Housing Investment Taskforce

Report
March 2025

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Ministerial Foreword

When I convened the Housing Investment Taskforce a year ago, I shared with members my ambition of making Scotland the best place for housing investment. I am pleased that ambition was shared by Taskforce members.

The Taskforce has worked diligently and effectively together to identify a range of actions which will make a positive impact on investment across the housing system. Importantly, members focused on supporting more investment across all tenures.

In establishing the Taskforce, I brought together a group of people offering expertise from the front line of investing, building and delivering homes. Their direct experience – and practical and collaborative approach to charting solutions – has been critical in the development of this work over the past year, leading to the publication of their report. I am grateful to Taskforce members for generously dedicating their time to this work for the benefit of people, housing and investment across Scotland.

We are making progress to improve the conditions for investment at scale and will continue efforts to create a favourable environment. That will include the Government's response to this report from the Taskforce, working in partnership with members, professionals and organisations across Scotland to meet Scotland's growth potential.

Paul McLennan MSP
Minister for Housing

Introduction

Background to the Housing Investment Taskforce

1. The Housing Investment Taskforce ("the Taskforce") was established in April 2024 by Paul McLennan MSP, Minister for Housing, to identify actions that will unlock both existing and new commitments to investment in housing **across all tenures.**

2. The Taskforce comprised investors and investees actively investing and delivering at scale, with the **potential to invest further** to support new supply of housing in Scotland. The organisations involved in the Taskforce cover both public and private sectors and their different experiences have combined to provide a view on how business models could evolve and new ways found to attract investment at scale.

3. While unreservedly focussing on their investment remit, the Taskforce has been clear that investment is not an aim in itself but a priority because of what it delivers for people, communities and businesses across Scotland. For those at the hardest edges of housing need, this investment can be life-changing. The Taskforce recognises that there are balances that must be struck and that government at all levels, housing providers, developers and investors need to take decisions in the context of their own objectives and priorities, looking after the interests of the people they serve. **The Taskforce has sought to find common ground across these priorities to reach a consensus position that will enhance delivery of quality new homes in Scotland and improve resilience through economic cycles.**

4. The investment focus is, by necessity, medium to long-term. Nevertheless, there are choices that could be made now that would set Scotland on a new trajectory for housing investment. This means focussing on the **actions that will have the greatest impact on creating the conditions** for new investment to flow – and ensuring Scotland reaches its potential. There is no silver bullet, but structural changes initiated now to deliver, over the long-term, fundamental improvements to supply are within our gift.

Remit and approach

5. The remit of the Taskforce is to:

- build investor confidence and attract further mobile capital investment into housing;
- unlock existing financial commitments;
- encourage and promote new delivery partnerships; and
- identify ways to shift the balance of investment in affordable housing to increase private funding, including from relevant comparator markets and jurisdictions.

6. The Taskforce was created against a backdrop of market and public funding challenges. The economic operating context is challenging for everyone who wants to build new homes – and both public and private sectors are **navigating more competing demands and complexity** than ever before. The Taskforce has had to select its areas of focus against a very broad landscape and hopes this focus on investment will complement the work of others on wider parts of the housing system.

7. The Taskforce adopted seven workstreams to consider priority areas in detail.

- Workstream 1 - Housing Bill – rent control measures
- Workstream 2 - Housing investment and potential for adopting good practice from beyond Scotland
- Workstream 3 - Long lease finance/income strip and other mechanisms to deliver affordable homes
- Workstream 4 - Affordability and flexibility of finance and borrowing limitations to fund affordable housing
- Workstream 5 - Home ownership
- Workstream 6 - Delivery through new partnerships for housing development
- Workstream 7 - 'Stalled' sites and potential interventions

8. There was a great deal of synergy in the key themes emerging from each workstream and conclusions from all are reflected throughout this Report. The remainder of this Report identifies and summarises these key themes.

Build investor confidence and unlock existing financial commitments

Rent control

9. A priority for the Taskforce from the outset has been rent control and the Housing Bill introduced to the Scottish Parliament in March 2024. Although the views of individual organisations may vary, the Taskforce has worked closely with the Scottish Government to develop a revised position on rent control, with the aim of providing greater certainty and allowing new investment to flow. The Taskforce discussed in detail the introduction of a mechanism to manage rental growth within rent control areas. The Scottish Government has confirmed a Stage 2 amendment to the Bill that where a rent control area is designated, a cap would apply to rent increases while rent control is in force at a level of CPI+1% up to a maximum increase of 6%. The Taskforce **supports exemptions for Build to Rent and Mid-Market Rent properties from rent control** and that these should be delivered urgently so that the waiting pipeline and future opportunities can start to deliver new homes.

