scottish devolved Budget. Initially, this led to a year of minor experimentation providing a competition for pilots of innovative ways of developing affordable housing (Field et al, 2011)⁷. However, the government then changed tack and developed the first of three 5-year spending programmes to deliver social and affordable housing to rent and own returning to a well-defined capital budget providing up-front capital grants).

The affordable housing supply programme, discussed below in more detail, involved targets being set to deliver 30,000 units in the 2011-16 Parliament, followed by 50,000 units in the 2016-21 programme and the same in the next two parliaments (2021-26 and 2026-31, plus an extra year 2031-32). The proportion of the target which is social general needs rental housing has risen from 60 to 70%. The current 11-year programme is associated with the *Housing to 2040* Housing strategy for Scotland. The strategy delivered on its targets in the first two parliamentary terms, though it now faces considerable difficulties because of adverse economic and construction market conditions, as well as budget cuts.

Overall, this period can be divided into three eras: the 30 years of uneven, mass public sector housebuilding; the reversal piloted by the Thatcher government and, at a more modest level, finally the return to social housing within a changed housing system (i.e., one of substantial private renting and stalled home ownership, but also considerable and arguably rising housing need).

All this has meant considerable tenure change is a relatively short period of time. We saw earlier that in the mid 1970s only a third of Scottish homes were owner-occupied. This then rapidly grew to 51% by 1991 peaking at 64% in 2010, before falling back to 61% in 2022. At the same time private renting grew from 6% in 1991 to 16% in 2020 (15% in 2022). This could only be at the expense of social renting, which had been 54% in 1976 but fell to 43% in 1991, 30% in 2001, 24% in 2010 and 23% in 2022. Table 5 shows the absolute change in dwellings by tenure over this thirty-year period. However, the combination of the end of the Right to Buy and the Affordable Housing Supply Programme means that the absolute numbers of social housing units were once again increasing, at least until 2022-23.

Table 4: Tenure Change 1991-2022 (% of all dwellings)

Tenure	1991	2001	2010	2020	2022
Owner-occupier	51	62	64	61	61
Private rented	6	8	12	16	15
Housing association	3	6	11	11	11
Local authority	40	24	13	12	12

Source: UK Housing Review (2024) Table 17b

Table 5: Change in stock of dwellings by tenure, Scotland, 1991-2021

Tenure	% change
Housing association	+274
Local authority	-64
All social housing	-40
Owner occupation	+53
Private renting	+205
Total	+22

Source: UK Housing Review 2024, Table 22

⁷ Field, A, McDowall, R, Trouten, K and Gibb, K (2012) *Innovating Housing Delivery*. Homes for Scotland: Edinburgh. The government offered up to £40,000 (€46,630) per unit for approved models.

The contemporary governance of social housing

In most respects, social housing policy is devolved to the Scottish Government. The government funds and legislates on social housing introducing important legislation since devolution (1999) in 2001 (including social tenancy reform, local housing strategy, stock transfer), 2003 (landmark homelessness rights) and 2016 (private renting reform including open-ended tenancies, specified grounds for repossession, rent pressure zones), among others. In many respects, Scottish housing policy, its funding and promotion—especially for social housing—has diverged from that of England.⁸

The Scottish Government also consulted over and launched a 20 years' housing strategy in 2021, *Housing to 2040*.⁹ The comprehensive strategy set a vision for housing based around the UNHR right to adequate housing, intended to stabilise the housing market through among other things tax reform, investment in the decarbonisation of the housing stock, and eradication of homelessness. The programme also sought to raise housing quality across all tenures and to invest in social and affordable housing through the continuation for 10 more years (two parliamentary terms) of the national programme to meet affordable housing need through sustained subsidy for new build programmes.

Important aspects of social housing that remain at UK government (reserved matters)¹⁰ include most social security and housing benefit and universal credit which contribute to rent payments for low-income households, as well as the overall financial regulatory frameworks operating for private finance for social housing. The UK government through HM Treasury also sets (or in part negotiates) the public accounting framework and the *rules of the game* defining public spending and how raising local tax revenues (e.g., devolved income tax) impacts on the annual budget that operates in Scotland (in other words, grant from Westminster is offset by the locally raised tax revenues).¹¹

The regulation of social housing is provided by a combination of non-departmental public bodies (NDPBs) operating across Scotland. The Scottish Housing Regulator regulates housing associations and the statutory homelessness functions of local authorities, along with auditing of local authority housing services by the Accounts Commission and Audit Scotland. This is further discussed in Section 4 of this chapter. The Regulator has strong discretionary interventionist powers to protect tenants, to provide a layer of comfort for lenders and to progressively improve standards and performance across the sector.¹²

Local authorities are the statutory strategic body for housing, locally. They are responsible for maintaining a local housing strategy, leading on their housing needs and demand assessment, and they are responsible for running homelessness services in partnership with local Health and Social Care Partnerships. They also organise local Social Housing Investment Programmes working in partnership with Scottish Government to match grant funding from government to social and affordable housing projects on specific sites within council boundaries. The exception to this is Glasgow and Edinburgh who manage the entire process of development funding themselves (including approving specific projects and allocating public funds) from their annual grant funding – this is known as the Transfer of Management of Development Funding (TMDF).

Table 6 (below) provides a snapshot of dwellings by tenure in Scotland compared to the rest of the United Kingdom.

⁸ Gibb, K (2021). Divergent approaches to affordable housing supply in a devolved policy system: Scotland and England after 2010, *International Journal of Urban Sciences*, 25 sup1, 218-40.

⁹ <https://www.gov.scot/publications/housing-2040-2/>

¹⁰ <https://commonslibrary.parliament.uk/research-briefings/cbp-8599/>

¹¹ <https://audit.scot/topics/financial-devolution-in-scotland-the-journey-so-far>

¹² <https://www.housingregulator.gov.scot>

Table 6: Households by Tenure 2022-23 (% of all households)

	Social rental	Private renting	Ownership
Scotland	23	13	64
United Kingdom	17	19	64

Source UK Housing Review 2025 - Table 17a, figures do not necessarily round to 100

Links with private sector

There are specific linkages between private sector housing and social housing provision in Scotland. First, there are leasing arrangements between the private rented sector or charities and councils, to house homeless people in temporary accommodation waiting for settled housing. In Glasgow and Edinburgh these are large scale programmes involving, together, several thousand properties. On a smaller scale but with considerable scope for growth, there are also charities such as the Simon Community Scotland and Cyrenians who partner with social investment bodies like Social and Sustainable Capital or Resonance to provide follow-on or indeed long-term social housing for vulnerable clients.

Second, established and regulated social housing providers set up private renting subsidiaries to provide grant-funded affordable or mid-market rent¹³ where new or refurbished properties are let to key workers at rents linked to the relevant Local Housing Allowance¹⁴. This provides affordable renting to scale under a private tenancy but at a significant discount to the equivalent full market rent. This may also help develop mixed tenure developments and is a maturing product offered by providers, through subsidiaries, such as Link, Sanctuary, Wheatley and other providers. In the UK we distinguish general needs social housing from these affordable rent products which are subsidised but classified within the private rented sector (the same would apply to low-cost home ownership products like shared equity or equity loans, which remain in the owner-occupied sector).

