



Firm Foundations: The future of housing in Scotland

To: All Chief Executives, Main Contacts and Email Contacts (Scotland)

CC: All Chief Executives, Main Contacts (England, Northern Ireland and Wales)

A discussion document by the Scottish Government

Key issues

To improve the supply of all types of new housing and increase the number of homes built to 35,000 per year by 2015.

More choice of housing for those on lower incomes.

Launching a Scottish Sustainable Communities Initiative to encourage development of new sustainable communities.

1. Introduction

The paper opens by stating that the pattern of tenure of Scotland's housing stock has changed markedly over the last 30 years. The last quarter of a century has seen a transformation in tenure. In 1982 only a minority of households were owner occupiers, a far smaller share than the social rented sector. It notes that by 2005, however, owner

occupation was the tenure of 67% of the housing stock. Although this pattern of change is seen across most of Europe, the change has been most dramatic in Scotland, where the level of owner-occupation has risen by 31% since 1982. (See APSE commentary which disputes this observation)

The research by the Scottish Government on housing aspirations suggests that these changes are mirrored by a change in cultural attitudes, with ownership identified as the preferred tenure by 86% of respondents. APSE has strong views about why this cultural shift has taken place and expresses these within the commentary section of this briefing. The Government's housing policies must recognise and adapt to the changes and aspirations that they have engendered. That means developing policies that support home ownership where it is reasonable. But, it also means ensuring that those for whom ownership is not practicable or attractive have access to a good choice of houses for rent in the social and private rented sectors.

Achieving a good mix in the housing options available is important in providing choices for people. APSE believes that energy efficient, high quality housing is vital for creating sustainable places that promote health and wellbeing in Scotland which should make Scotland a more attractive place in which to work and invest. It also forms a key part of Scotland's global and local contribution on climate change.

The first challenge, however, is to improve supply as a whole by addressing its failure to increase sufficiently in response to rising house prices. The discussion document looks at developments and analysis of the importance of increasing housing supply as a means of improving affordability in the medium term. This sets the context for the proposals which follow for increasing overall housing supply and supporting first-time buyers, for fostering the development of the private rented sector and reinvigorating social rented housing.

The paper does not seek to address every aspect of housing policy. The first eight years of devolution have seen many valuable reforms directed at the quality of housing - in the way it is managed, in the rights of tenants and owners and in the physical condition of the stock. It also includes the agenda set by the Housing (Scotland) Act 2006, with the introduction of the Scottish Housing Quality Standard (SHQS) and related measures to tackle the chronic disrepair in Scotland's housing stock. The Government wishes to take forward these issues and build on these reforms, particularly in relation to the energy efficiency of the housing stock and the need for disability adaptations to enable people to live independently in their own homes.

However, the focus in this paper is on increasing the supply of good quality housing at prices which people can afford. The proposals signal a shift in housing policy and place a new emphasis on increasing overall housing supply, to achieve a fairer system of housing, and on driving up environmental standards, to meet the challenges of climate change and sustainable development.

The deadline for the responses to this discussion document is **25 January 2008**. In this respect, APSE would urge its membership to answer the questions at the end of the paper by **17 December 2007**.

This discussion document can be viewed at:

www.scotland.gov.uk/Publications/2007/10/30153156/12

2. The challenge ahead!

One of the main issues facing the general public is the lack of an adequate supply of decent housing at prices people can afford. This is also essential for the health and well-being of individuals and communities. It is also a key foundation for the sustainable economic growth necessary to deliver a wealthier, fairer society.

In Scotland, despite national rates of building far ahead of those in England, the housing system is under severe pressure in many areas. The demand for houses to buy, driven by demographic, economic and financial factors, has increased, driving up house price inflation and excluding many households from the market. Unmet demand for home ownership has aggravated pressures on social housing in some areas. These phenomena are common to many countries. People are living longer and in smaller households. But what is conspicuous about Scotland and other parts of the UK is the failure of the market to respond to increased demand. Recent sustained house price increases have not been met with any significant increase in the overall supply of new housing.

While house price growth has now begun to moderate, the relatively high level of house prices means that individuals and families now face greater obstacles in achieving their aspiration of home ownership. As affordability in the market sector has worsened, pressure has increased on an already stretched and unreformed social housing sector. The result is that, in some areas, the aims of addressing need, mixing communities and offering choice are increasingly difficult to meet through housing allocations policies. There is also a wider cost for society and the economy. Excessive house prices distort tenure choices, limit labour mobility, reduce Scotland's competitiveness and throw wealth towards the top of the housing ladder.

Higher increases in prices at the bottom of the housing market across Scotland are pricing many aspiring owners out of the market. Nearly 50,000 first-time buyers entered the Scottish market in 2002, but this number fell dramatically to 32,000 in 2004. According to the Council of Mortgage Lenders, first-time buyers borrowed an average of 3.11 times their household income in Scotland in 2006. Although less than the UK average of 3.21, this compares with an average of only 1.98 in Scotland during the 1990s.

To tackle this issue, the Government has announced its intention to provide additional support for first-time buyers. There will be a Low-cost Initiative for First Time Buyers (LIFT) to broaden the range of products available to assist people to achieve and sustain home ownership. The Government will work with housing providers and private sector investors and lenders to develop the initiative to include grant (£2,000 grant to first time buyers), shared equity and mortgage related products and services.

3. Increasing choice

The paper notes that the Scottish Government wants to see the private rented sector contributing fully to meeting housing need and feel it has a greater role to play whilst entering into a more effective relationship with local authorities.