10. The Build to Rent market in particular should be a priority for Scotland in providing new housing supply (including family homes) as an established route for private capital investment at scale.

11. On the assumption that exemptions are delivered, there should be ongoing work between the Scottish Government and investment and property development sectors to communicate **positively and assertively that Scotland is open for business** for both Build to Rent and Mid-Market Rent sectors.

12. More broadly, there is a need to combat perception and translate the ambition discussed within the Taskforce - of Scotland as one of the most attractive destinations for investment into all forms of housing - through clear, consistent and long-term policy.

Enabling viable development

13. Improvements to the planning system have been frequently raised in the context of making Scotland more investable; the Taskforce has not considered planning matters in detail. It is, however, a priority for housing investment and the Taskforce was positive about the potential it has as an enabler where there is the **right empowerment, leadership and accelerated decision-making set within a regulatory environment which supports the construction of good quality, mixed tenure sustainable development**.

14. The resourcing challenges in the system are well-recognised and the creation of a Planning Hub to accelerate the process is a welcome development. On the whole, there is **assurance needed that the system can, and does, fast-track viable developments** and that the implementation of NPF4 will result in an increase in housing supply. The Taskforce was not convinced that development viability is appropriately considered as part of the planning process and in wider policymaking. It is recognised that to be appropriately considered there needs to be improved information sharing between the public and private sectors, and a more open approach to discussing profitability and wider outcomes.

15. A focus on **proactive pre-application submission discussions** and engagement with local planning authorities was also considered a key step to encouraging quality planning applications with a high degree of compliance and acceptability. Specifically resourcing this pre-submission process either locally or through the new Planning Hub should translate to reduced determination times and improved delivery timelines.

Costs and competitiveness

16. Housing development of all types in Scotland competes for capital with projects in other parts of the UK and beyond. For businesses which operate across the UK, it is vital that Scotland is viewed as providing an attractive and welcoming environment in which to build much-needed homes of all tenures. While the Taskforce has focused on areas for particular growth – including in the rental market – this does not diminish the need for those developers already providing the majority of Scotland's new build homes to be encouraged to continue to play a significant role in investing and building across the country. Supporting existing investment, and helping it to grow, is as critical as opening new investment channels.

17. The Taskforce considers that **greater availability of contractors** and, consequently, competition would reduce costs of building in Scotland and accordingly improve viability of some projects. Economic development agencies should take a greater role in supporting the contractor base and Small and Medium Enterprises (SMEs) to grow. On the assumption that the rent control exemptions noted above are delivered, in time, there will be an increase in demand in Scotland and we should be ready for it with an enhanced contractor base that can deliver the homes coming through the pipeline.

18. While pinch points in some rural and island areas are already well known, this is also an issue for delivery of large-scale city centre projects. In the same way as supply chain investment is a focus for other growth sectors, the **contractor base should be seen as a key component to support private capital at scale** into quality housing.

19. Taxation, and its ability to influence housing investment activity, merits a more detailed review not within the scope of the Taskforce. This review should include how taxation is affecting mobility through the housing system and how it can incentivise improvements in quality and support net zero ambitions.

20. The design and potential implementation of the Building Safety Levy is a live issue and if implemented in Scotland, would need **fair and proportionate transitional arrangements to minimise impact** on the delivery pipeline and those seeking to buy or rent a new home. Viability on a per-development basis will need to be appropriately taken into account alongside other development costs to assess the impact on delivery of new homes at pace and scale as well as the impact in those areas where securing acceptable returns is already challenging.

21. Infrastructure costs are a key concern. Within this, education was particularly highlighted by the Taskforce. For private development the cost of contributions towards new school buildings (particularly primary) has been highlighted, considerably outstripping inflationary rises and consequently increasing overall developer contributions. For affordable housing providers there is a need for certainty on whether these will be applied. There is no doubt that quality school buildings are required but there needs to be serious consideration by local authorities and the Scottish Government about whether efficiencies could be made in the manner of delivery of the current Learning Estates Investment Programme.