Third, Scotland has one major organisation, Homes for Good (HfG), which is in part similar to a social lettings agency, but does much more as a private landlord. Most of its clientele are disadvantaged and vulnerable. Their furnished properties are used for temporary accommodation though company lets for third parties who support the homeless. Distinctively, HfG also provide intensive management support to sustain tenancies and all rents are at or near the Local Housing Allowance level. HfG is the largest recipient of social investment funding in Scotland.¹⁵

In the case of emerging social investment models¹⁶, investment funds seek to earn a return for investors by doing good, for instance, providing temporary or follow-on accommodation. There is usually a contract between the investor and provider, who is usually not for profit, perhaps a housing association or charity, wherein the rent payment is split between the two parties in an agreed distribution but in addition additional housing benefit payments known as exempt rent is granted for intensive housing support cases requiring wrap around services to help sustain the tenancy.

While there are not any specific or direct cash payments to private owners (other than UK-wide loans to help with mortgage payment problems organised through the social security system), Scotland has

¹³ In 2022-23 Scotland produced just over 1,500 affordable rent more than 80% of which was programmed new supply, compared to just over 8,000 social housing supply units. Grant levels are lower than social housing but do vary considerably across the country. According to the Government around £75million (€87m) in grant was spent on mid-market rent, the main form of affordable rent in Scotland in 2022-23 (More Homes, 2024).

¹⁴ For more information, see: <https://www.gov.scot/publications/affordable-housing-supply-programme-process-and-procedures-mhdgn-2022-02/pages/annex-c-mid-market-rent/>

¹⁵ See: <https://homesforgood.org.uk>

¹⁶ <https://www.thebank.scot/social-and-sustainable-housing-fund>

deployed shared ownership, shared equity and equity loans to support first time buyers (including the Scottish version of the Help to Buy model)¹⁷ which are a form of subsidy and are discussed later in this chapter in more detail.

Finally, as we will see with reference to social and affordable housing development, the private sector also plays a role through planning gain derived from local authority Affordable Housing Policies which seek to convert planning gain into additional social or affordable units for sites beyond a certain size which receive planning permission; i.e., through what are known as S75 agreements (which is called S106 in England).¹⁸ It is also the case that most social housing development by housing associations and some local authorities will be procured through contracts with construction companies, although larger local authorities and bigger housing associations may operate with their own direct maintenance and construction services.

Financing of social housing

The typical way of developing new general needs social housing is to provide a mixed funding arrangement by which housing associations or council can draw on benchmark, but discretionary at the margins, upfront capital grant from the Scottish government, combined with private loans or indeed public loans from the public works loan board (in the case of councils). Grant per unit is considerably higher in Scotland than it is England and is an important reason for the deeper provision of new social housing in Scotland once adjusted for population.¹⁹ Unlike in England, Scotland has no for-profit providers of social and affordable homes who have access to government grant. Currently, the Scottish Housing Regulator has no powers to regulate, and hence no grant is available to such potential providers.

Social housing providers may also contribute their own equity in the form of free reserves or contributions from rent surpluses, or conceivably by reinvesting surpluses from subsidiaries they operate. It is also possible that social providers may benefit from S75 contributions associated with local authority affordable housing policies where, in return for planning permission, larger sites have a proportion given over to social or affordable housing.

Table 7: Benchmark Grant Levels Social Renting and Mid-Market Rent, 2023, (3 person equivalent; in EUR)

Project Type	West Highland, Island and remote rural Argyll	Other rural	City and urban
RSL social rent	128,351	111,551	104,831
Council social rent	111,551	101,472	96,096
RSL mid-market rent	78,624	75,936	71,904
Council mid-market rent	71,231	69,216	65,855

Source: More Homes (2023) Affordable Housing Supply Programme: Process and Procedure, p.25

Note: RSL regulated social landlord; converted from original GBP values at a rate of €1 = £0.8698

¹⁷ <https://www.gov.scot/policies/homeowners/help-to-buy/>

¹⁸ See: <https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2021/07/value-incidence-impact-developer-contributions-scotland/documents/value-incidence-impact-developer-contributions-scotland/value-incidence-impact-developer-contributions-scotland/govscot%3Adocument/value-incidence-impact-developer-contributions-scotland.pdf>

¹⁹ Gibb, K (2021) 'Divergent approaches to affordable housing supply in a devolved policy system: Scotland and England after 2010', *International Journal of Urban Sciences*, 25 sup1, 218-40.

As indicated in Table 7, Benchmark grant levels are varied according to rural to urban locations, and by size.²⁰ Benchmark grant levels are also higher for housing associations than councils. However, unlike in England, the combination of deep capital grants and the end to the Right to Buy—alongside access to public loans—has allowed council house new build to expand and be sustained. Table 7 show the benchmark figures for different grant urban/rural configurations for both social rent and (affordable) mid-market rent models. The 2023 models for social rent assume a £4,848 (€5,574) annual starting rent for a new 3-person property, equating to a monthly rent of £404 (€464) or a weekly rent (52 weeks) of £93.23 (€107.19).

Social providers benefit from a strong regulator that stands behind the sector and provides comfort to private lenders and the capital markets. Developing housing associations and councils' financial risks are reduced by Housing benefit rent rebates, housing allowances and Universal Credit housing costs element. The lending market for housing association finance has developed and matured since its establishment in 1988. Apart from standard mortgage debt finance, housing associations may partner in bond aggregators run by the Housing Finance Corporation, or larger players may raise bond finance directly in the capital markets. Associations have standard covenants with banks, and security is issued against the unencumbered stock owned by the association. Councils draw public loans from the public works loan board but may also take out private loans within the prudential finance regime they operate within.²¹

The Scottish Housing Regulator assesses the quality of treasury management and financial planning by housing associations, looking more closely at developing providers and those with 'strategic significance' to the sector. The Regulator also publishes regular updates on the sector's finances, its resilience and its exposure to risk. Along with governance failure, financial problems are the other main reason that the Regulator intervenes and may replace key board positions or senior staff or indeed facilitate a transfer of undertakings to another social landlord. As a result, no housing association has yet failed in terms of tenants' homes being at risk.

It is difficult to talk about a standard loan because of the different financing routes that can be taken. The vanilla versions are the secured mortgage product that meet the rest of the development costs net of grant received. These are often 25 or 30 years to maturity. The lender will hold standard covenants that have to be met by the provider which, if not, would give the lender powers over the secured debt. Typical covenants cover the ability meet interest cost from cash flow, among others.

