Has ‘affordable housing’ remained affordable across Scotland

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Acknowledgment

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CONTENTS

EXECUTIVE SUMMARY

In this report we consider the degree to which housing that is nominally 'affordable' in Scotland has remained so over the period 2013/14 – 2018/19.

Our findings show remarkable geographic variability. Some local authorities in Scotland have seen modest increases in social rents between 2013/14 – 2018/19. However, in virtually all cases increases in social rents have far out-stripped changes in household incomes. This is true for the change in median household incomes in Scotland (4% over the period 2013/14 – 2018/19) and more so for those households already in socially rented accommodation where household incomes have increased just 0.8% over the same time frame that social rents have increased, on average, 16%.

The document concludes by identifying some areas that merit further investigation with regard to rent setting policies in the social-rented sector.

INTRODUCTION

An under-supply of affordable housing is now a feature of many societies. The extent and severity of this issue has led Wetzstein (2017: 1) to identify a "global urban housing affordability crisis" that has elicited varying responses from different governments. Scotland has arguably seen the greatest direct action on this issue in the UK but is distinct from its neighbours in at least three respects.

Firstly, the scale of the requirement for affordable housing in Scotland is significant. Research commissioned by the Scottish Federation of Housing Associations, the Chartered Institute of Housing Scotland and Shelter Scotland identifies a requirement for 10,600 new affordable dwellings per annum between 2021 and 2026. This builds upon earlier research from 2015 that estimated an annual requirement of 12,000 new affordable dwellings between 2016 and 2021 (Scottish Federation of Housing Associations, Chartered Institute of Housing Scotland and Shelter Scotland, 2015; Scottish Government, 2020).

Secondly, it is important to recognise that the Scottish Government has been active in supporting the delivery of substantial numbers of new affordable dwellings. Evidence of this commitment can be seen in the Affordable Housing Supply Programme which was widely reported to be on track to deliver the committed 50,000 new affordable homes, of which 35,000 were to be socially rented, prior to the outbreak of the Covid-19 pandemic in early 2020.

Thirdly, the context in Scotland is one where affordable housing represents a greater proportion of the overall housing system than in other parts of the UK. The most recent available data shows that, in March 2018, 23% of homes in Scotland were socially rented. New affordable dwellings, therefore, represent net additions to an already sizeable component of the Scottish housing stock.

Taken together these features mean that a significant proportion of both the existing housing stock in Scotland and that yet to be produced, should be nominally 'affordable' – at least, at the moment of its delivery. However, an important question remains regarding the degree to which this housing *remains* affordable that is only now beginning to receive scrutiny (Preece, Hickman and Pattison, 2020).

Answering this question is problematised by long-standing debates regarding how best to measure housing affordability in absolute terms. We discuss this issue in greater detail in section 2 of this report. However, in the absence of a widely agreed upon standard for the measurement of affordability we propose an alternative way of thinking about this problem in relative terms.

By considering trend data in social rents and incomes across Scotland we make no prior judgement about the degree to which existing social housing was, or is, genuinely affordable in an absolute sense. That is, we do not seek to undertake an analysis of the degree to which housing costs in the social sector represent a fraction of household incomes that could be deemed to be 'affordable'.

Instead we propose an alternative way of thinking about the issue of affordability as a relative concept over time and geography. In shifting the focus of the debate in this way we provide an analysis that considers whether social housing has become relatively more or less affordable over time as a function of changes in rental values and incomes. Taking a geographical focus allows us to identify spatial variations in the degree to which housing is affordable and has become relatively less or more affordable.

Our analysis is, therefore, confined only to that housing type and tenure that is designed to be the most affordable and the degree to which those with the least means are able to access it. This provides the basis for a map of geographic variations in outcomes – those areas that have become relatively more or less affordable over time – in sections 5 and 6.

DEFINING AFFORDABILITY

One of the obstacles to any investigation of housing 'affordability' is the fact that there is no universally agreed definition of the term (Wilson and Barton, 2018). Instead, many competing interpretations can be found in the literature for how affordability should be measured and understood (see, for example, Abelson, 2009; Goetz, 2008; Howell, Mueller and Brown Wilson, 2019).

The result is a contested landscape in which numerous different approaches to measuring and understanding affordability are available. However, two general approaches can be discerned that each have specific advantages and limitations: affordability ratios and income-based measures. Taking each in turn:

Rent-to-income ratios are an intuitively appealing approach to the question of measuring housing affordability. This generally simple approach has the advantage of being clear and ostensibly objective. However, it has proved problematic to apply in practice for two significant reasons.

Firstly, as a qualitatively neutral calculation the approach lacks sensitivity to the fact that household income and expenditure can be widely divergent: two households with identical incomes are implicitly deemed to have an equivalent ability to afford identical rents. This clearly does not capture real and significant variations in household circumstances; what may be affordable for one household may not be for another.

Secondly, and in relation to this first point, there is not, and probably could not be, any widely agreed upon standard for what would comprise an 'affordable' level for the ratio.

Despite this fact, it should be noted that in the absence of a formal definition commentators and policy makers have often chosen to improvise an affordability ratio as a guiding principle. Bodies such as the National Housing Federation and Savills have previously employed a ratio of between 25% and 28% to evaluate affordability and the English standard method of calculating housing requirement includes an affordability ratio of median work-place based incomes and median house prices in a specified area (Collins and Lupton, 2015; MHCLG, 2019).

This latter example highlights a further problem with the use of affordability ratios: their inability to capture the highly variegated set of outcomes and experiences that can prevail in mixed tenure housing systems. For example, the focus on median work-place based incomes and median house prices that is inscribed into the English standard method for measuring housing requirement assumes in-work incomes related to the owner-occupation market. By definition, the approach consequently does not focus on the rental levels that prevail in the social-rented sector and the capacity of those on the lowest incomes to access affordable housing. It is a measure of affordability that only applies to the housing *market* and has no purchase at all with respect to affordable social housing.

The shortcomings of affordability ratios have prompted some to turn to income-based approaches in an attempt to reach a more balanced understanding of housing and non-housing costs in defining affordability. Significant progress has been made in this regard with some advocating a residual income approach as the best way of most accurately evaluating affordability (Padley and Marshall, 2019; Stone, 2006a, 2006b).

However, residual income approaches also suffer from limitations. They can be complex to assemble and are dependent upon establishing clear costs for a scalable basket of goods that comprise the non-housing costs said to be essential for each household. Defining the contents of such a basket can be controversial and should ideally be calibrated to geographic variations in the cost of living. Furthermore, there may be variations in what residual component of household income might be deemed acceptable to surrender to housing costs under owner occupation, as it results in the acquisition of an asset that is often anticipated to appreciate over time, versus the social rented sector, where these expectations are not priced in.

For these reasons, although more elaborate than affordability ratios, the residual income approach does not enjoy sufficiently widespread support to make it a clear choice to measure housing affordability.

An alternative may be to consider a hybrid of these two approaches that seeks to consider the relative growth/decline in rental values and incomes over time and space.

This approach would entail devising a ratio of changes in rental levels and incomes to establish the degree to which a specific sector of the housing system has become more or less affordable over time. In making the focus of the ratio the *change* in the variables under consideration there is no requirement to establish a) the degree to which the initial rental value was affordable and b) the proportion of household income that might be deemed to be acceptably affordable. Instead, the proposed ratio represents a barometer of the extent to which a general measure of change in incomes have kept pace with changes in rental values.