22. The Taskforce has noted the concern, including from SMEs, about infrastructure costs where the scale or availability of finance is preventing build-out. **Market testing should be undertaken to assess the demand for refreshed loan options to support this, including what risk/reward sharing models would be workable.** To support delivery, the Scottish Government should engage with the Scottish National Investment Bank and draw on its market expertise.

Encourage and promote new delivery partnerships

A new mindset for development and joint ventures

23. The Taskforce members shared experiences of successful partnership models and identified the critical success factors as:

a. Assets – such as land or equity, alongside track record/credentials

b. Alignment – in interests, shared vision, blend of risk appetite, local priorities

c. Transparency – on costs, expected returns, how things can flex

d. Clarity – roles, responsibilities, costs and risk, conflict resolution and exit strategies

e. Scale – worthwhile for transaction/governance costs.

24. The Taskforce recognised the role that public land can play in partnerships. The quantification of benefit through the business case noted at paragraph 45 would support the disposing body in coming to decisions on the wider social value of affordable housing. However, in many circumstances, public land being provided for housing without quantifiable return is unlikely to be appropriate and therefore a different approach should be considered for the use of public land. Rather than up-front capital receipt, **equity arrangements that share risk and reward to provide an income stream over the longer term** should be considered.

25. In the private housebuilding sector, 'pay-as-you-go' acquisition arrangements between businesses have been utilised to similar effect where rather than upfront payment, proceeds are provided over time.

26. The public sector should take a more entrepreneurial approach to development opportunities, prioritising areas where **strategic economic opportunities align with areas of greatest private sector housing pressure**. The assets the public sector has (land, equity or subsidy) should be leveraged through a default 'commercial first' and risk/reward share with the potential for cross-subsidisation of affordable homes realised.

27. Political support would be needed to shift the public sector role from one that has at times removed risk to development and investment to sharing in the return. To be successful there needs to be longevity across political cycles and clear prioritisation within local authorities to ensure that internal operational capacity is built and sustained to take this approach. There will also need to be trade-offs on both government appetite for risk and private sector consideration of profit flow. The Scottish National Investment Bank is already exploring new partnerships and utilising the starting point of strategic opportunities above, and could take a key role in bringing together private/public sector partnerships and attracting private capital.

28. More specifically, the Taskforce considers that the 20 year rule on long leases acts as a barrier to the delivery of longer-term funding models. If this were reformed it could open up new opportunities for partnership approaches, structures and income flows.

Fund-based approaches and aggregators

29. The Taskforce highlighted several fund-based approaches that act as vehicles to enable investment, blending public and private funds and providing investable structures. Different approaches have been taken; primarily in Scotland the return for public funds has been the supply being boosted, whereas examples in England see both increased supply and a return on investment.

30. Aggregators exist at a UK level for Registered Social Landlord (RSL) and SME borrowing; however, an interest has been identified through the Taskforce for an **aggregator associated with pension funds for local authority borrowing**, if this could access preferential interest rates and reduce the cost of existing and further borrowing. This should be explored further by local and Scottish governments and a range of investors, including whether existing aggregator structures could support this.

Homebuyers (including first-time buyers) – a shared ownership model

31. Shared ownership has had limited use in Scotland due to market demand and prior shared equity approaches in an era of higher funding availability. The Taskforce has identified that the time is right to look at this again to stimulate first time buyer activity and to increase options for affordable housing delivery. A best practice commercial model of shared ownership could play a greater role, with potential to deliver up to 2,000 homes per year. Models used elsewhere in the UK offer greater comfort to lenders in enforcement, recovery and default situations which allows them to offer loans at higher (95%) Loan to Value (LTV) rates. This is important for a product which supports first time buyer/entry level homeownership, as high LTV mortgage products support people with fewer assets into home ownership.

32. In Scotland, shared ownership has traditionally operated with a split in the ownership interest, where the occupier owns one share and a landlord owns the remaining share, which is then leased to the occupier. Without additional protections, this split means that in practice lenders must take a more cautious approach and only offer up to 75% LTV, which increases deposits required by borrowers to 25% rather than 5% elsewhere; which is a significant barrier to its use.

33. **Legislative reform could unlock the investment that would support people into home-ownership**, with appropriate safeguards to ensure a fair operating environment.