While recent rising interest rates have created some difficulties, developing associations will typically have a mix of fixed and variable rate debt and thus offer some protection from interest rate risk depending on the mix and the levels of such debt. There here have been limited experiments with loan guarantees in the affordable sector²², also using subsidised low interest loans funded by Financial Transactions Capital²³ from HM Treasury (a way of providing Barnett Consequentials²⁴ tied to

²⁰ Government guidance on benchmark grants, 2023, here:

<https://www.gov.scot/binaries/content/documents/govscot/publications/transparency-data/2023/06/affordable-housing-supply-programme-ahsp-process-and-procedures-mhdgn-2023-01/documents/process-and-procedures-mhdgn-2023-01/process-and-procedures-mhdgn-2023-01/govscot%3Adocument/Guidance%2Band%2BProcedures%2B-%2BMHDGN%2B2023-01%2B-%2BAffordable%2BHousing%2BSupply%2BProgramme%2B%2528AHSP%2529%2BProcess%2Band%2BProcedures.pdf>

²¹ https://audit.scot/uploads/docs/um/ac_210409_cipfa_prudential_code_capital_finance_response.pdf

²² <https://www.gov.scot/publications/foi-202400430790/>

²³ <https://spice-spotlight.scot/2018/03/09/financial-transactions-real-money/>

²⁴ 'Barnett Consequentials' refer to the allocation of funds to devolved nations when spending in England on matters devolved in the other nations is made. Essentially, a small share of the spend is allocated to the devolved nation based on population share and extent that the spending heading is partially or wholly devolved. These funds are usually non-planned windfalls in-year and typically though not always 'stick' to the same department.

interventions in the private market – also worked to support specific affordable not social housing programmes. A further Government experiment that has been used more than once is a housing charitable bond programme that helped support social housing investment.²⁵ More Homes (2025, p.19) describe the charitable bonds model thus: *‘the Charitable Bond model provides loan finance to social landlords for new affordable housing, while also generating capital funds, in the form of charitable donations. In some instances, the donations formed the sole subsidy contribution from the Scottish Government towards the development of social housing but in other cases they were donated to complement grant funding through the AHSP’.*

Table 8: Typical or Average Project Finance

Type of funding instrument	% of total
- Private loan	54%
- Public grant/subsidy	46%

In 2022-23, the average cost for a new social housing unit with the affordable housing supply programme was just over £195,000 (€226,402) and the urban benchmark grant level for a three-person social housing unit was £91,182 (€105,866).²⁶ This equates to about 46% of the total average development cost. The remaining 54% would be typically funded privately through a mortgage or other debt instruments, as explained in this section. It is possible that in some circumstances, the provider may also include an element of their own reserves and there might be support through a S75 developer contribution; e.g., to provide serviced sites. But the typical project would simply involve the public grant and the private loan. The situation for the council provider of social housing is different, but also comes down to the application of grant and typically public loans. Grants are less generous, but the council can get good terms and longer repayment periods, if it chooses (it can also borrow more conventionally through private funding sources).

As in the rest of the UK, the Scottish and UK Governments spend considerable resources on housing, though the great majority of it is through Department of Work and Pensions means-test housing benefit and related expenditure. At the start of the current parliament in 2021, the Scottish Government pledged to spend £3.5billion (€4.1bn) across the five-year term to support the delivery of 10,000 social and affordable homes through the provision of grant, in the case of social housing for both new build and appropriate off-the-shelf purchases. This pledge is actually a succession of annual budget decisions, and in practice, fiscal years 2023-24 and 2024-25 have produced significant real terms cuts (of 37% in total, although the annual budget has been reinstated for 2025-26). Meanwhile housing benefit expenditure (including for low-income private tenants), in 2022-23, was at an estimated level of £1.756 billion (€2.039bn) a year.

Identifiable housing public expenditure in Scotland was £2,772 million (€3,218m) and for the UK £17,466 million (€20,279m) in 2022-23. As a proportion of all identifiable public expenditure in 2022-23, this converts into 2.1% for the UK and 3.5% in Scotland.²⁷

While the Scottish Government plans its capital programme and its annual housing budget from Edinburgh, it is also exposed to the impact of UK budgets and in-year spending change in Whitehall departments. For instance, the budget cuts to the housing programme mentioned above were characterised as arising from cuts in multi-year capital budgeting in the UK, which were passed on to devolved government budgets in the form of reductions (though clearly the Scottish Government

²⁵ <https://www.scottishhousingnews.com/articles/home-scotland-receives-ps15m-loan-through-charitable-bond-programme>

²⁶ Government is always at pains to point that the benchmark grant level is a guide which is often exceeded .

²⁷ UK Housing Review 2024 - Table 57

chooses where to take those cuts – it need not be housing). There is also a mechanism by which extra money allocated to UK government departments by UK Treasury leads to increases in unplanned spend for the devolved governments. This ‘Barnett Consequential’ is calculated according to population share and the extent to which the relevant department is devolved, but housing does regularly receive such funds, often 8-9% of the total UK increase. There is a convention that such funds when transferred ‘stick’ to the same department, but that convention while normally followed, is not always applied. It is also important to note that these consequentials can work in reverse, too, in periods of UK spending cuts.

It is important to note that Help to Buy in Scotland is treated differently in terms of classification than in Wales. In the latter case it is a form of equity loan and hence part of affordable programme for low-cost home ownership. In Scotland, it is not classified in this way, even though it also provides an equity loan that brings other home ownership access programmes within the AHSP numbers. In Scotland (and in Wales) the Help to Buy model was funded from Financial Transactions Capital – a more flexible ‘soft’ loan version of Barnett Consequentials from HM Treasury. Short loan terms means that repaid loans can be recycled and reused before they must be repaid to HM Treasury. But it is not obvious why they were not included in the AHSP. The Programme itself involved around 18,000 completions, 79% of which went to first time buyers; in its final full year 2020-21, it provided 1,030 homes with equity loans worth £27.4m (€31.3m).²⁸ Note also that the Scottish model was always more targeted to lower priced (price capped) new build and first-time buyers (and in fact during COVID-19, the UK Government redesigned its Help to Buy scheme along similar lines to that operating in Scotland).

The key spending item for housing in Scotland, as in the rest of the UK, is Housing Benefit: means-tested help with rents for low-income households. This is almost completely reserved to the UK. It is made up of three components: rent rebates to low income council tenants, rent allowances to housing association tenants—including the specific local housing allowance for private renting tenants.²⁹ It should be noted that the LHA ceiling has not been updated for fiscal year 2025/26 so has reduced in real terms; other such benefits are uprated by inflation. The third element is the housing cost element of universal credit—the all-purpose consolidated low-income working age means-tested benefit.

For 2022/23, Table 9 provides a breakdown of annual expenditure, which is estimated at £1,756 million (€2,039m). Table 10 summarises the number of recipients under each tenure category and, for reference, their average weekly benefit payment.³⁰ There were just over 240,000 households on housing benefit in Scotland in May 2023. Around three-quarters of the total are in social housing. They have a significantly lower average weekly payment than recipients in the private rental sector.

Table 9: Housing Benefit Expenditure, Scotland, 2022-23 (in EUR)

Category	€m
Rent rebate	594
Rent allowance (HA & PRS)	819
UC housing element	626
Total	2,039

Source: UK Housing Review 2024 Table 109a, 110a and 113 UKHR24

²⁸ See Table 105a, UK Housing Review 2024.

²⁹ Which is based on data collected at broad rental market areas and has a maximum value set at the 30th percentile of that rent distribution varied by property size

³⁰ Benefit payments meet rental cost (subject to any ceilings) minus a formula of the percentage of the difference between actual income and allowable income for the household type) – this is a means tested method that reduce benefit payments as incomes rise above the relevant threshold.