In this report we seek to explore this alternative way of thinking about housing affordability. By considering the relationship between the prevailing incomes of those in greatest need and rental values in the social sector we produce a measure that illustrates where nominally ‘affordable’ social housing is becoming less, or more, affordable over time. This measure allows us to move beyond the ‘snapshot’ approach that defines affordable housing in absolute terms, either through a rent/income ratio or through a residual income approach.

METHODOLOGY

This study comprises desk-based research using existing, publicly available datasets on social rents, household incomes and housing costs to explore changes in the affordability of 'affordable' housing over time. The analysis covers the period 2013/14–2018/19, which predates the effects of the COVID-19 pandemic and is not affected by the aftermath of the 2008 Global Financial Crisis.

In order to chart the range and trends in rent levels for social rented housing in Scotland, the study uses data on average weekly rents for the financial years 2013/14–2018/19, which is provided by the Scottish Housing Regulator for each social landlord for lettable self-contained units, disaggregated by number of bedrooms. It is possible to break this data down to local authority areas by using information on the housing stock distribution of each social housing provider per council area for 2019. Where social housing providers operate in more than one local authority area, the distribution of housing stock of varying types needs to be estimated on the basis of 2019 data to calculate average rent levels for each local authority area (see the Appendix to this document for a more detailed account).

Income data, be it household income or individual earnings, is notoriously difficult to obtain, as no official statistics on incomes are produced. Instead we have to rely on social surveys. The two most important such surveys are the Family Resources Survey (henceforth, FRS), including the Households Below Average Income (HBAI) dataset, and the Scottish Household Survey (henceforth, SHS), both allowing for time series analysis dating back to the mid-1990s.

The FRS is carried out annually with a sample size of over 20,000 for the UK and provides detailed information on household characteristics, earnings, benefits and housing costs. However, the sample size for Scotland is much smaller (less than 3,000). It is, therefore, recommended to present moving averages for the last three years. Also, this safeguarded dataset does not allow for analysis at local authority level.[1] The HBAI dataset, which is used in this study to explore changes in household income is directly derived from the FRS.

The Scottish Household Survey has a much larger sample size (over 10,000) than the Scottish element of the FRS/HBAI datasets and it is possible to disaggregate data at the level of local authorities. The SHS however, covers a much wider range of topics and data on household income and costs is necessarily less detailed and, more importantly, less reliable as the information provided is not thoroughly checked during the interview process. Furthermore, it only covers the income of the Highest Income Householder and their

[1] For more details on methodological issues, please refer to *Households Below Average Income (HBAI) Quality and Methodology Information Report*, available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875331/households-below-average-income-quality-methodology-2018-2019.pdf.

spouse/partner, but not other members of the household.[2] In contrast to the other data used in this study, it covers the calendar year, which means a four-month difference in terms of its coverage.

Therefore, this study follows a two-step approach to combine the need for accurate and detailed data provided by the FRS/HBAI datasets and the ability to analyse the geographical distribution of household income and housing costs via the SHS.

First, we analyse trends for household incomes for different tenures and income groups in Scotland before analysing the changes in household incomes and housing costs for social tenants in particular.

Second, we provide a simplified analysis to get an approximate indication of how income levels may differ between local authorities in Scotland and relate this data to differences in social rent levels. Despite the much larger sample size of the Scottish Household Survey this can only be an approximate indication due to the small sample size in smaller local authorities.

Due to the data limitations mentioned above it is impossible to reliably chart income trends for different income groups at the local authority scale.

[2] For more details on methodological issues, please refer to *Sottish Household Survey: Methodology and Fieldwork Outcomes 2018*, available at https://www.gov.scot/publications/scottish-household-survey-2018-methodology-fieldwork-outcomes/.

HOW HAVE SOCIAL RENTS CHANGED?

There are around 600,000 social rental properties in 2019, of which a little more than half (315,000) are provided by 26 of Scotland's 32 local authorities. Six local authorities sold off their housing stock in the 2000s, so that social rental housing is exclusively provided by housing associations in these local authority areas.[3]

There has been an increase in the number of social housing dwellings in Scotland between 2013/14 and 2018/19 (approx. +6,000). However, there has been a shift between providers with the number of local authority-provided dwellings decreasing by approximately 2,000 units. Although local authorities in Scotland have seen net increases to their housing stock more recently, in 2018/19 the ratio was approximately 4-to-1 in favour of housing associations (Scottish Housing Regulator, 2019: 4).

Local authority rents are, on average, 14% below housing associations (Scottish Housing Regulator, 2019: 4). However, average weekly rents for a comparable two-bedroom apartment in both sectors combined are only about half of that in the private rental market (Scottish Government, 2019c: 83), which means that the private rental market is, generally speaking, a less affordable alternative for low-income households.

Over the period 2013/14–2018/19 for which data from the Scottish Housing Regulator is available, average weekly rents in the social sector have increased, on average, from £68 to £79 (+16%). In almost every year, rent level increases have been above the general inflation level, using the Consumer Price Index, and often by a large margin.

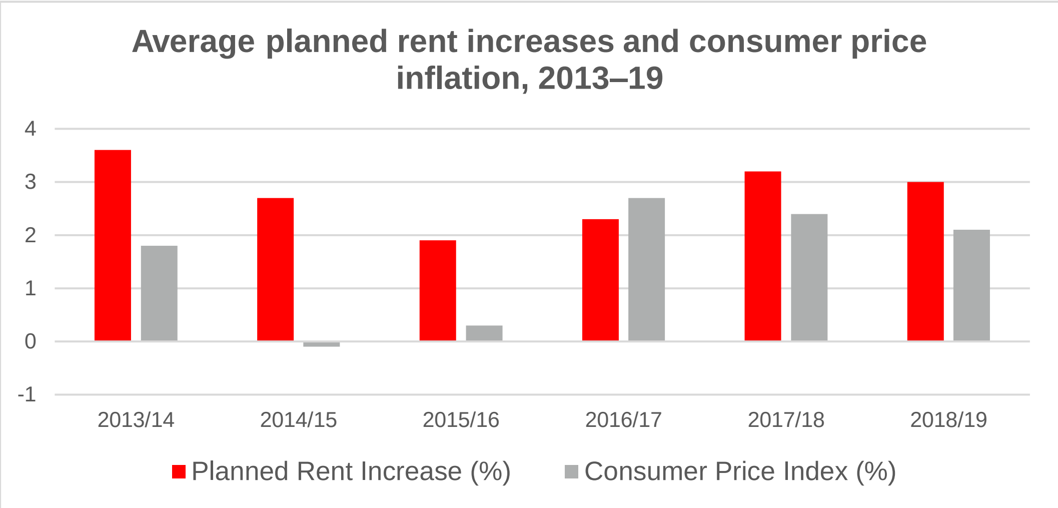


Figure 1: Average planned rent increased and consumer price inflation, 2013–19 (Source: Scottish Housing Regulator and ONS)

[3] This is the case in Argyll and Bute, Dumfries and Galloway, Glasgow, Inverclyde, Na h-Eileanan Siar, and Scottish Borders.