Maximise investment opportunities in affordable housing

34. In its consideration of affordable housing, the Taskforce has included both social and mid-market rental properties. The term 'affordable' is used as shorthand where the same issues apply to both, and its meaning is in line with the homes currently supported through Scottish Government subsidy.

35. The Taskforce acknowledges the priority of social housing and that there are inherently greater challenges to its delivery than mid-market options given the lower income levels of those eligible for social rental properties. However, the additional flexibility in mid-market rent provision also plays an important role, particularly in certain locations and for some keyworker provision.

International evidence and context

36. The Taskforce benefitted from a review of international evidence on affordable and social housing finance innovation by Professor Ken Gibb of CaCHE, the UK Collaborative Centre for Housing Evidence.

This review highlighted five overriding themes that can be summarised as:

i. there is no 'silver bullet' but a set range of components that can be tweaked;

ii. policy transfer from other jurisdictions is tricky but ideas can be customisable;

iii. path dependency matters in housing systems;

iv. dominance of existing stock over the flow of new supply and the ever-changing dynamics of affordable housing delivery; and

v. making progress is about navigating political priorities and making the public spending case.

Private finance for affordable housing

37. The review, and the other academic work cited within it, resonated with the Taskforce and has informed their conclusions. Capital funding for new affordable homes comes from **debt, equity or subsidy**. All models of delivery stem from that and the search for 'innovative' solutions can be a distraction from the basic elements that make up the delivery conundrum: looking after tenants through fair rents and maintenance; the limitations and conditions of subsidy; and providing an acceptable market rate of return for developers, building contractors and financiers.

38. The affordable housing sector continues to attract private finance as it is asset-backed, has long-term predictable income and strong credit credentials. However, the cost of this finance given wider economic factors has been the recent challenge. There is investor demand for affordable housing from both traditional banks and institutional investors (the latter requiring scale). **Simplicity is the preference for all; complex arrangements need to deliver additionality and be worth the additional transaction costs.**

39. With a favourable lending rate for housing through the Public Works Loan Board for local authorities, and the preference for a degree of fixed-rate debt amongst RSLs; **index-linked debt or long lease/income strip arrangements from institutional investors need to provide some additional benefit in order to be attractive.** The benefit could be different profiling of fixed-rate debt and ability to stretch the public subsidy further. In some circumstances a government guarantee could improve pricing from an institutional investor. Governments (local and national) need to carefully consider if this offers best use of resources.

40. Investors have highlighted that there is a gap that the Scottish Govervnment could help fill in **bringing together RSL demand with investor appetite** to help explore the full range of financing options, particularly within the complexity of investment needed for both new supply and retrofit.

41. Scottish Government should discuss with affordable housing providers whether **investment in independent professional advice to support RSLs and local authorities** who want to widen their assessment of different financing options would be appropriate and useful.

42. Although there are opportunities for more mobile capital investment in affordable housing, there is a risk that this simply displaces other forms of private finance and does not deliver additional homes, and therefore more significant changes in approach to provision are discussed further below.

Leveraging of public funds through the affordable housing supply programme

43. Over the term of the Taskforce, the Scottish Government's affordable housing supply programme budget position changed substantially, with the reinstatement to previous levels of public investment welcomed. This period of budget reduction and some of the associated impacts highlighted to the Taskforce:

    a. differences in approach across local authorities and RSLs on attitude to risk/forward funding;

    b. transparency of projects being funded, timescales for delivery and their relative priority could be improved;

    c. less capacity for the affordable housing sector to fund homes through private developer planning obligations which are considered 'good to have' rather than 'must do', with other methods of fulfilling these obligations (e.g. low-cost home ownership) not pursued;

d. focus on budget reduction had reverberations beyond the practical impact to delivery confidence, including finance and RSL development capacity; and

e. challenges to the sector of inability to plan for longer term, there being no quick 'switch' to respond to changing budgets.

44. While recognising the challenges to public finances, the Scottish Government should make a long-term commitment to **a minimum level of funding for new affordable housing supply**. If implemented at the next budget cycle this would provide a firm and positive basis for the start of the new Scottish Parliamentary term.

45. To support this commitment the affordable housing sector, wider third sector, business, government and parliamentarians could work together on a robust and evidence-based business case for public affordable housing investment; demonstrating and quantifying the important impacts on social, economic and environmental outcomes. Undertaking this work would also support a clearer evidence base for partnerships, where social value is a consideration and allow decision-making to be driven by acuteness of need and where the greatest gains in outcomes could be achieved.

