More Homes Scotland Approach Definition Document

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Purpose: This document is a summary of the definition of the More Homes Scotland approach in terms of why it is needed, what it must achieve, its governance arrangements and how it will be managed. It will be used to inform the Sponsoring Group and stakeholders.

1. Purpose and objectives

Purpose
The More Homes Scotland approach is our overarching approach to support the increase in the supply of homes across all tenures. The approach has been created to provide cohesion and direction for a major set of financing and programme initiatives which are aimed at promoting a substantial increase in the supply of quality sustainable housing. The main focus of the More Homes Scotland approach is on expansion of affordable rented and private rented homes but the impacts will deliver across all tenures.

Objectives
The approach objectives are to deliver:

- 50,000 affordable homes by 2021 (35,000 of which for social rent)
- More houses for rural communities
- More quality and affordable rental housing
- Greater competition/SME builder marker share
- More affordable home ownership
- Increased value for money

2. Justification and business context

What is meant by the More Homes Scotland approach?

The approach was agreed in June 2015 Cabinet to cover the major set of financing and programme initiatives which would promote a substantial increase in the supply of quality sustainable housing. The main focus of the More Homes Scotland approach is on expansion of affordable rented and private rented homes but the impacts will deliver across all tenures. These initiatives:

- include existing substantial current affordable housing programmes;
- expand and develop existing measures to increase supply and address gaps; and
- co-ordinate and stimulate development land opportunities, enhance capacity and quality, procure delivery partners and offer new financing approaches.

Why are we doing it?

- *High level cost benefit analysis of the Affordable Housing Supply Programme*
- *Overarching objective of Financial Innovation Projects with reference to each particular programme*
- *Objectives and purposes of Help to Buy and Open Market Shared Equity programmes.*
- *Wider outcomes and benefits of the More Homes Scotland Approach*

Housing's Contribution To Sustainable Economic Growth

We tend to think of the contribution to the economy from building new homes in terms of construction jobs. The More Homes Scotland approach is our overarching approach to increasing supply across all tenures. A central part of this is the investment of over £3 billion to deliver 50,000 affordable homes will, on average, leverage economic output in the region of £1.4 billion per year, supporting around 10,000 to 12,000 jobs per annum in the construction and related industries in Scotland. But the longer-term economic benefit for inclusive growth is through:

1. Attracting and retaining skilled workers to live and work in Scotland.
2. Improved labour market function from both:
    a) the relative ease with which people can move home to access work for the first time or to progress their careers; and
    b) firms locating or remaining in places with affordable homes for workers (as it keeps their payroll costs down).
3. The fact that rising house prices erode productivity, not least because gains from economic growth can be absorbed into fixed amenity assets (i.e. paying off a mortgage rather than investing in business).
4. Home ownership can help with entrepreneurship because it provides an asset to borrow against when financing a business.

5. The capacity of a house to support home-working. E.g. those houses with extra rooms allow people to work from home which has a positive economic impact through:
    a) bringing new workers into the market;
    b) increasing productivity through cutting resources required to support work (travel time and costs of commuting); and
    c) reducing pollution associated with commuting, improving health outcomes and reducing health costs (although there are also potentially higher heating costs from people heating homes at times they would otherwise be empty and risks from lack of social interaction if home-working is not managed well).
6. The public sector costs arising from poor health due to cold or damp homes, or accidents as a result of poorly adapted homes, materialising in costs from increased demand for benefits or healthcare, for example.
7. New houses which have sufficient space for children to study can help improve educational attainment.
8. New houses built to the latest building regulations helps to improve the overall energy efficiency of the housing stock, tackling climate change and ensuring growth is sustainable.
9. The long term wealth implications for households from renting (where payments continue forever and no asset is accrued) versus home ownership (where the mortgage is eventually paid off and a significant asset is accrued). In current market conditions, the costs of renting are approximately the same as having a repayment mortgage, which is why our Open Market Shared Equity scheme helps promote affordable home ownership.

Delivering 50,000 affordable homes over 5 years (equivalent to c. 2% of the total number of dwellings in Scotland) is part of efforts to make sure that there are a sufficient number of high-quality homes in Scotland so that everyone has a reasonable choice of where they want to live and the type of accommodation they live in. Focusing on maintaining and increasing affordability in the market, as well as helping housing costs down, also discourages investment in housing for asset growth. This is in line with our current policy on the Land and Buildings Transaction Tax Supplement, which helps prevent speculation.