Table 10: Benefit Recipients and weekly average payments

Category	Recipients	Average Weekly payment
Council tenants	110,000	€101.78
Housing association tenants	105,000	€105.58
Private tenants	32,000	€130.09

Source: as Table 9

There are two final points to note about the Housing Benefit system and its role regarding social housing. First, across the UK there has been a long-term (since the late 1970s) shift away from supply subsidy (spend on houses and investment) to demand-side subsidy (help paying for housing costs), and this will be a difficult long-term project to reverse. This is a major constraint and contextual driver of low-income housing policy, more generally.³¹

Second, in the early 2010s, the Coalition UK Government introduced several deep cuts to the benefit system and Housing Benefit in particular. These included an overall benefit cap for households and specific caps on housing benefit. One specific innovation was the spare room subsidy, colloquially known as the 'bedroom tax'. Focused on working age tenants in social housing, this reduced the level of eligible housing benefit if such households were deemed to be under-occupying their property, with the penalty increasing if this was by more than one bedroom.

The espoused purpose of the policy was to either encourage tenants to work and come off benefits, or to incentivise movement to a smaller property. It was not conceived of officially as a benefit cut by the back door. The reality was that many such households required a spare bedroom due to disability or long-term illnesses, or for non-household family to visit. Moreover, there were few smaller properties available or turning over. In fact, the preponderance of under-occupiers were, and still are, older homeowners, not social tenants.

The Scottish Government decided to fully mitigate the spare room subsidy and did this by using discretionary housing payments they were entitled to from Whitehall, as well as asking councils in Scotland to contribute. The bedroom tax remains in place in England and the other possible uses of discretionary housing payments in Scotland (e.g., mitigating housing cost burdens in the rental market) are to an extent foregone.³²

Renovation and rehabilitation

Local authorities run their council housing programmes within a well-defined Housing Revenue Account (HRA) and this identifies debt, repair and maintenance, new build and own stock investment, as well as income sources and the like. Data captured in the UK Housing Review Table 81 can give a snapshot sense of investment in the council housing stock. For 2022-23, this suggests that Scottish councils spent £491 million (€570m) of enhancements to the council housing stock and that this was the highest cash sum since the series began in 2009-10. This is largely funded by borrowing but also from revenue reserves.

Housing associations plan for major repairs in their business plans; to be paid out of a mixture of rental income, planned surpluses, and borrowing. They might distinguish between cyclical and major repairs, depending on the nature and age of their housing stock. Analysis by the Regulator of the investment plans of registered providers' indicates that collectively over 5 years from 2022, housing associations in Scotland planned to invest more than £1.68 billion (€1.97bn) or £5,000 (€5,863) per unit. They point

³¹ See: <https://housingevidence.ac.uk/publications/housing-subsidys-long-term-shift-from-supply-to-demand-and-what-might-be-done-about-it/>

³² See paper by Gibb at <http://eprints.gla.ac.uk/103550/>

out that this is not just routine cyclical maintenance or component replacement work but is also considerably about plans to achieve new energy efficiency standards for social housing in Scotland (which also pertains to local authorities housing stock).³³ The Regulator contends that the new standard (social housing net zero standard, or SHNZS) will be a key driver of own stock investment going forward.

Land acquisition

Council land has long been important for their own building, but also that of housing association developments. Although, at present there are no comprehensive local land management strategies; e.g., where available parcels of public land are catalogued and assessed and then estimates of future foreseeable social housing delivery are developed. Other public land may also become available through site redundancies, although public agencies in Scotland follow 'best value' practices that require all public sector land to be sold at market values. This impedes social housing development opportunities.

The private sector also makes land available through partnership developments with mixed tenure and this often utilises developer contributions through the planning system. This is discussed more fully later in the chapter.

Targeting and allocations

Social housing is allocated in Scotland according to priority need³⁴. Each social landlord has their own allocation system, but they are relatively similar in how they weight different forms of need, and this is periodically scrutinised by the Scottish Housing Regulator, as well as good practice and advice offered by trade bodies such as the Scottish Federation of Housing Associations (SFHA) and the Association of Local Chief Housing Officers (ALACHO). The overarching guidance comes from the Scottish Government (2019 – see footnote), which helps social landlords with their legislative and statutory requirements and good practice.

As the guidance says (2019, p.13): *'Although there is a clear legal framework within which allocation policies must operate, within these constraints, landlords have considerable discretion to develop their allocation policy and practice to meet the needs of the communities in which they operate'*.

Prospective tenants who register are allocated points according to their individual household needs with extra points provided for issues like lack of mobility, long term health conditions, as well as for nomination rights with councils regarding homeless households. Some parts of Scotland apply common lists or registers where applicants registration applies potentially to all the social landlords covered as a combined single process. Following policy developments across the UK in the early 2000s several social housing providers have adopted the Dutch choice-based allocations model, though the currency that promotes applicant bids remains the prioritised relative need score that they are given. Scotland operates by offering tenants a permanent home; i.e., if incomes were to increase through work or for other reasons, this would not affect one's security of tenure and right to maintain the tenancy.

In 2022-23, all social lettings totalled 20,986 allocations, made up of 11,520 by councils and 9,466 by housing associations.³⁵

³³ <https://www.housingregulator.gov.scot/media/btykftsl/summary-of-registered-social-landlord-financial-projections-202324-to-202728-december-2023.pdf>

³⁴ Scottish Government. (2019, February). *Social housing allocations in Scotland: Practice guide*.

³⁵ UK Housing Review 2024 - Table 101

Perhaps the main enduring tension in allocations policies concerns homelessness and the resolving of the potentially different allocation policy goals that can arise from a local authority seeking to send homeless clients to other providers based on nominations agreements and referrals, as opposed to the wider goals of providers which includes supporting the policy but also has other considerations such as mix of clients in properties and across their communities. This can be a particular challenge where councils no longer have housing stock, such as the city of Glasgow. However, higher proportions of nominations are being achieved in the current housing emergency, even if performance for different reasons varies among individual providers and places.

The homeless have different routes for help. Legislation in 2003 ended priority need (phased out) which means that local authorities are responsible for assessing and resolving homeless cases sent to them, as well as providing suitable temporary accommodation until a long-term solution is available. Since 2018, local authorities have been operating a rapid rehousing transition plan model partnering with government and local housing associations. Scotland is also running a Housing First programme.

As noted earlier, councils also have nomination agreement and targets for the proportion of new lets they want social landlords to make to the homeless who are referred to them. Scotland also provides housing options to people at risk of losing their home, but this will be added to and superseded by legislative proposals at the Parliament just now to introduce a stronger form of preventative duties similar to those in England and Wales (but more upstream in terms of how early people at risk can approach the council, and also in terms of a duty to identify and help such cases across all of the public sector).³⁶

One consequence of the stronger rights in Scotland is that increasing numbers of new entrants to the UK with a right to remain are arriving in English towns and cities (and indeed in Northern Ireland), and then opting to come to Scotland, often Glasgow. In part this arose from UK Home Office efforts to clear a backlog of applicants for asylum and in turn created a rapid increase in demand for statutory homelessness support among a group often destitute and with no recourse to public funds. The Fair Way programme is an attempt to bring collaborative approaches, good practice, case work, cash payments and other interventions.³⁷

Scotland was a 'super sponsor' of Ukrainian refugees from the war and have had a disproportionate number of Ukrainians come to Scotland relative to other parts of the UK. Apart from those staying with host families, a large group were placed in cruise lines near both major cities in the central belt. These were eventually disembarked and many Ukrainians ended up in 'welcome accommodation' hotels waiting for follow on accommodation. The Crisis monitor points out that funds have been allocated to councils and social landlords to help with resettlement for example to supporting making long term voids available for letting.