46. Providing this new long-term commitment would recognise **housing as critical infrastructure**. Alongside this commitment, the Scottish Government should reconsider whether their approach to allocation of affordable housing supply funds on an individual local authority basis is maximising investment and value for money, particularly for providers working across multiple local authority areas or where funds available have not been fully utilised.

47. At a minimum, data-driven performance and outcomes from investment – both public and private – should be published. With longer-term budget certainty comes greater opportunity to think about things differently including **entering into strategic commitments with providers that can leverage private finance** more effectively.

Capacity and flexibility in the affordable housing sector

48. Subsidy, in a variety of forms, is a fundamental requirement of providing affordable housing given that the only income-stream generated is subsidised rent. Grant is considered the optimal arrangement for social housing as any alternative income stream would require RSLs and/or local authorities to undertake higher-risk commercial activity. Headroom and capacity are issues highlighted by both local authorities and RSLs as particularly acute given commitments to existing tenants and the size and scale of the retrofit challenge.

49. The positive impact from the Scottish Government's charitable bond programme for the RSL sector is noted by the Taskforce, with the unsecured nature of the funding being of particular benefit.

50. Local authorities face a wide range of funding pressures, including substantial growth in Housing Revenue Account (HRA) debt and servicing costs. The certainty of their overall funding settlement is also relevant.

51. Developments over the term of the Taskforce on the UK-wide National Wealth Fund providing guarantees to the bond market, commercial lenders and an affordable housing aggregator were welcomed. These provide an additional tool for RSLs in financing retrofit, thereby creating some additional capacity for new supply. The Taskforce has noted that even with these new structures, borrowing for retrofit will use some of their gearing and interest cover capacity without a new source of rental income.

52. With the cornerstone of operations being serving existing tenants and communities, the ability of the whole RSL sector to deliver additional new supply is unknown. There is a need for a **fundamental assessment of the capacity of the sector to deliver new supply, including financial capacity and land currently held**. This assessment should aim to provide a long-term path to delivery at a national level and support improved leverage of the current strengths and assets of RSLs. In turn, this can help provide confidence to investors of the credible pipeline of affordable housing commitments in Scotland and indicate where additional system capacity may be required.

RSLs

53. Mid-market rent is now firmly part of the provision of housing in Scotland with subsidiaries created by RSLs to deliver and issue private residential tenancies. In addition to confirmation of exemption from rent control, **if regulation allowed RSLs to provide this as part of their core business**, this would in turn enable simplification of arrangements (particularly on mixed-tenure sites) and the benefit of the balance sheet strength of the RSL.

Local authorities

54. The UK's approach to public finances is not optimal for supporting affordable housing investment (with rental income being able to support debt unlike other infrastructure sectors). Although recent changes to UK fiscal rules have improved matters, they do not yet go as far as many commentators in the UK have long argued for. The Scottish Government should work with the UK Government to seek a change in approach so that housing investment by local authorities does not count towards state borrowing, **in line with international best practice**.

55. In addition, the Scottish Government should raise with the UK Government the prospect of write-off of historic HRA debt. This would create immediate new capacity including reduced need for subsidy in the short-term. Costs of borrowing per property have risen, meaning local authority capacity to support existing stock and tenants as well as future development is increasingly constrained.

56. In 2023/24, debt servicing costs were £343m, or almost 25% of income, across 26 local authorities while overall HRA debt rose by £600m (net). This single-year 12% increase, if sustained, would lead to rising costs and rents, constraining ability to borrow to develop homes.

57. Local authorities estimate that write-off could release funds to develop **from around 585 new social homes per year without grant subsidy** and up to 3,673 per year with usual subsidy arrangements in place.

58. Changes should also be made to the authorising environment for transfer of funds within local authorities from the General Fund to the HRA. Local authorities should have flexibility to make contributions from the General Fund to the HRA, and rather than through the current model, which requires consent by Ministers, this should be taken forward in legislation. Given the timescales for primary legislation, statutory guidance could be considered in the interim to allow those local authorities who can, to make use of this flexibility more immediately without recourse to Ministers on an individual basis. While pressures on finances will mean that not all local authorities will want or be able to take up this option, the position could be clearer for those who do.