One of the key questions for this study is the role of geography. There is huge variation in social rent levels between council areas in Scotland, ranging from under £70 per week in North Lanarkshire and Moray to nearly £100 per week in the City of Edinburgh. Housing associations have a narrower range of average weekly rents (between £80 and £95) than local authorities but are generally above the relevant local authority rent levels – with one exception, the City of Edinburgh. The national geography of average weekly rents for local authorities and housing associations is shows in Figure 2.

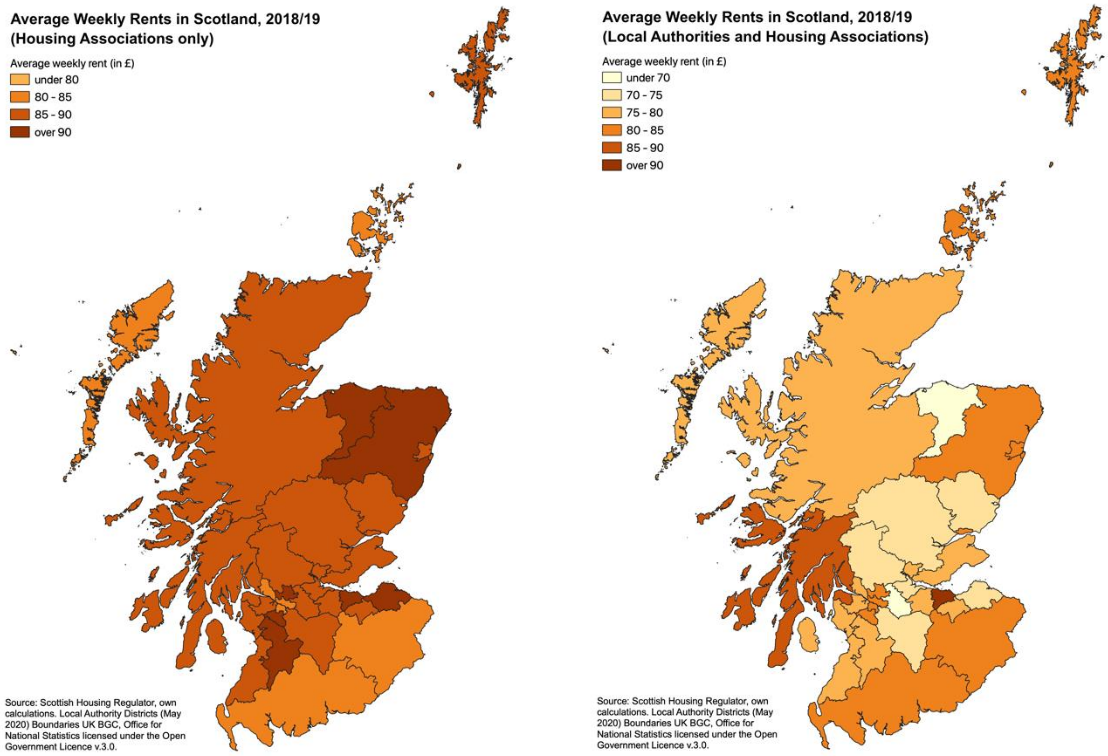


Figure 2: Average weekly social rents in Scotland, 2018/19

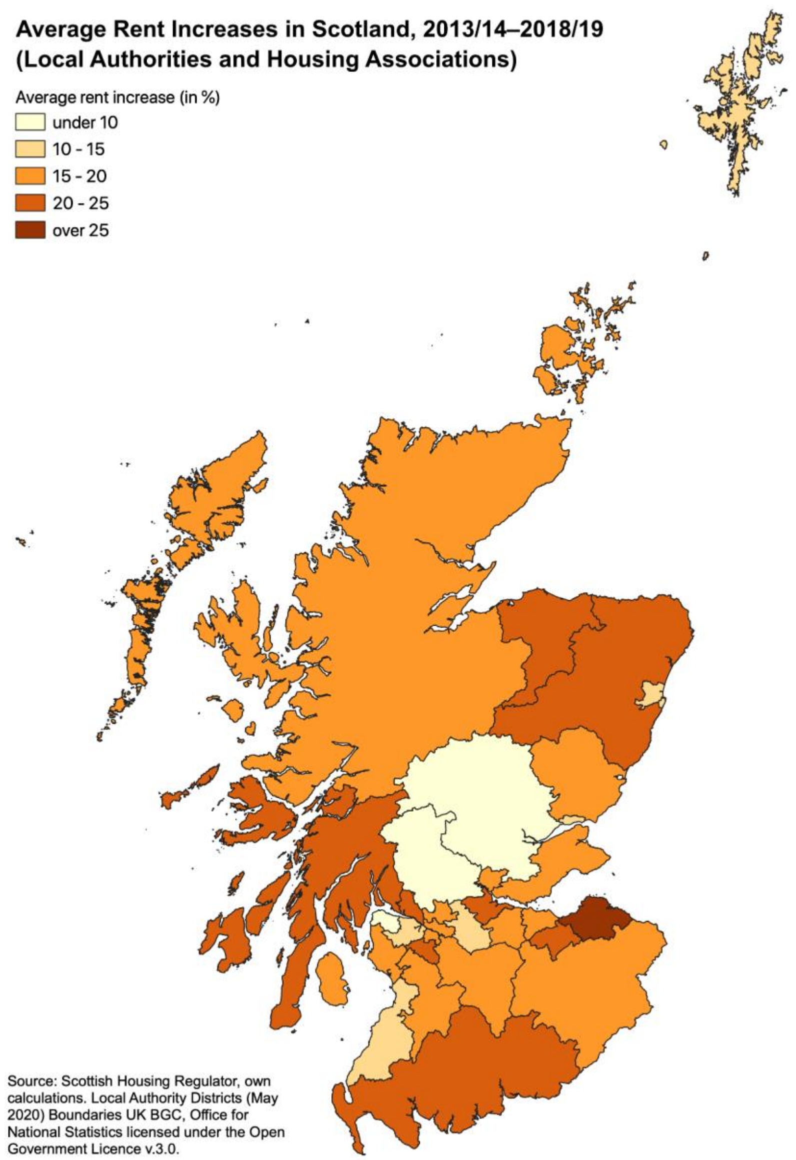
Rents have increased substantially over the 5-year period as set out in Table 1 and as a map in Figure 3. Between 2013/14 and 2018/19 double-digit increases in rents were recorded in all but three local authority areas (Inverclyde, Perth and Kinross, and Stirling). The highest increase was observed in East Lothian at more than 25%.

Table 1: Local authority areas with top 5 highest and lowest social rent changes, 2013/14–2018/19

Top 5 Highest		Top 5 Lowest	
East Lothian	25.2%	Stirling	3.0%
Midlothian	23.4%	Perth and Kinross	8.1%
Moray	22.6%	Inverclyde	9.0%
West Dunbartonshire	22.5%	Aberdeen	10.0%
East Renfrewshire	22.4%	Dundee	10.3%

(Source: Scottish Housing Regulator; own calculations)

Figure 3: Average social rent increases in Scotland, 2013/14–2018/19.



No clear picture emerges when comparing rent increases between local authorities and housing associations, with differences of up to 10 percentage points in either direction. It is also a moot point whether such a distinction is analytically justified. Where local authorities are a provider of social rented housing, they tend to dominate provision – so why exclude their stock? Answering this question is entirely dependent upon the range of factors that may be relevant in explaining differences in price levels and changes. For example, in setting rent levels housing associations and local authorities may elect to set rents at higher levels for newly developed stock relative to older dwellings.