Rent setting and annual increases

In Scotland, there are no nationally driven rent-setting or rent increase policies. Rents are set within a broad general framework regarding rent levels and formal annual consultation with tenants. At several points over the last 25 years, national policies like rent convergence in England led to Scottish debates and research around a more consistent approach to rent-setting, but this did not lead anywhere. Scottish social housing providers are obliged to consult over annual rent increase with their tenants and periodically many of them undertake processes of rent harmonisation – sometimes because landlords have a stock of a different vintage, perhaps acquired through stock transfer or transfer of engagements and this requires realignment for fairness reasons. In 2022, when the rent freeze was

³⁶ For more detail on current policy and practice in Scotland, see:

https://www.crisis.org.uk/media/ogcj2sun/homelessness-monitor-scotland-report2024_v7.pdf

³⁷ https://homelessnetwork.scot/wp-content/uploads/2024/02/fair_way_scotland_evaluation_-_year_one_0.pdf

introduced in Scotland during the cost-of-living crisis, this was originally supposed to cover social housing as well, but social landlords and their trade bodies successfully rebuffed the demand on the basis that their models worked well and affordably without any such intervention.

Generally, landlords develop rent structures to be durable, financially viable in terms of regulations to budgets and business planning, fair in terms of social justice and affordability, and logical in terms of a broad relationship between rent and quality. The Regulator periodically reviews rent policies for suitability, consistency and adequacy in relation to good practice, and trade bodies and peer groups are established to support good practice as well to support well designed rent structures. Rent increases are also in the purview of the regulator but perhaps the most important constraint apart from affordability and tenant voice is the peer group competition among landlords.³⁸

Service delivery and operations

As indicated in Table 11, looking at the composition of new supply, non-profit registered (regulated) housing associations are the largest social new build providers, followed by the 26 councils who remain landlords. There are also pockets for affordable rent (grant-funded mid-market rent provided in the main by housing associations but also to a lesser extent by councils), as well as non-grant funded (but sometimes with limited cheap loans from government) affordable rent (e.g. the LAR housing trust). There are also small amounts of housing supplied for temporary accommodation and follow on funding involving partnership between social investors and usually non-regulated (by the Scottish housing regulator and therefore not eligible for housing grant) charities, but also more numerically significant, long-term leasing of PRS housing for temporary accommodation by councils (e.g., Glasgow and Edinburgh). Scotland does not presently allow for profit social landlords to operate in Scotland.

Table 11: Scottish Social Housing Starts and Completions, 2022-23

Provider	Starts	Completions
Local authority	1,830	1,950
Housing association	2,350	5,020
All social housing (LA&HA)	4,180	6,970
Private Sector	15,020	16,550
Total	19,200	23,510

Source: UK Housing Review 2024 Table 19e and 19f

Apart from Section 75 planning gain agreements (see below), social providers do on occasion purchase off the shelf from private developers and acquire property from the second-hand market. For instance, for several years councils have been buying back former Right to Buy ex-council housing when they have come on the market and, as the financial challenges of developing mixed finance social housing have increased in the last five years, public funds have been explicitly made available for acquisition from the rental market to support meeting social housing need. In general, social providers are willing to do this where it fits with their asset management strategies and their housing footprint, and where for example they have a presence in apartment blocks where properties have come up for sale.

In Scotland, as in England, there is provision for affordable housing policies at local authority level. These determine a policy regarding quotas of social/affordable housing that will be required if planning permission for private housing development goes beyond a minimum scale. In Scotland the relevant

³⁸ This can create a form of 'peer pressure', where housing providers do not want to be seen to be deviating too much from typical sectoral rents. This is especially true for local councils.

legal frame is known as a Section 75 agreement and is viewed as a form of planning gain³⁹. While this started later than in England (S106 agreements), it has nonetheless become an important contributor to new affordable and social supply, either explicitly mixing the tenure of new developments or provided 'commuted sums' or the financial equivalent for social housing providers to use elsewhere.

The use of developer contributions needs to be founded on clearly assessed local housing need and hence explicitly affordable local housing policies. This was strengthened by the introduction of local housing strategies after 2001. While most councils have an affordable housing policy linked to their development plans, not all do (e.g. Glasgow, the largest council in Scotland, does not). The recently introduced National Planning Framework four requires all councils to introduce an affordable housing policy on this basis as part of their development planning update.

Blank, et al (2021)⁴⁰ for Scottish Government undertook a detailed investigation of the value and impact of developer contributions in Scotland, which they found to work in broadly the same way as in England. They identified four principal ways that developer contributions work:

- Private developers provide serviced land to affordable housing providers, where the land is often transferred for a nominal or nil price.
- Developers sell finished properties to associations for social or mid-market rent. The contribution being the difference between the 'social/affordable' value and the full market price.
- Developers sell discounted market homes to the general market as part of their contribution (a form of low-cost home ownership).
- Commuted payments made to local authorities to invest in affordable housing on other sites rather than on the main site in question (this option was comparatively rarely used).

In reviewing earlier research (p.27) Blank et al. conclude that as much as a third of all affordable new build may have been explicitly linked to developer contributions (between 2007-8 and 2011-12). They found that where such affordable policies existed, the level of 25% affordable housing was widely understood subject to site-specific reasons or financial viability overall. In their own research they found that in 2019-20 development contributions to affordable housing in Scotland were worth an estimated £310 million (€351m), the figure in 2017-18 was £251 million (€285m), and in 2018-19 was £220 million (€250m). This was concentrated in five central belt local authorities, reflecting locations with relatively high land values. In total around 75% of local authorities use such contributions to support affordable housing.

Data on the specifics of new social housing delivery and their attributes comes from periodic publications from the More Homes division of the Scottish Government, which is the key department involved in social and affordable housing supply. The most recent report is for 2022-23.⁴¹ Table 13c, 14a, 16a and 17a disaggregate overall AHSP completions as follows:

- 8,081 total social housing units composed of 6,872 new build, 1,129 off the shelf and 80 rehab units.
- Social housing built in large and other urban areas totalled 5,645 units; accessible small town (649 units); remote small towns (293); accessible rural (1,232); and, remote rural (252 units).⁴²

³⁹ The Town and Country Planning (Scotland) Act 1997

⁴⁰ Scottish Government. (2021, July 9). *Planning – The value, incidence and impact of developer contributions in Scotland*. <https://www.gov.scot/publications/value-incidence-impact-developer-contributions-scotland/>

⁴¹ Scottish Government. (2025, January 17). *Affordable Housing Supply Programme – 2022-2023 out-turn report*. GOV.SCOT.