New entrants

59. While the vast majority of affordable housing is delivered by local authorities and RSLs, public funds are also used to support delivery by organisations not regulated as housing providers by the Scottish Housing Regulator. These organisations have supplemented the core supply and alongside the potential of social investment in third sector organisations have the potential (and willingness) to do more.

60. The Scottish Government could take a **more expansive approach to delivery**, ensuring that they create an environment for a range of organisations to work with local authorities to deliver on priorities. Overall, it needs to be clearer what safeguards should be in place to provide protections for tenants, including whether an expanded role for the Scottish Housing Regulator should be considered.

61. New entrants have the benefit of being unencumbered by existing stock and can focus on new supply for new tenants. There is a ready-made source of new capacity within the institutional investment sector with the combined funder/operator approach.

62. Allowing operations of this type in Scotland would be the single biggest intervention that would attract more mobile private capital to affordable housing.

63. The Taskforce recognises that the 'for-profit' approach has not been preferred in Scotland and a significant change would need to be accompanied with appropriate safeguards for all parties. This approach could utilise public sector pension funds, including local government, who invest in these structures in England. In this scenario, the 'for-profit' is servicing the pension liabilities of the public sector while also investing in supply for new tenants.

Local Government Pension Funds

64. Local Government Pension Funds can support housing development, but the overriding consideration is selection of the best opportunity in line with each Pension Fund's formal strategy. This can include providing funds on commercial terms to housing associations with appropriate credit ratings to invest in social housing.

65. Most commonly, a Fund Manager will be sought rather than direct investment, and sufficient return is needed to enable investment. Therefore, the other potential areas identified by the Taskforce on fund-based approaches, aggregators, guarantees for institutional investors and new entrants are of relevance if this investment is a priority. In line with other forms of finance, the need for subsidy remains.

Temporary accommodation

66. The provision of investment in assets for use as temporary accommodation, while not within the remit of the Taskforce, merits further investigation. In particular, the potential for designing a cashflow that can support an asset is logical and could support better outcomes for individuals and families. The Taskforce notes that the arrangements of where responsibility lies at UK and Scottish levels may be complex to navigate but is worthwhile for further consideration as to feasibility in Scotland.

Instigating change for future generations

67. The Taskforce has focused on actions in the medium/long term. However, there is the opportunity to seed change that is multi-generational in its legacy. Work could start on this now.

68. From international examples, **the revolving funds approach**, particularly the Landsbyggefonden approach in Denmark, was considered attractive for being able, over time, to shield the affordable housing sector from turbulence. Inherent in the success of these approaches is their scalability, longevity and stability; **creating a 'sealed circuit' of housing investment not unlike the approach of sovereign wealth funds**.

Actions summary

The actions identified by the Taskforce in this Report to support investment in new and existing business models to deliver at scale are**:**

1. Exempt Build to Rent and Mid-Market Rent properties from rent control, then implement positive and assertive communication on Scotland being open for business for new housing investment into these investment-ready sectors.
2. Make Scotland one of the most attractive destinations for investment into all forms of housing, through clear, consistent and long-term policy.
3. Ensure the planning system is an enabler for increased supply, fast tracking decisions, resourcing pre-application discussions and appropriately considering viability of developments.
4. Economic development agencies to intervene to grow the contractor base.
5. Review the role of taxation in supporting housing investment.
6. If implemented, ensure the transition to Building Safety Levy is managed to minimise impact on pipeline and viability.
7. Provide certainty for education provision costs for the affordable housing sector.
8. Consider whether efficiencies can be made in delivery of the new school buildings programme.
9. Test market demand for loan options to support infrastructure costs where the scale or availability of finance is preventing build-out, including what risk/reward sharing models would be workable.
10. Use public sector land to create income streams rather than an up-front capital receipt.
11. Take a more entrepreneurial approach to development, prioritising areas where strategic economic opportunities align with areas of private sector housing pressure and leverage public sector assets (land, equity or subsidy) through a default 'commercial first' and risk/reward share.
12. Scottish National Investment Bank could take a key role in bringing together private/public sector partnerships and attracting private capital.
13. Reform law, including on long leases, to open up new opportunities for partnerships and a commercial shared-ownership model for home buyers.
14. Explore pension fund aggregator to support local authority borrowing.
15. Consider if guarantees to improve pricing from an institutional investor offers best use of resources.
16. Stimulate further discussions between RSL demand and investor appetite and discuss with affordable housing providers what further support would be appropriate and useful.