Many households who are on a local authority or housing association waiting list will have to find accommodation on the private market in the meantime. In particular in the Edinburgh and Glasgow city regions rents in the private rented sector have greatly increased, putting many households under financial stress.

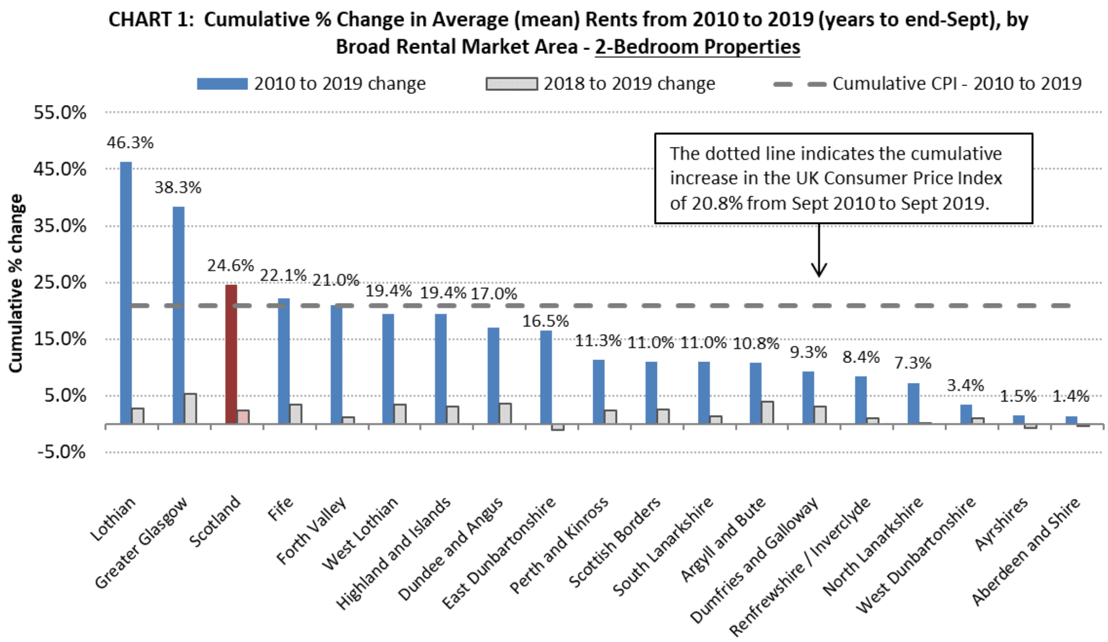


Figure 4: Private sector rent changes for 2-bedroom properties for broad rental market areas in Scotland, 2010–19 (Source: Scottish Government, 2019b: Chart 1)

THE RELATIONSHIP BETWEEN INCOME LEVELS AND MONITORING HOUSING AFFORDABILITY

Understanding changes in incomes is essential to monitoring housing affordability. One common way of looking at this question is in relation to different tenures as set out in Figure 5. This data shows that households buying with a mortgage or loan typically have higher incomes - three quarters have incomes above the Scottish median. The opposite is true for households in the social rented sector, where three quarters of households have incomes below the Scottish median. Households in private rented accommodation have slightly higher incomes than social tenants but are also very likely to face much higher housing costs as outlined in the previous section. Households who own their property outright are closest to the Scottish average in terms of lower quartile, median and upper quartile incomes.

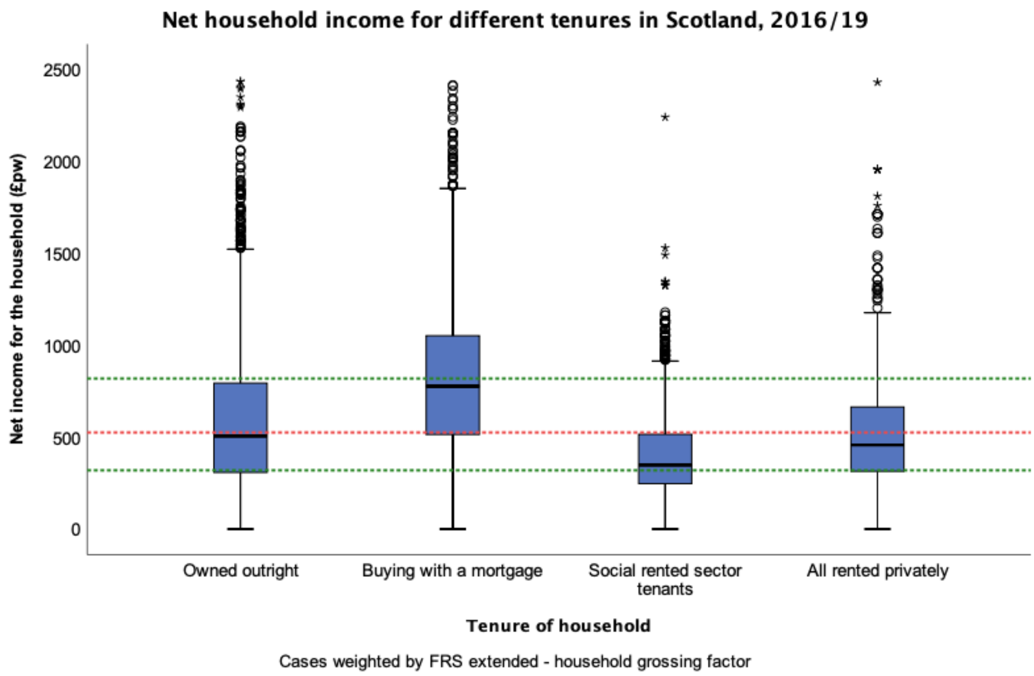


Figure 5: Net un-equivalised household income by broad tenure group in Scotland, 2016/17–2018/19 (Source: Family Resource Survey 2016/17–2018/19, HBAI dataset. Supplied through UK Data Archive)

Note: The dotted lines show the lower quartile, median and upper quartile incomes for all households in Scotland.

It should also be noted that there is strong variation in terms of the rate of change in household income over the period 2010/3–2016/9. While the median household income in Scotland changed by 4.1%, households in social rented dwellings saw incomes increased by just 0.8%. By contrast, homeowners saw above average income increases. The income gap between households in social-rented accommodation and homeowners has thus widened, as set out in Figure 6.