⁴² AHSP has a target of 15% rural new supply within the overall programme (not just social housing).

- 1,320 of the new social homes met particular needs and specific forms of accessibility.
6,793 of the new social homes met the housing for varying needs standard

The Need for Social and Affordable Housing and Delivery Targets

We can contrast national needs estimates with the use of local housing needs and demand estimates, which are developed from a Scottish government template, formulae and scrutiny. These provide local need estimates that help councils allocate housing land between market and non-market requirements, but in practice are not always used to prioritise or allocate funds for actual social and affordable housebuilding, which is more the territory of social housing investment plans (where each council matches defined sites to development proposals from social landlords).

For the last decade a national affordable need estimate and model has been published by external academic researchers funded by the Chartered Institute of Housing, Shelter and the Scottish Federation of Housing Associations. In practice, this unofficial model (estimating existing need alongside newly arising need and subtracting the normal level of supply from the existing stock⁴³) has been accepted by the Scottish government as the baseline central estimate that informs the target levels of the affordable housing supply programme for the last two Scottish Parliament terms (2016-21⁴⁴ and 2021-26⁴⁵). In both 2016 and 2021, the Scottish Government argued for 50,000 or 10,000 units per year to determine the target for the AHSP. The 2015 central estimate was 60,000 or 12,000 a year. The 2020-21 estimate was lower at 53,000. A further third modelling exercise is currently underway organised by the UK Collaborative Centre for Housing Evidence and will be published later in 2025.

Since the 2011-16 Parliament, the Scottish Government has set delivery targets for new social and affordable housing supply. These increased from 6,000 units a year from 2011-16, to 10,000 a year in each of the last two parliaments (and note that with the advent of a 20-year housing strategy, Housing to 2040, the 2021 programme is a 10 year strategy to cover all of the current and next Parliamentary term. Over the period intended targets have shifted in favour of social housing rising from 2/3 to more than 70% of the total, and in outturn terms with general needs social rented mixed funded housing domination, and with a trend switch away from low cost or affordable home ownership towards affordable grant-funded—known as “mid-market”—rent.

Targets are linked to public funding (the grant element of the programme). And while completion targets were broadly achieved 2011-16 and 2016-21 (with a slight delay due to the pandemic), it is clear that a worsening development context, shortages of supplies and labour, alongside rising costs and eventually 37% cuts in real public funding for the programme over the last two financial years (largely reinstated in financial year (2025-6)), have combined to make it highly unlikely that the targets will be achieved for the current parliament and perhaps into the next one, too.

We provide a snapshot of the Scottish Affordable Housing Supply Programme in the following tables. Table 12 summarises the three waves of the programme which began in 2011 and have carried on through successive five-year parliamentary terms. The second table (Table 13) breaks the programme down into components, focusing on the second parliamentary term (2016-21).

⁴³ A critical assumption is how quickly it is modelled that existing need is met; i.e., how many years would it take to clear the stock of existing housing need?

⁴⁴ https://scotland.shelter.org.uk/professional_resources/policy_library/affordable_housing_need_-_final_report_september_2015

⁴⁵ https://scotland.shelter.org.uk/professional_resources/policy_library/affordable_housing_need_in_scotland_post-2021

Table 12: Summary of AHSP Programme since 2011

	2011-16	2016-21*	2022-23 to 2031-32
Affordability supply target	30,000	50,000	110,000
Social/affordable	20,000/10,000	35,000/15,000	70:30 [10% of all rural/remote or island]
Completions	31,136	51,112	-
Programme funding	£1.9bn (€2.3bn)	£3.5bn (€4.0bn)	£3.5bn (current parliament)** (€4.1bn)

Sources: Gibb, K, Young, G and Earley, A (2024) *Sustainable Housing Policy in Scotland: Rebooting the Scottish Affordable Housing Programme*. SG website; Audit Scotland, 2020

*Extended into 2021-22 before completion of target

**note budgetary cuts in 2023-24 and 2024-25 jeopardise the target.

Table 12 covers broadly the four parliaments of the Programme, noting that we are moving into the final year of the third Parliament that is covered by the AHSP, and the impact of Covid-19 to extent the second target into 2022. We also note that the proposed programme for 2021-26 suffered cumulative 37% cuts to annual budgets in 2023-24 and 2024-25 before being reinstated for 2025-26.

Table 13: Composition of the AHSP, 2016-17 to 2021-22

Type of AHSP activity	Cumulative 2016-17 to 2020-21	2021-22	Totals
<i>Social Rent:</i>			
- HA rent new build	16,266	3,834	20,100
- HA rent rehab	1,525	47	1,572
- Council new build	6,581	2,621	9,202
- Council rehab	465	26	491
- HA/Council off the shelf ⁴⁶	3,147	769	3,916
- Home ownership support fund off the shelf	165	9	174
Total social rent	28,149	7,306	35,455
<i>Affordable:</i>			
- Affordable rent (total)	4,979	1,282	6,261
- Affordable home ownership (total)	8,227	1,169	9,396
Total AHSP	41,355	9,757	51,112

Source: Gibb, et al (2024) *Sustainable Housing Policy in Scotland: Rebooting the Scottish Affordable Housing Programme*.

Table 13 provides a sense of the completed 2nd Parliament term of the AHSP which did achieve 2% above target though taking slightly longer to complete because of the pandemic shut down and subsequent impact on the economy. Turning to the most recent year for which there is full data, 2022-23, Table 14 summarises AHSP completions by category. While it is important to recognise that 2022-

⁴⁶ 'Off the shelf' represents a comparatively small part of overall delivery. Off the shelf new build from private developments tend to come along towards the end of some developments being built out by developers. Similarly, in Scotland it is now possible for acquisitions/buy backs which allow, for instance, councils to buy former right-to-buy stock, which has often ended up in the PRS. But these are still small scale compared to the established mixed finance schemes and S75 planning agreements for quotas in larger private developments where there is an affordable housing policy in place (something all councils will eventually have under the new planning law NPF4).

23 over achieved in terms of the 10,000 target, however, the emerging forward look is less promising because of sharply falling approvals and starts for new supply. The most recent aggregate data, for instance, suggests that in 2023-24, there were 9,514 AHSP completions.⁴⁷ However, the impact of budget cuts, lower approvals and the difficult development and construction environments will feed through more strongly in the next two years (and possibly longer).

Table 14: Affordable Homes Programme Completion by Product Type, 2022-23

Provider/product	Number of completions
Local authority social	2,971
Housing association social	5,096
Other social	10
<i>Total social</i>	<i>8,077</i>
Affordable (Mid-Market Rent)	1,532
Affordable home ownership	853
<i>Affordable total</i>	<i>2,385</i>
Total	10,462
% of total which is new build	80.9%
% of total which is off-the-shelf	18.0%
% of total consisting of rehabilitated units	1.1%

Source: UK Housing Review 2024 - Table 20d

An important part of this context is the widely held belief that need is rising strongly (and the extent of this will be captured in the new national affordable need study due to be completed by summer 2025). Thirteen of the 32 local authorities and the government itself have declared housing emergencies – generally a function of scarcity, shortage, unaffordability and rising numbers of people affected by homelessness and/or being trapped in sometimes unsuitable accommodation.