17. Make a long-term commitment to a minimum level of funding for new affordable housing supply recognising housing as critical infrastructure.
18. Co-produce a robust and evidence-based business case for public, affordable housing investment which will also support demonstrating social value in land disposal and targeting of investment at areas of acute need.
19. Reconsider whether allocation of affordable housing supply funds is maximising investment and value for money, take a more expansive approach to delivery with improved clarity on what safeguards are in place for tenants, and enter into strategic commitments with providers that can leverage private finance more effectively.
20. Publish data-driven performance and outcomes from affordable housing investment.
21. Assess capacity of the RSL sector to deliver new supply.
22. Allow RSLs to provide mid-market rental properties as part of core operations.
23. Seek a change in approach so that housing investment by local authorities does not count towards state borrowing, in line with international best practice.
24. Seek write-off of historic Housing Revenue Account (HRA) debt to provide immediate capacity for new supply.
25. Make legislative change to support greater flexibility for local authorities to transfer funds from the General Fund to HRA with statutory guidance to enable this in the interim.
26. Allow new entrants to deliver affordable housing on a ‘for-profit’ basis utilising public sector pension funds.
27. Investigate further the investment in assets for use as temporary accommodation.
28. Start work on multi-generational legacy of creating a revolving fund, and as seen in Denmark.

Partnership models highlighted by the Taskforce

Case Study: Highland Housing Alliance & Tulloch Homes - Partnering to Deliver Mid-Market Rent in Rural Communities

Tulloch Homes, part of the Springfield Group, has partnered with not-for-profit developer, Highland Housing Alliance (HHA), to increase the delivery of homes for mid-market rent (MMR) across Inverness and the Cairngorms, including at Kirkhill, Conon Bridge, Aviemore, Carrbridge and Newtonmore.

HHA is one of the key local partners addressing the supply of new homes across the highlands, with a focus on MMR. HHA works in partnership with The Highland Council and the Scottish Government for funding and finance as well as utilising funding from the City Region Deal, which is available up to the end of the financial year 2025/26. In Aviemore, over £580,000 was secured from the Scottish Government's Rural Affordable Homes for Key Workers fund (RAHFKW) to purchase seven three-bedroom MMR homes that were made available exclusively for key workers including healthcare professionals, emergency services, teachers and care workers via an MMR tenancy.

The partnership between Tulloch and HHA exemplifies effective collaboration, offering a diverse range of housing options to accommodate various demographics and ensure access to high-quality, energy efficient homes across Highland communities. The delivery of these new homes will help retain skilled professionals locally, ensuring schools, healthcare, and services remain viable.

Supported through the Affordable Housing Supply Programme, since October 2023, contracts between Tulloch and HHA have been signed for the delivery of 141 MMR homes by September 2026, representing a significant offering in Highland communities and Inverness. Further opportunities are already being explored, with both partners keen to keep the successful momentum going.

The demand for homes is expected to increase sharply in this region as the Inverness & Cromarty Firth Green Freeport attracts further investment and new workforces to the region. With The Highland Council seeking to double housing output, innovative partnerships like this will be essential to secure additional housing supply to meet the growing need.

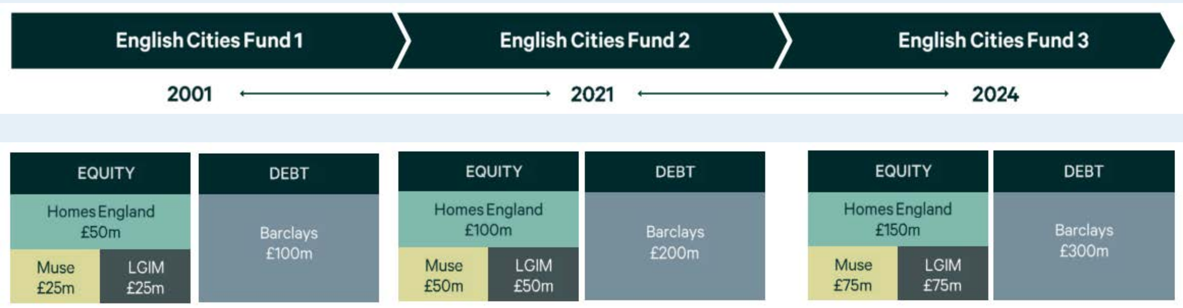
Case Study: Legal & General, English Cities Fund Model

The English Cities Fund (ECF) partnership of Legal & General, Muse and Homes England is aiming to deliver 18,000 homes in England. Homes England expect to make a profit from this model; it is not simply grant funding and can sit as an asset in accounts rather than a liability.