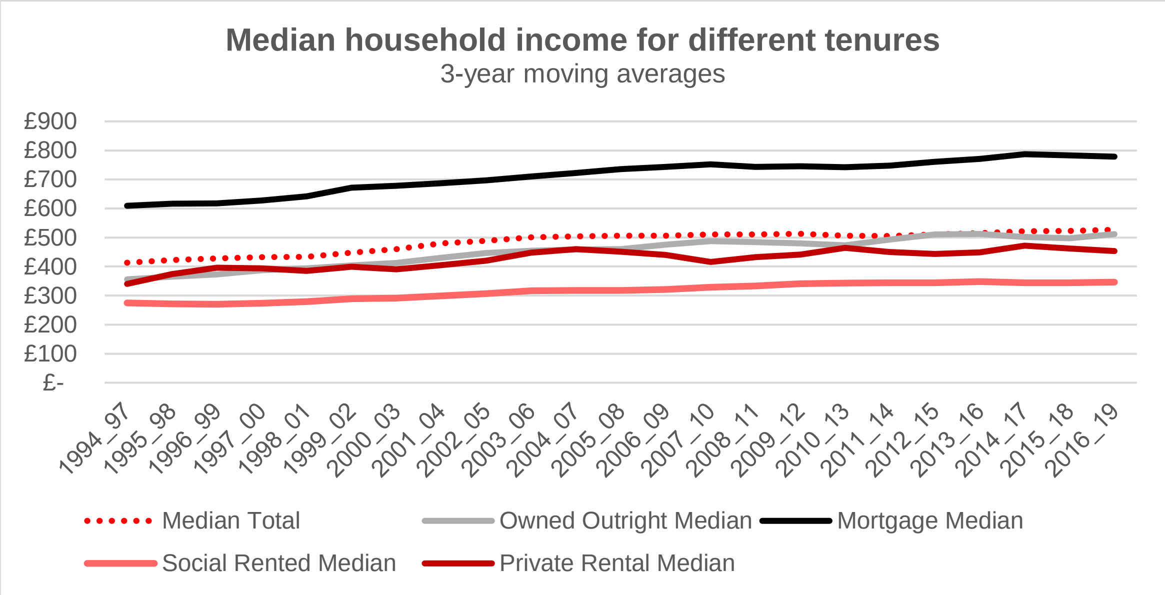


Figure 6: Median weekly household income for different tenures (Source: Family Resource Survey 1994/95–2018/19, HBAI dataset. Supplied through UK Data Archive)

The issue of obtaining access to affordable housing is greatest for low income households – precisely those for whom social rented housing is intended. Looking at income development for the lowest quintile and lowest decile shows that household incomes have stagnated for more than a decade as shown in Figure 7.

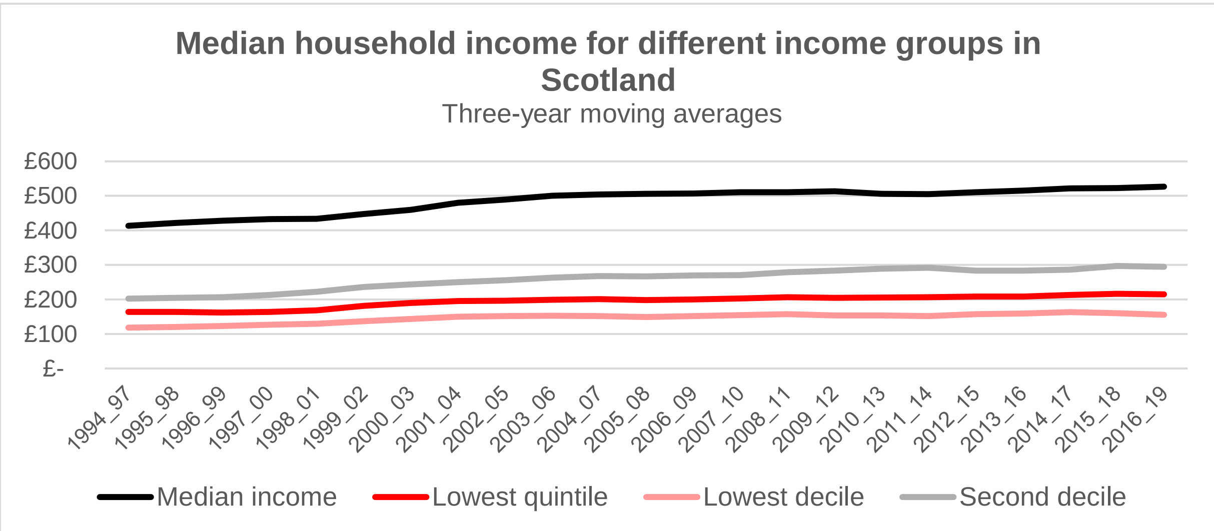


Figure 7: Median weekly household income for different income groups (Source: Family Resource Survey 1994/95–2018/19, HBAI dataset. Supplied through UK Data Archive)

Stagnating household incomes and, in many local authority areas, increasing housing costs are likely to have negatively affected households in the social rented sector. Households in privately rented accommodation, which will include those households on local authority or housing association waiting lists, have an even less favourable ratio of housing costs to income, though the volatility of the curve urges some caution about the reliability of the data (Figures 8 and 9).

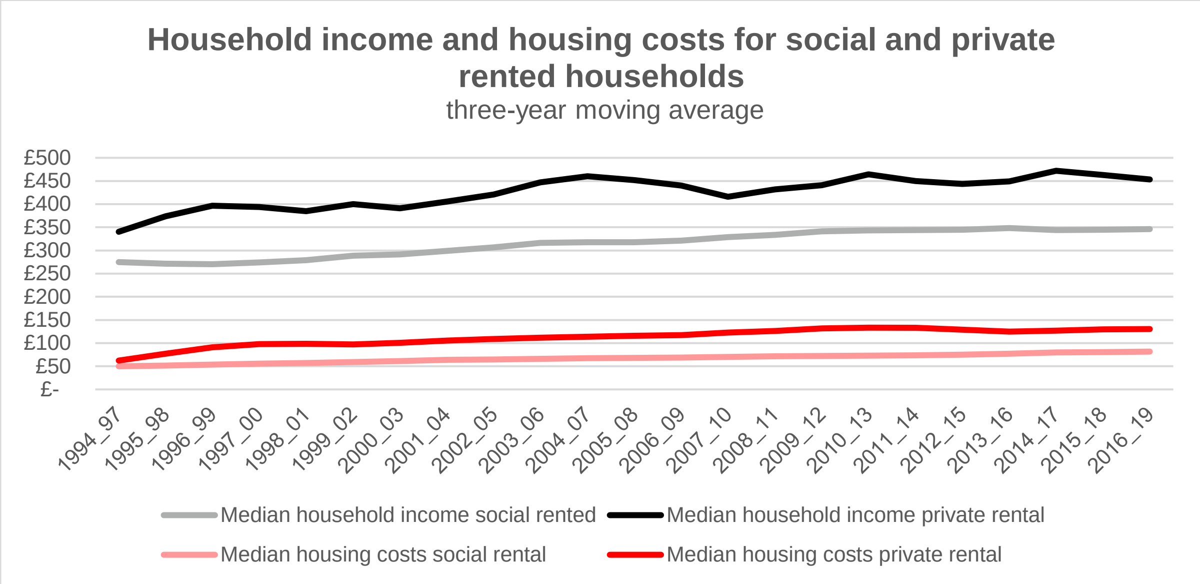


Figure 8: Median housing costs and household incomes for social and private rental households in Scotland (Source: Family Resource Survey 1994/95–2018/19, HBAI dataset. Supplied through UK Data Archive)