Homelessness is the most acute form of housing need. Below, key statistics around the contemporary challenges of homelessness in Scotland are identified (problems that the most recent data indicate are in many cases accelerating. In 2022-23, homelessness cases accepted as homeless in Scotland were at 32,242 (just over a third of the GB total of 93,549).⁴⁸ In the same year, 15,040 households were in temporary accommodation, of which 8,335 were in social renting.⁴⁹ Further evidence of relatively severe problems in Scotland was evidence that deaths for homelessness were proportionately higher in Scotland than England and Wales (for 2021 there were 250 deaths or 60.4 per million in Scotland compared to 741 or 16.8 per million in England and Wales).⁵⁰

A key route of homelessness is securing lettings by social landlords for homeless households and local authorities have nomination agreements targets that seek to support this policy. In 2022-23, 51.5% of all social lettings went to homeless households (consisting of 62% of council housing lets and 42.7% of housing association lets).⁵¹

⁴⁷ <https://www.scottishfinancialnews.com/articles/housebuilding-completions-drop-by-17-in-2023-24>

⁴⁸ UK Housing Review 2024, Table 89

⁴⁹ Table 90d

⁵⁰ Ibid.

⁵¹ Table 101

The most up to date figures at the time of writing indicate that the homelessness problem is worsening. Data released covering 2023-2024 from the Scottish Government⁵² suggests that:

- There were 40,685 homelessness applications across Scotland, a 4% increase on the year before.
- 33,619 were assessed as homeless or threatened with it, an increase of 3%
- A 9% increase in households (16,339) in temporary accommodation at March 31, 2024, with 10,110 children in temporary accommodation – both record figures.

A comprehensive analysis for homelessness in Scotland can be found in the Crisis Homelessness Monitor for Scotland 2024⁵³. It concludes that:

- Most local authority homelessness services are reporting increased footfall.
- 'Core' homelessness has increased by 11% since 2020 to more than 18,400 households.
- Modelling forecasting indicates that the biggest lever with which to reduce future homelessness is to sustain increases in the Local Housing Allowance.

There is considerable policy tension on the ground between the need for more affordable (to local government) temporary accommodation and more long-term social supply to provide permanent accommodation, alongside the large and growing opportunity cost of maintaining levels of temporary accommodation provision, compared to investment in early intervention and upstream preventative work to alleviate the risk of homelessness before it materialises. This challenge in a period of stretched and scarce public resources is at the heart of the housing emergency.

Scotland has a Social Housing Regulator responsible for the performance, finance, and good governance of the housing association and council housing sectors, including on progress towards decarbonisation of the housing stock and the delivery of homelessness services and statutory duties. The Regulator focuses on good practice governance, raising standards, healthy financial performance and explicitly promotes the interest of tenants.⁵⁴

The Regulator has extensive powers: it requires all registered bodies to provide common data for performance and standards checks, providers are placed on an engagement spectrum which determines frequency and extent of active visits and interventions by the Regulator. The Regulator has the power to remove senior staff, and provider boards, and to replace them with their own candidates, and even to facilitate orderly transfer of engagements, mergers and takeovers to protect the security of tenants. These powers drive up standards and are regularly used to address financial and governance shortcomings (normally through visits and enhanced engagement rather than more existential interventions though these do happen) and create a strong regulatory governance environment which encourages private finance to lend to social providers. The Regulator's scope tends to expand over time in part because of strategic government intent e.g. to focus more on health and safety standards, but also as a reflection of the challenges and growing pressures to sustain the system as a whole).

⁵² <https://www.gov.scot/news/homelessness-statistics-2023-24/>

⁵³ See: <https://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/homelessness-monitor/scotland/the-homelessness-monitor-scotland-2024/>

⁵⁴ See: <https://www.housingregulator.gov.scot/>. It should be noted that the Regulator has been around in different capacities since the mid 1960s, and became much more important after 1988 and the introduction of mixed finance and private loans into the system. They have always had a role protecting the interests of tenants and avoiding any management issues that might jeopardise their home. At the same time, their role in monitoring and oversight of the sector helps to build confidence in it, and means that the cost of lending is therefore less than would otherwise be the case. The is not to say that there are not times they are not controversial; e.g., their desire to find alternative providers when an association runs into trouble may be perceived to risk the culture and nature of the landlord. Overall, then the Regulator must play a fine balancing act.

Integration with Social Policy

There is a long-standing debate about the extent to which social housing providers should diversify or focus in on housing delivery and management. Diversification might mean running subsidiaries to provide affordable or market rent or for sale properties, provided this is allowed within their governing objectives. It might also mean supporting local communities in business by offering cheap workspace or simply operating community benefit clauses which means that they seek to keep local income generation and economic opportunity arising from the business of the housing provider.

Many associations are also community anchors and provide a wide range of non-housing services in support of their communities (e.g., breakfast clubs and after school services as well as making their office space and meeting facilities available to the local community). The Regulator ensures that all housing associations undertake risk analysis via a risk register, and varying degrees of risk appetite are apparent across the sector in terms of diversification. It is increasingly common to see social housing providers operating income maximisation and welfare advice services for their tenants and residents.

Associations and council housing departments also play important collaborative and partnership roles with key public agencies and in that sense play a broader role in social policy than simply through delivery of social housing. This includes working with each council’s health and social care partnership linking to housing support to foster independent living, homelessness prevention and tenancy sustainment. At the same time, social housing can play an important role in each council’s community planning partnership—where different services work together, sharing data, good practice and innovation to improve outcomes for citizens.

An increasingly important area for social housing is tackling fuel poverty, promoting energy efficiency and decarbonising the housing stock through clean energy and fabric first retrofit. The UK Housing Review 2024 suggests that 20% of all households are in fuel poverty but this increases to 34% for social renting. This is despite the fact that energy improvement and progress towards decarbonisation has gone further in the social sector because of government intervention, using mandatory standards to improve the energy efficiency of the housing stock.

Table 15 indicates as a result of the interventions to encourage as much of the social housing stock to achieve earlier new standards (EESH – energy efficiency standard for Scottish social housing) and then further work to move towards EESH2, later consulted on and replaced with a new standard: SHNZS. The point is that social housing outperforms the other housing tenures. Interestingly though, this Intervention was largely paid for out of tenants’ rents rather than subsidy which contributed a little over 10% of the cost of the upgrade.⁵⁵

Table 15: EPC scores 2019

Grading	Owner	PRS	Social rental
A	4	7	6
B/C	43	44	59
D	38	35	28

Source: UK Housing Review 2024 - Table 26e

Scotland’s era of tenure diversification is past in comparison to the big levers of the Right to Buy and stock transfer. It is true that there are examples of policy to support mixed tenure e.g. mid-market rent, shared ownership and other low cost home ownership. These models (e.g. equity loans) are all part

⁵⁵ Scottish Government. (2021, August). *Achieving net-zero social housing: Zero Emissions Social Housing Taskforce report*. GOV.SCOT.

of the affordable housing supply programme and, arguably, also tools at the disposal of specific property-led regeneration or redevelopment programmes (as are developer contributions within affordable housing policies) but they are no longer a disruptive force like they were in the 1980s to 2000s.