Once land is acquired, ECF acts as a developer and invests funds to secure planning and either directly forward fund construction or seek funding partners.

ECF was first created in 2001 with £100 million of equity investment and has completed five mixed-use regeneration projects across England (Liverpool, London, Plymouth, Salford and Wakefield) worth £1.2 billion. This has delivered 2,150 homes in new neighbourhoods, commercial space and created over 8,000 jobs.

In 2021 the fund size had doubled to £200 million of equity, matched with a further £100 million of debt, and a new project win in St Helens and Stockport Town Centre. By 2024, the fund had increased to £300 million equity and a further £100 million of debt.



Case Study: Casa by Moda, Vista Park


Houses at Casa, Vista Park


Casa, Vista Park

Casa at Vista Park is a 156 single-family home (SFH) rental neighbourhood in Springboig, Glasgow. Opened in November 2023, the neighbourhood was built by construction and manufacturing company CCG and is now owned and rented by purpose-built rental provider Casa by Moda – the SFH arm of Build to Rent developer Moda Group.

CCG acquired the Vista Park site in 2021 and, in collaboration with Casa by Moda, delivered a fully occupied rental neighbourhood in just over three years. This involved securing planning permission, meeting regulatory requirements and building 156 homes alongside necessary infrastructure and community amenities.

Collaboration between the businesses provided financial certainty to CCG that the homes being built as part of a staged completion approach would be acquired on a pre-agreed phased timeline, an effective 'pre-let' of the entire site. This allowed CCG to invest confidently in infrastructure and build at scale without facing the uncertainty and complexities of the open sales market. Casa by Moda also benefited from a clear delivery schedule, enabling early marketing, phased resident mobilisation, and improved development viability.

Casa by Moda and CCG spent considerable time together early in the project, working across technical, legal, planning and operation teams from both sides to ensure optimal delivery. This early collaboration paved the way for a smooth delivery programme, which saw the full site delivered on time and on budget in February 2025.

Case Study: Thriving Investments, New Avenue Living



The Scottish Mid-Market Rent (MMR) fund, branded New Avenue Living, was established in 2018 by Thriving Investments, following a Scottish Government tendering process which sought innovative ways to deliver additional MMR homes. Research indicated a significant shortfall of homes available and affordable to households on typical key worker incomes in areas of greatest need. MMR properties are aimed at households who would have difficulty in accessing social housing, buying their own home or renting privately in the open market. MMR households generally have an income of between £20,000 and £45,000 per annum.

The key purpose of the fund is to facilitate and accelerate the delivery of affordable homes in areas of the greatest demand. Working closely with a range of development partners, the fund delivers homes which would otherwise have been for private sale or rental and often brings forward sites which had otherwise stalled.

MMR Fund key features and achievements:

- Structure: Government debt and equity from investors
- Currently £175m of investor equity delivering MMR Homes while government funding enables affordable rents
- Long-term fund attractive to Local Government Pension Schemes and 'impact' investors
- Will deliver over 1200 additional affordable homes at EPC 'B'
- Supports local Small and Medium Enterprises (SME) developers
- Can bring forward stalled sites
- Focus on regeneration of brownfield sites
- Targeting locations commutable by public transport

Membership

Paul McLennan MSP, Minister for Housing (Chair)

Membership is drawn from representatives of the following organisations:

- Heimstaden
- Moda
- Legal and General
- NatWest (Royal Bank of Scotland)
- Lloyds Banking Group (Bank of Scotland)
- Phoenix Group
- Taylor Wimpey
- Springfield Properties Plc
- UK Collaborative Centre for Housing Evidence/ University of Glasgow
- Wheatley
- Places for People Scotland
- Local Government

Supporting organisations

- Scottish Government
- CoSLA
- Scottish Futures Trust
- Scottish National Investment Bank

Scottish Government
Riaghaltas na h-Alba

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