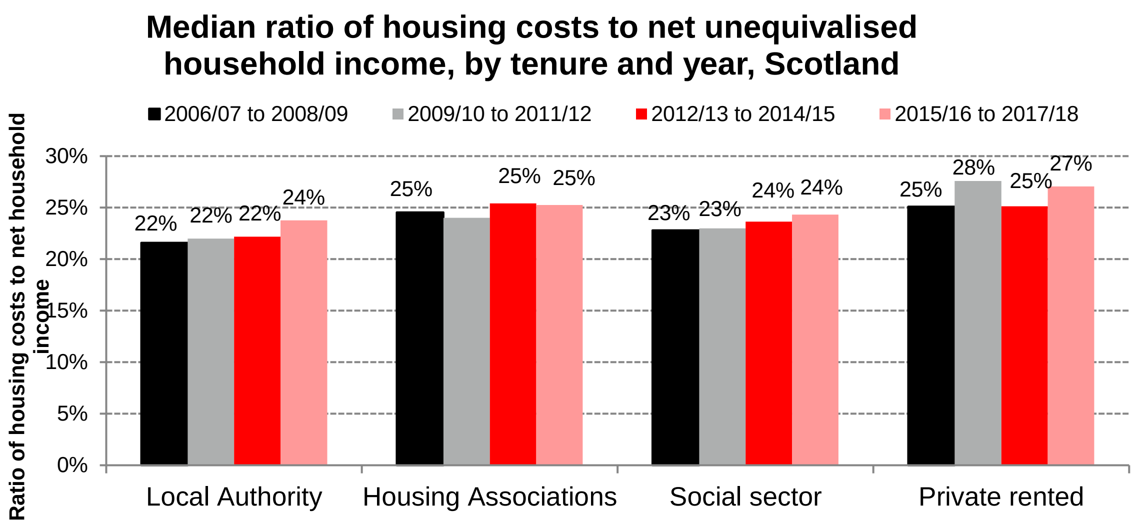


Figure 9: Median ratio of housing costs to net un-equivalised household income by tenure and year (adapted from Scottish Government, Family Resource Survey 2019c: Chart 5.15)

Breaking down household incomes for local authority areas is methodologically problematic as income data in the Scottish Household Survey is generally less reliable than the FRS and the sample size is too small for some local authorities to allow for meaningful statistical analysis. At best the data can give a flavour of income differences between local authority areas. Figure 10 shows annual net household income for each local authority in Scotland based on the SHS 2014/18.

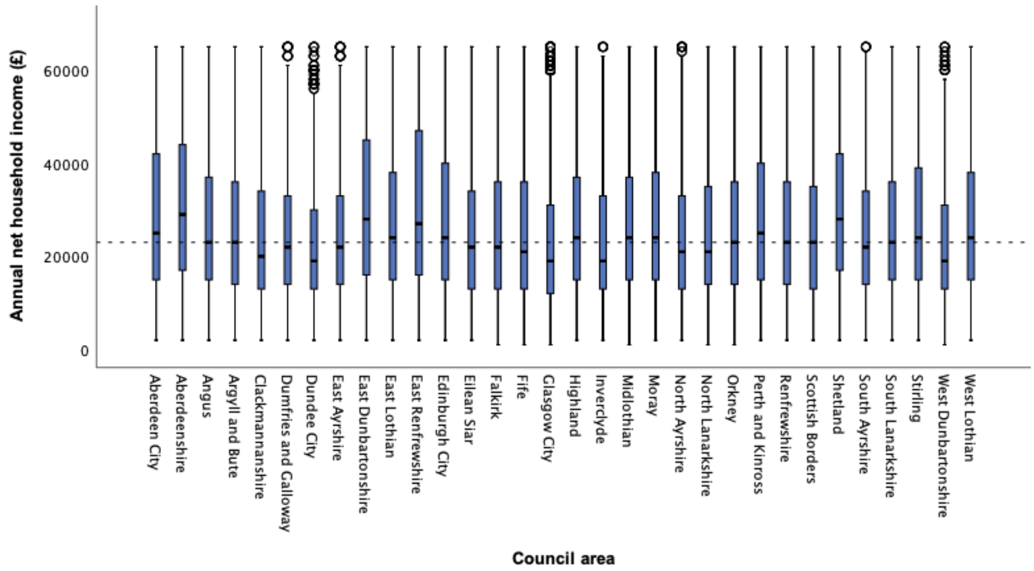


Figure 10: Annual net household income per council area in Scotland, 2014/18 (Source: Sottish Household Survey. Supplied through UK Data Archive)

While cities are generally perceived as drivers of the national economy, they are also more polarised in terms of incomes. The highest median incomes are, therefore, not found in the urban centres but in the commuter belt (e.g. Aberdeenshire or East Dunbartonshire). According to the SHS data, Glasgow and Dundee have actually some of the lowest median household incomes in Scotland.

An appreciation of the scale of the affordability problem is possible by looking at the share of low-income households as set out in Figure 11. For example, nearly 30% of all social-rented households in East Renfrewshire are in the lowest income group with a net annual income below £10,000. The data indicates the percentage of households that are likely to be most negatively affected by rent increases applied to nominally ‘affordable’ housing.