Council house sales were introduced across Britain in 1980 and applied to all public sector housing (council, new town development corporation, Scottish Special Housing Association and later stock transfers to housing associations from all of the above public sector housing).⁵⁶ Moves to extend the Right to Buy to the general housing association sector foundered. The essence of the policy was to provide deep discounts for purchase and guaranteed rights to mortgages to sitting tenants with the discount rising to 60-70% for those with the longest period as a sitting tenant. Subsequently, discount rates were cut back by successive administrations in Scotland. The other side of the sales policy was that efforts to resupply social housing through reuse of capital receipt or other financial ploys to encourage development simply never worked initially, this was because of the treatment of the capital receipts⁵⁷ raised which were not allowed to be recycled or had to be used to repay housing debt. But there was also a clear disincentive for councils to build only to then lose high quality properties to the right to buy policy.

The policy was totemic, successful in its own terms and a key feature of housing transformation in Scotland and the UK particularly in the first 20 years of the policy. It is important to recognise that despite the enduring political popularity and commitment to the Right to Buy in England, the policy had a disproportionate impact in Scotland. Table 16 indicates that the cumulative sales through Right to Buy between 1980 and 2020 led to just over 519,000 sales compared to the 2 million in England. In other words, Scotland with a tenth of the population had a quarter of the sales of the larger country.

Table 16: Cumulative Right To Buy (1980-2020) ¹

Sale origin	Units sold
Local authority	421,023
New Towns ²	72,428
Housing Associations	25,725
Total	519,176

Source: UK Housing Review 2024 Table 21

Note 1. RTB for new purchasers abolished July 2016; data stop being recorded in 2020-21 2. Scottish Homes stock sales are split between New Towns and housing associations – most HA sales relate to stock transfer retained rights to the RTB.

Why did the pressure to diminish (2009 ending of the right to buy for new build) and then abolish council house sales (from end July 2016) occur in Scotland and, as a policy shift, work remarkably smoothly? The policy rhetoric was that the policy had ‘run its course’, numbers of sales had declined considerably, and there was a strong case to restart council house building to help meet housing need. Moreover, it was becoming clear that former council house sales were increasingly entering the private rented sector and costing the exchequer more in benefit costs than had they still been social housing (and this has become part of the logic of the buy-back policy introduced in the 2020s). There was near consensus about ending the right to buy politically (apart from the Scottish Conservatives) but

⁵⁶ In 1988 all Scottish Special Housing Association stock was subsumed into Scottish Homes and a programme of transfer to housing associations of all unsold stock to sitting tenants commenced and was completed in the early 2000s.

⁵⁷ The estimated value of cumulative capital receipts for council house sales from 1980 to 2020, nominal terms, is of the order of £6,668 million (€9,418m) (and £391 million (€552m) of new town sales); UK Housing Review 2024, table 61.

opposition to outright abolition was muted and the policy change passed without much controversy or challenge.

Conclusions

Social housing in Scotland is different and distinct in a number of regards. First, it is situated in a context of internationally strong homelessness rights. This makes the health of the social sector and its ability to produce new social supply to meet affordable and urgent housing need central. Second, social housing is relatively large as a share of all housing at 23%. Not only that but for most of the last 15 years Scotland has been building more social housing per head of population than other parts of the UK. Third, Scotland has also ended the Right to Buy and resumed council house building, not on the scale of the housing association effort, but a significant contribution with important wider cultural ramifications. More widely, social housing sits at the centre of Scotland's 20 years strategy for the housing sector – *Housing to 2040*, particularly through the aims of eradicating homelessness but more operationally through a ten-year programme to build 110,000 social and affordable homes. Unlike other parts of the UK and Europe there is no obvious appetite currently for for-profit social housing.

Like the other devolved nations, Scotland's housing system must be understood in its devolved context. We have identified that while largely devolved, Scotland's social housing is still tied to Westminster through public spending rules, UK level financial regulation and especially the housing end of the UK social security system. While there has been considerable divergence in recent times, there remain important balancing feedback loops.

It is important to stress that there is considerable challenge and difficulty in social housing in Scotland now and into the medium term. More than half of Scots live in council areas that have declared a housing emergency, homelessness levels currently generate new adverse records every quarter, and Scotland will not, at present rates, achieve the 50,000 social and affordable supply targets for this parliament.

One significant reason for these difficulties could be ascribed to what might be called the implementation gap in *Housing to 2040*. Arguably, it was never joined-up and systemic enough – different programmes ran in parallel, but there were interconnectedness and knock-on consequences that were never really addressed in how one developed the programme or indeed monitored progress. Much of the focus has been on providing the resources or regulatory powers but then expecting others, often councils and housing associations, to deliver, monitor, enforce and manage – but rarely with sufficient capacity and incentives to fully deliver.

It has been argued that long term strategy is hard to deliver in the housing sphere because of the need to secure and retain cross party support for the goals of the strategy across several parliamentary terms. It is sobering that the AHSP foundered in the first five years of the strategy because of external environmental problems in the development and construction sectors but also because budget cuts were visited on the housing programme as an active political choice (previous spending levels have now been reinstated, but the cumulative funding 'shortfall' during the years of the cuts has not been addressed). These are all lessons for other countries developing housing strategies.

Over the next five years, Scotland will have an election (2026) with at least the possibility of a change of government or new coalition after what will be 19 years of SNP government. That will focus the minds of all parties. The new Government, whoever it is, will have a new housing Act focused on the private rented sector and homelessness prevention, the latter a further area where arguably there is insufficient attention to the capacity required to make the laudable goals of the policy effective.

The new government will also have to deal with the fallout of the housing emergency and in particular what to do to arrest the chronic features of the acute crisis of homelessness, both temporary

accommodation and the lack of long-term solutions. There is a fundamental policy tension about how Scotland makes the best use of scarce policy resources to focus either on prevention for those at risk of homelessness, or making temporary accommodation work better and inevitably increasing the supply of it, but at the same time securing the speedier development of social housing so that long term solutions can be grasped. As a leader of one of Scotland's housing charities, Shelter Scotland, said – 'we want more resources, not less rights', The victory of extending homelessness rights means little if the sector is unable to manage the massive structural imbalances in the housing system that generate this scale of problems and does not have the capacity and the options to address it.

A final example of the tightness of the social housing sector and the lack of room for manoeuvre can be seen in the housing association sector where government policy wishes associations to manage their assets and keep them well repaired, it wants them to contribute directly to net zero and stock decarbonisation, and it also wants to see new build from the sector. All these imperatives require calls on the finite scope of planned rent surpluses. You can't get a quart out a pint pot. Housing associations are making choices about what they prioritise, and it cannot satisfy everyone.

Despite these fundamental challenges and dilemmas that will have to be addressed by government and its partners, it is nonetheless only reasonable to conclude that social housing is comparatively popular, it is doing a good job and has been growing in absolute terms. The end of the Right to Buy has been widely supported and the old images of bleak peripheral estates are replaced by the remade tenemental communities of the local Glasgow housing associations or by the striking image of the mixed tenure New Gorbals and the contrast with what preceded it.