3. Vision Statement

We want everyone in Scotland to live in affordable, quality homes that meet their needs. The More Homes Scotland approach is our overarching approach to support the increase in the supply of homes across all tenures. The More Homes Scotland vision is that:

- *The supply and demand gap shows signs of narrowing, including through the better utilisation of existing housing stock. House prices are stabilised and housing becomes more affordable for all.*
- *All homes built are good quality, sustainable homes of a type and tenure / tenure mix that responds to identified needs and demand, have created or helped improve places, and have strengthened communities*

4. Success criteria

Scottish Government's current overall housing vision:

"All people in Scotland live in high quality sustainable homes that they can afford and that meet their needs" (Hf21stC)

The vision for housing supply in this Parliamentary period (i.e. by 2021):

- 50,000 affordable homes have been completed. Of these, 35,000 are social rented and there has been a substantial expansion in mid-market provision.
- Scotland has seen a step change in housing supply across all tenures with total annual output progressively increased from 2016-2021.
- Supply and demand gap shows signs of narrowing: including through the utilisation of existing housing stock; stabilisation of excessive house price rises; contribution to making housing more affordable to all.
- All homes built are good quality, sustainable homes of a type and tenure/tenure mix that responds to identified needs and demand, have created or helped improve places (i.e. place making), and have strengthened communities.
- The purpose-built private rented sector has increased through the construction of substantial numbers of new-build homes for

private rent.

- Access to and supply of homes for ownership boosted through 'Help to Buy'.
- A greater proportion of new supply has been delivered by SME builders, bringing greater balance and more competition within the market, which helps push up quality and reduce costs. An increasing number of customers have input into the design of their new home, supporting growth in the SME market.

Achieved through.....

- Treatment of housing supply as a national strategic infrastructure priority in the 2015 Infrastructure Investment Plan. Greater certainty provided by multi-year planning and funding programmes enables creation of investment opportunities and better return on public investment in housing.
- National and local government leading and facilitating more integrated approaches in line with the existing statutory housing and planning frameworks and in collaboration with the private sector and local communities.
- Government encouraging others to deliver on development opportunities, and using delivery partners' expertise to create/support investment opportunities.
- A combination of conventional affordable housing subsidy programmes and increased use of innovative financing mechanisms (most notably a housing–related infrastructure fund; extended use of guarantees; further application of FT funding through innovative models; use of new borrowing powers).
- Innovative approaches and financing mechanisms at greater scale, levering higher levels of private investment; achieving more homes from public resources; and directing capital subsidy where alternative models are unviable.
- Influencing the planning system and tax system to improve functioning of the housing market, and housing outcomes in Scotland.
- Increased SME builder access to opportunities to contribute to housing supply.
- Our work on empty homes

5. Outcomes and Benefits

Please see **Section 14** for detail on the Benefits Realisation Plan and the Benefit Map at **annex B**.

Outcomes (HAR)

- A well-functioning housing system – availability of choice, homes people can afford and growth of supply.
- High quality sustainable homes – safe, warm resources - efficient and promoting well-being.
- Homes that meet people's needs – accessing and keeping a home supporting independent living.
- Sustainable communities – economically, physically and socially sustainable.

Benefits (MHS)