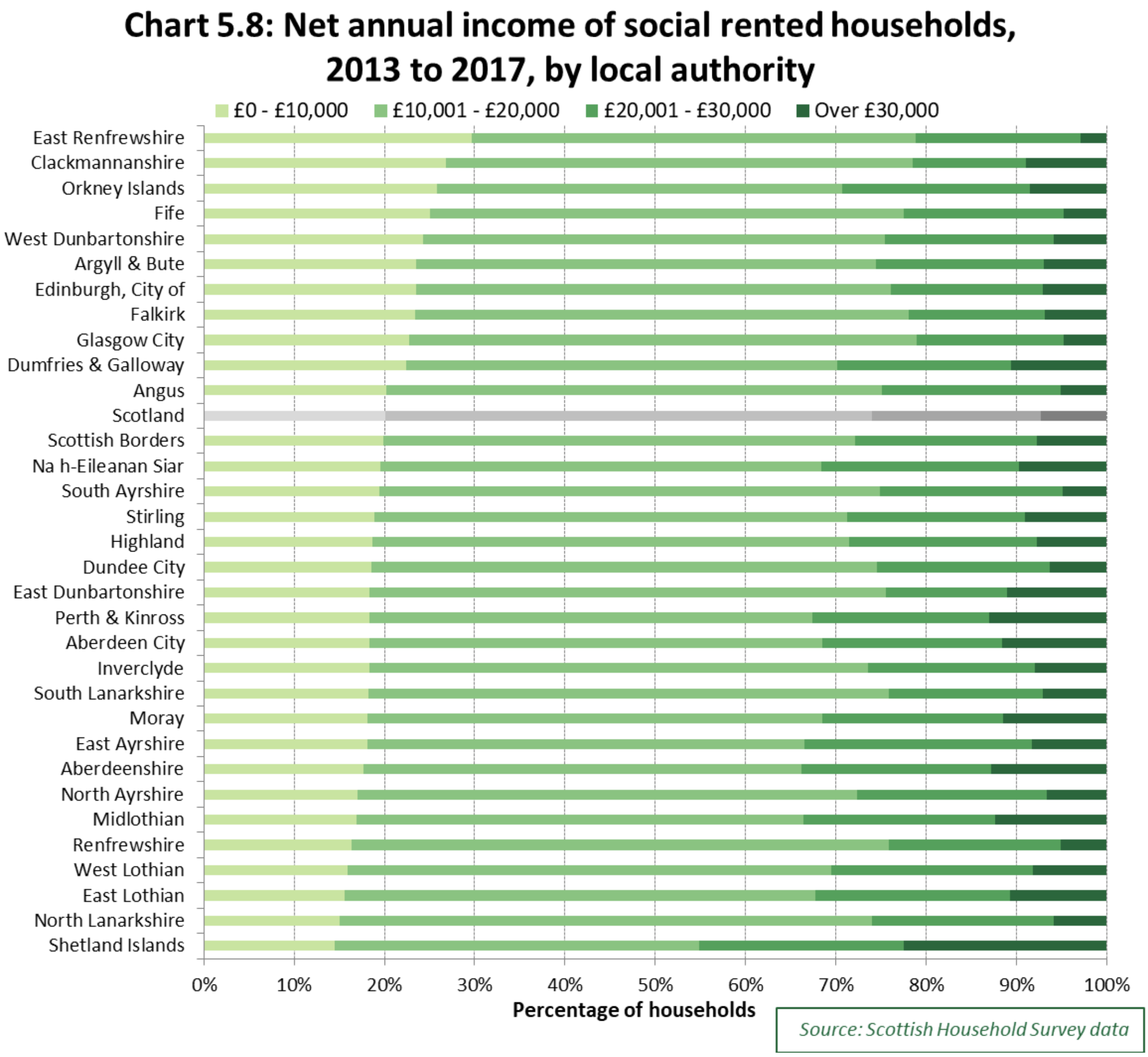


Figure 11: Net annual income of social rented households by local authority, 2013/17 (Scottish Government, 2019c: Chart 5.8)

HAS AFFORDABLE HOUSING BECOME MORE OR LESS AFFORDABLE FOR THE POOREST HOUSEHOLDS?

It is clear from the foregoing analysis that, in some locations, rents have increased considerably whilst incomes for the lowest earning households have stagnated.

Across Scotland the average rate of increase in rent values in the social sector is above the general rate of inflation with some local authority areas seeing rents increase by as much as 25% over the five-year period 2013/14–2018/19. In addition, section 5 of this report showed that lower income households have seen their incomes stagnate. As these are precisely the households for which affordable housing is designed it follows that the ratio of changes to rents relative to changes in household income provides an account of the degree to which this housing type is becoming more or less affordable across Scotland[4].

In this final section we seek to combine the data presented so far to ask if incomes have kept pace with increasing rents and provide a geographic account of where nominally affordable housing has become more or less affordable.

Figure 12 shows the relationship between social rents and median household income for every local authority in Scotland in 2018/19 (the most recently available data). Although this analysis is broader than our stated aim of specifically focussing on the situation of the poorest households, the data is valuable in that it indicates a very broad range of experiences for which there is no discernible pattern. Some local authorities with very high median incomes have social rents that are comparable to those local authorities where median incomes are lowest. For example, East Dunbartonshire which has one of the highest median household incomes in Scotland records social rental values similar to Dundee which has one of the lowest household median incomes.

[4] As noted throughout this report this measure of change to affordability does not reflect the fact that housing costs often represent a relatively greater burden for low versus higher income groups.

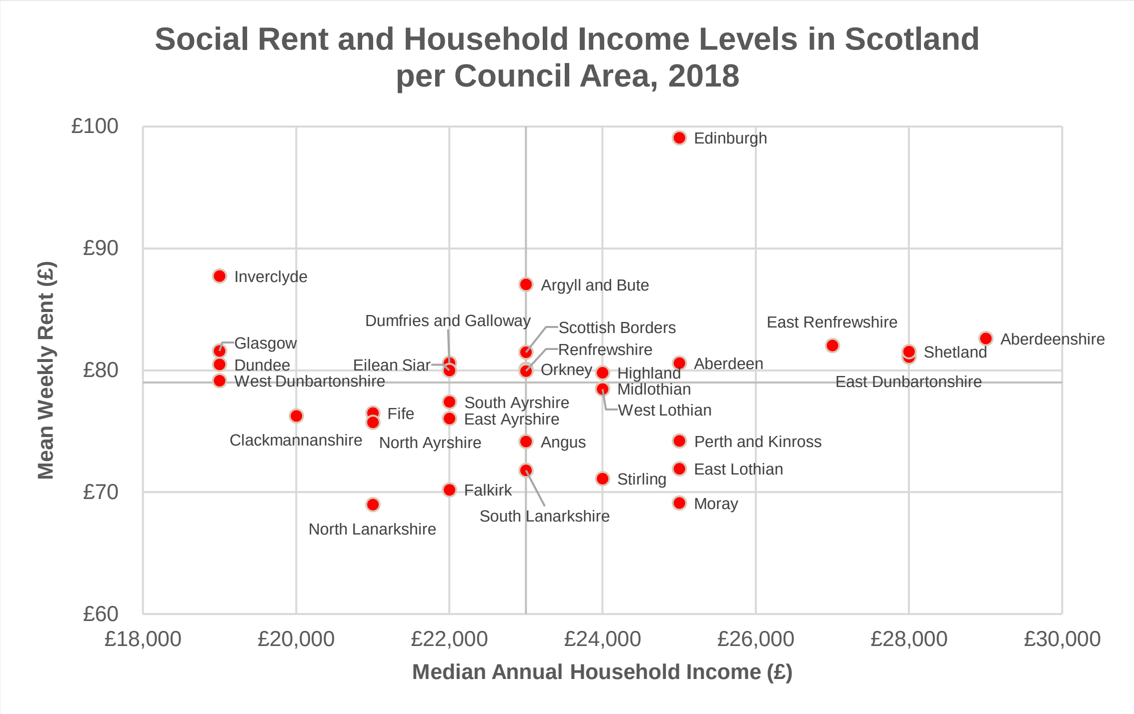


Figure 12: Social rents and annual household income per council area in Scotland (Source: Scottish Housing Regulator; Scottish Household Survey. Supplied through UK Data Archive)

Figure 12 indicates that more attention is required on the question of how rents are set. Looking at a particular year in isolation may represent a distortion, particularly if rents are revised frequently to take account of changing local circumstances. Figure 13 explores this question by depicting the rent levels in 2013/14 and 2018/19 on the y-axis and the average change in rents in each Scottish local authority over the period 2013/14–2018/19 on the x-axis. Social rents in local authority areas in the upper half/above the dotted line have seen above average rental increases, in some cases potentially to correct for historically low weekly rents relative to other local authority areas.

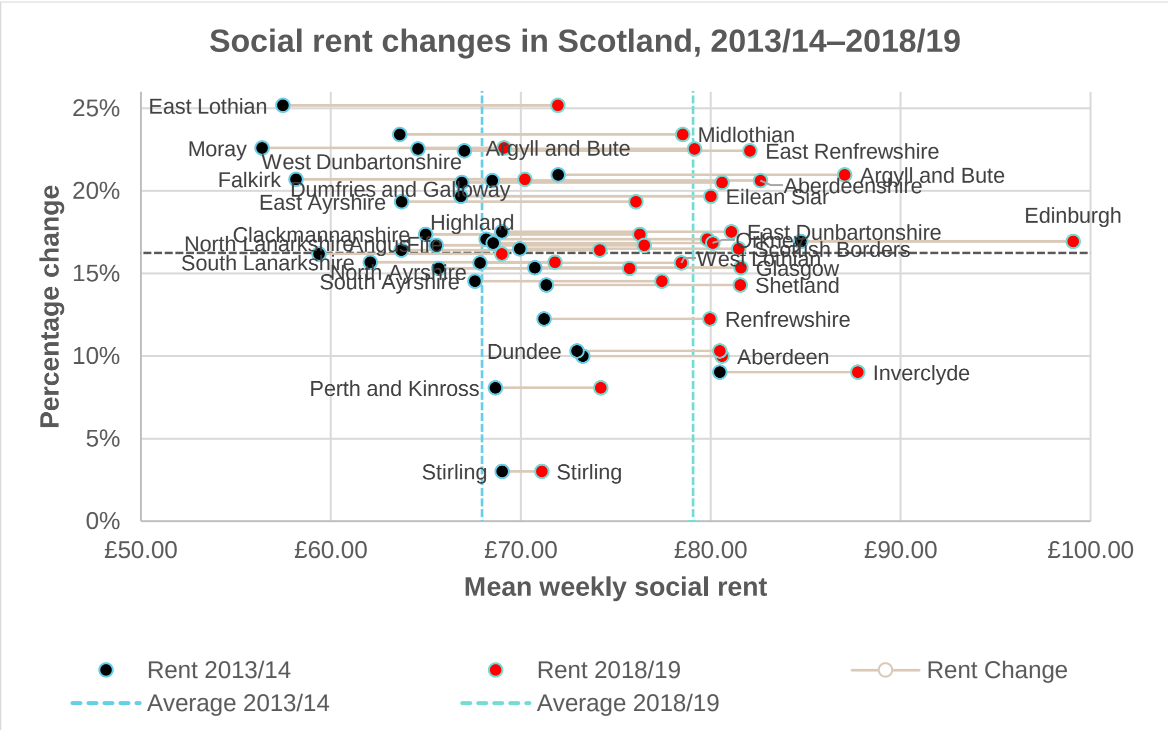


Figure 13: Social rent changes in Scotland, 2013/14–2018/19 (Source: Scottish Housing Regulator)

Table 2 further analyses the rent-setting behaviour of local authorities and housing associations by comparing the relative position of councils from 2013/14 to 2018/19. Many councils maintained their relative position through rent changes that were broadly in line with the average change in Scotland. In some local authorities below average rent increases resulted them to change from the group with the highest or medium rents to the medium and low rent groups respectively. Equally, in some local authorities above average rent increases mean that they no longer sit in the low or medium group. Three local authorities have traditionally had very high rents and maintained that position, with rent levels far above any other local authority area.

2013/14	High		**More affordable (high to medium)** Aberdeen Dundee Renfrewshire Shetland	**Static (high)** Argyll and Bute Edinburgh Inverclyde
	Medium	**More affordable (medium to low)** Perth and Kinross North Ayrshire Stirling	**Static (medium)** Dumfries and Galloway East Dunbartonshire East Renfrewshire Eilean Siar Fife Glasgow Highland Orkney Scottish Borders South Ayrshire West Lothian	**Less Affordable (medium to high)** Aberdeenshire
	Low	**Static (low)** Angus East Lothian Falkirk Moray North Lanarkshire South Lanarkshire	**Less affordable (low to medium)** Clackmannanshire East Ayrshire Midlothian West Dunbartonshire	
		Low	*Medium*	*High*
		2018/19		

Table 2: Changes to affordability relative to other councils

Note: Boundaries are defined by 0.5 Standard Deviations below and above the average rent levels in 2013/14 and 2018/19 respectively.

Measuring the impact of changes in rents and incomes is problematised by the fact that income statistics cannot be disaggregated to local authority geographies on the basis of publicly available data. However, using the statistics presented in section 5 for various income groups and tenures, reporting a 4.1% increase of median household incomes for Scotland and 0.8% for social rental households over the period 2010/13 to 2016/19, suggests that nominally ‘affordable housing’ has become relatively less affordable in every local authority area in Scotland, with the potential exception of Stirling.

CONCLUSIONS

The analysis presented in this report shows that there are significant variations in the changing affordability of socially rented housing in Scotland.

In the absence of a formal definition of an agreed price point that would represent genuine affordability in social housing we instead seek to focus in this report on rates of change. By exploring the degree to which incomes, particularly for the poorest households, have kept pace with changes in social rents we can measure the degree to which housing that is nominally affordable has remined so over time.

Our findings show remarkable geographic variability. Some local authorities in Scotland have seen modest increases in social rents over the period 2013/14–2018/19.

However, in virtually all cases increases in social rents have far out-stripped changes in household incomes. This is true for the change in median household incomes in Scotland (4% over the period 2013/14–2018/19) and more so for those households already in socially rented accommodation where household incomes have increased just 0.8% over the same time frame that social rents have increased, on average, 16%.

Systematic engagement with local authorities and registered providers of social housing to harvest data on the drivers of increases in social rents lies outside the scope of this study. However, four possible explanations can be identified that would merit further research.

Firstly, local variations in the quality of the housing stock and the scale of any property improvements that have been carried out represents one area that might explain variations in the price of social rents. Housing revenue account statistics (Scottish Government, 2019d:18) show that in 2018/19 more was spent by local authorities in Scotland on improving the quality of their housing stock than on the construction of new dwellings. Further research on the interconnections between rent setting policy and enhancing the quality of local authority housing stock would be beneficial to understand this relationship more fully.

Secondly, the data upon which the analysis in this document is predicated does not disambiguate rental values by the age of the housing stock. If the rental value of recently built affordable dwellings is set at a higher rate to differentiate it from local authority stock constructed in the 1930s, 1950s or 1960s it would follow that any local authority area that had experienced the delivery of substantial numbers of new affordable dwellings in recent years may well have seen a stimulus to social rental values. Further analysis would, therefore, be desirable regarding decision making within local authorities and RSLs to establish if age and quality of the stock has any bearing on the rental levels that are established.

Thirdly, a further aspect of decision making with regard to the level at which social rents are set may include the implications of grant funding. The Scottish Government increased the levels of grant funding available through the Affordable Housing Supply Programme in 2016. This grant funding represents a necessary stimulus to support the delivery of affordable housing and is variable to reflect contextual differences, such as with regard to construction costs, in urban and rural locations. However, there are also differences in the levels of grant funding available to registered providers and local authorities.

The degree to which the grant funding regime continues to accurately reflect the costs of delivering affordable housing and variations between local authorities and registered providers requires further research. A recent report by Audit Scotland (2020: 18) makes this point clearly:

"Some social landlords, however, now report that the cost of building new homes is increasing. Some councils also have concerns about the lower grant levels for councils compared to those for RSLs. Scottish Government grant for new council homes was introduced in 2009 and the principles were agreed with COSLA. Following the work of the Joint Subsidy Working Group, council subsidy benchmarks were increased although the difference in subsidy benchmarks was maintained. One of the reasons for lower grant levels was that councils could borrow money at lower interest rates than RSLs. During our fieldwork one council reported that the cost of borrowing is now similar to that of RSLs."

Fourthly, more data is required on the behavioural propensity for different providers of affordable housing, both RSLs and local authorities, to adjust rents. Research by Scottish Government (2019) provides some insight into rent setting behaviour amongst both RSLs and local authorities. However, it would be desirable to know more about the processes by which rent levels are determined. For example, there is no current evidence on how widely the SFHA and HouseMark Scotland rent setting tool is used by RSLs. Moreover, it is possible that some of the extremes of experience recorded in this report may stem from differences in organisational culture and professional norms of practice. Further research is required to understand the motivations of those providers that have implemented changes in social rents that are substantially less or greater than the general rate of inflation.

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