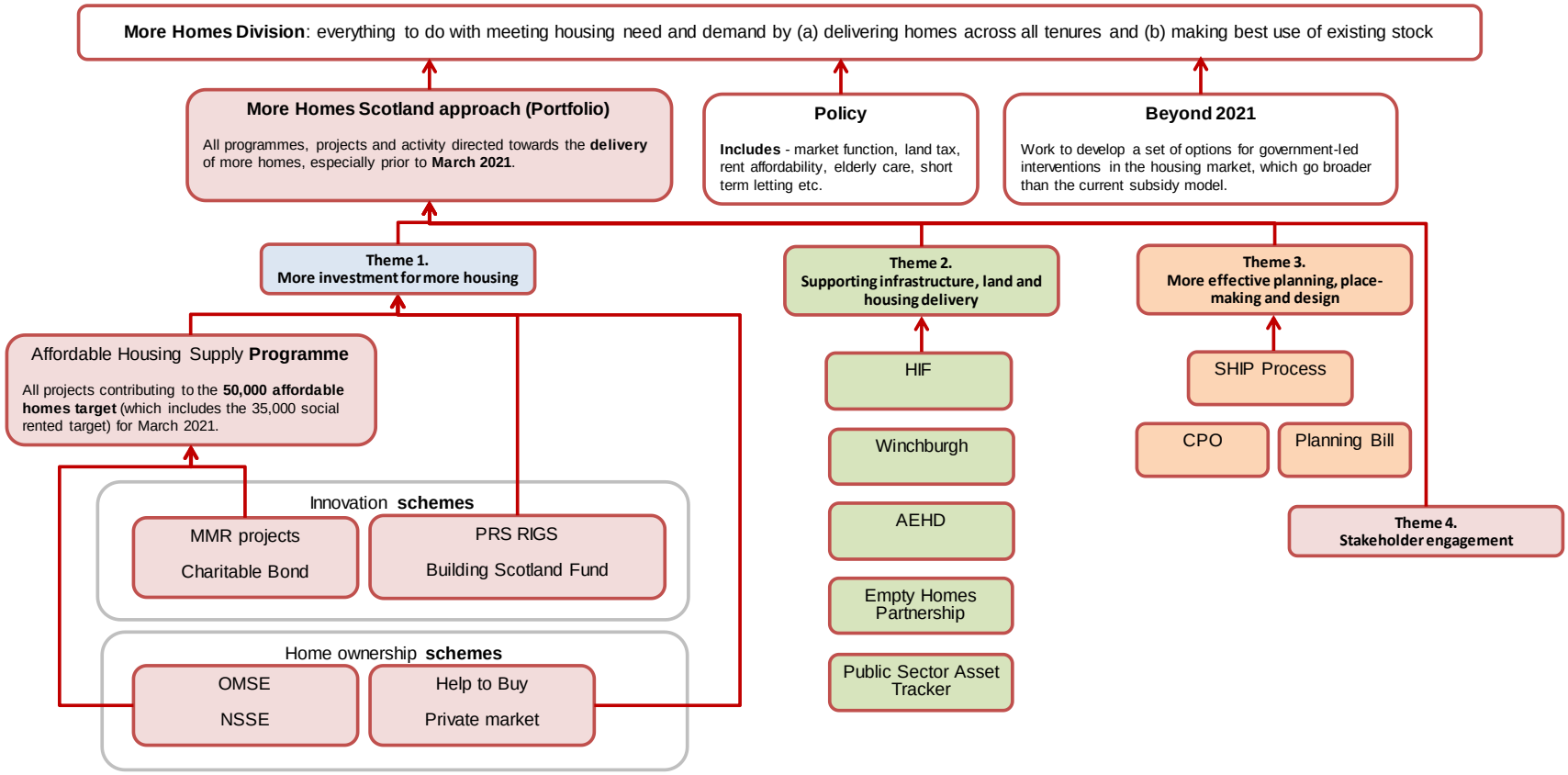
As the approach has assumed existing programmes and projects, as well and developing new ones, the baseline measurement of each benefit is taken from the start of the programme in 2016.

The key benefits that have been identified are:

B1 - Increase the supply of Affordable Housing
B2 - More Purpose Built Stock for Private Rent
B3 - More Homes Built by SME House Builders
B4 - Increased Rate of Private House Building for Sale
B5 - Fewer Empty Homes
B6 - More Effective Delivery

6. Scope and exclusions

The scope of **MORE HOMES SCOTLAND APPROACH**:



7. [Out of scope]

8. [Out of scope]

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10. [Out of scope]

11. [Out of scope]

12. [Out of scope]

13. [Out of Scope]

14. Programme Information

[Out of scope]

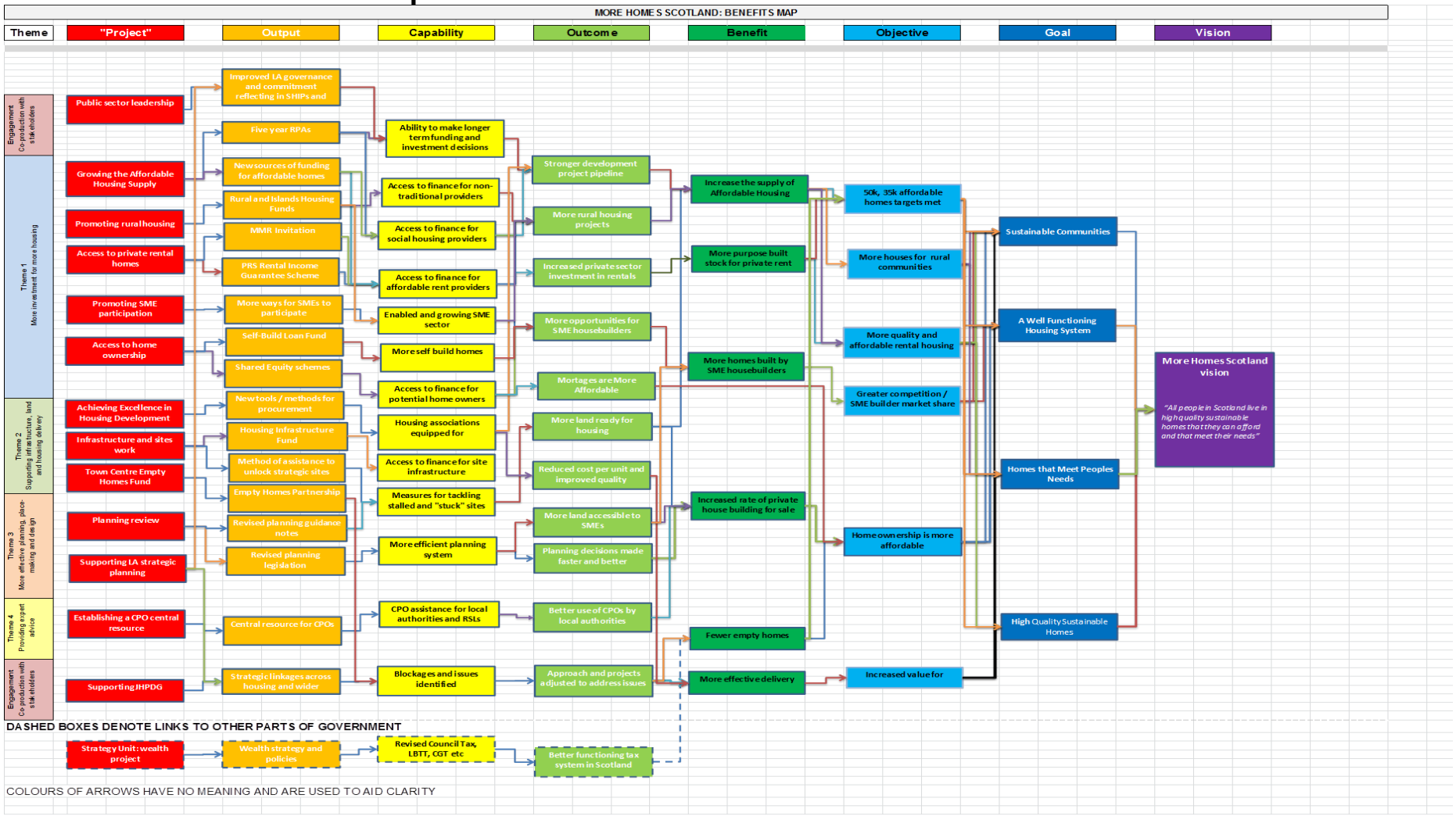
Title: **Benefits Realisation Plan**
File name: More Homes Scotland - MHS Board - Benefits Realisation Plan
Purpose: Sets out the benefits of the MHS approach and how we will achieve them, monitor progress and measure success.
Owner: Strategy, Governance and Co-ordination Team
Current Version: Revised following November 2017 Board
Location: More Homes Division: MHS Board: 2015-2020 (erdm file qA532497)
Security Classification: Official

Original document embedded - Attached as a separate document

Annexes:

[Out of Scope]

B. Benefits Map

[Out of scope]

Annex B: Benefits Map