Some local authorities are now using the sector to house people presenting as homeless, as a viable alternative to bed and breakfast and other forms of temporary accommodation. Good quality housing needs to be made available to see more homeless households being offered the benefits of private rented accommodation where that is appropriate. This does not mean that all homeless households should be accommodated in the private rented sector. But it is sensible to explore this option for tenants who may be more suited to private rented accommodation and would benefit from the flexibility and choice provided by the sector.

Due to changing demographics and the growth in single person households there needs to be a different profile of housing stock to meet housing needs more broadly. Landlords need to work with their public sector partners to contribute more fully to providing local housing solutions. The consultation on the Regulations will consider the balance required to achieve greater flexibility, whilst at the same time safeguarding positive outcomes for homeless people. For instance, the consultation will consider appropriate security of tenure, cost to the individual and measures to prevent repeat homelessness.

The Government aim to reverse the 30 year rundown of the local authority landlord role. In order to support new council housing, the Government hope to offer financial incentives to councils that have the borrowing capability to provide newly built council housing. It is hoped that by scrapping the right to buy for new-build social housing then this should boost the supply of homes for rent.

The proposals on improving supply relate mainly to the RSLs, as they will continue to be responsible for providing most of the new supply. Setting out ideas for encouraging local authorities to contribute to the supply of new social housing, may go some way in addressing the housing shortage.

It is suggested in the discussion document that some local authorities are already building new council houses by using their ability to borrow under the prudential borrowing regime. If this practice were spread to all local authorities in areas of need that have borrowing capacity, it could deliver between 500 and 600 houses a year over the next 10 years. Again APSE explores this point further in the commentary of this

briefing. The Government is proposing two initiatives to support those authorities that wish to use their borrowing capacity in this way:

- **Ending the right to buy for new social housing**, whilst the government recognise the popularity of the Right to Buy, the current pressure upon Government and social housing providers to improve supply means that the early loss of new properties may tend to work against achieving the full benefit of the proposals that we put forward elsewhere in this paper. They propose ending the Right to Buy for new social housing properties, whether built by local authorities or RSLs (except for, for example, those tenants forced to move as a result of demolition or refurbishment programmes, whose rights could be protected).
- **Providing incentives for new council house building**, it is proposed that the Government should offer incentives for local authorities that are prepared to undertake new council housing. They envisage these incentives taking the form of subsidies that will be awarded on a competitive basis to those authorities that can demonstrate the most effective and efficient use of their borrowing capacity to meet the need for social housing in their areas.

Government hopes that these initiatives will give local authorities clear incentives to contribute their resources to improving the supply of new social housing. This would mark a break with previous housing policies, by making clear their commitment to a continuing and growing role for local authorities as social landlords and the Government's determination to safeguard new social housing as a public asset for the future. Government believes that by ending the 'Right to Buy' it would also benefit RSLs, as many, like local authorities, currently face the risk of losing any new stock that they build.

4. Conclusion

APSE welcomes this discussion document as a means of both engaging stakeholders in the housing debate and highlighting fundamental problems currently facing those wishing to improve their own housing circumstances.

APSE supports the view that in a democratic Scotland, all policy and funding decisions over housing and regeneration should clearly and directly lie with local and national government, and not an unelected intermediary. This follows the announcement by the Government that Communities Scotland is being disbanded in line with their commitment to reduce the number of Quangos. Local government needs the right tools to revitalise Scotland's affordable housing sector. If council's are given the necessary functions and powers of investment, local authorities can undoubtedly deliver, more efficiently and quickly, positive housing outcomes for our local communities.

APSE agrees with the document's statement that policies must be developed which "ensure that those for whom ownership is not practical or attractive have access to a good choice of homes for rent in the social and private sectors".

The supply of housing land is a vital element in the process and planning authorities are gate keepers of that resource. This issue has been raised by Government to highlight the impact that local authorities can have on land supply and planning application delays. While the implementation of the Planning etc (Scotland) Act 2006 will help improve the responsiveness of housing supply in the longer term, there is a pressing need for measures in the short term to increase the supply of housing land and accelerate the delivery of new homes.

There is also a clear need for better integration of housing and related strategies at a local level. There is evidence which points to social, educational, community cohesion and health costs associated with poor housing and integration of relevant strategies while ensuring housing is a focal point will help to reduce the knock-on effects of poor housing conditions. An ageing population will bring specific needs such as health and social care and access to property maintenance services. It is welcome news that local authorities will be given incentives to become landlords but these will be strict and rigorously monitored to avoid the unlikely situation whereby authorities could run up massive housing debts while allowing housing stocks to deteriorate to the point where it is barely fit for occupancy.

The context around tenure set at the opening of the paper is worth consideration. It states that the pattern of more owner occupation has been seen across Europe. This may be true in principal. However in scale, owner occupation in many European countries is substantially lower than in Scotland. For example, owner occupation accounts for 46% in Germany, 52% in Denmark, 54% in Netherlands and 56% in France, all significantly lower than Scotland. Higher owner occupation figures occur mostly in some eastern European countries and the Baltic States. As such, it is not the case that Scotland is simply catching up with the rest of Europe in terms of owner occupation. Measures to support first time buyers into owner occupation are to be welcomed but they face no greater problems than those with fewer resources attempting to gain a social rented property. Action aimed at supporting potential owner occupiers should be matched with measures to provide for those looking to access social housing.

Changes in aspirations have taken place and are noted in the paper. The context of this paper is one which highlights the fact that aspirations are not always met and this is as relevant for those able and willing to pay inflated house prices for new private homes as it is for those trying to get a publicly provided home. The paper states that 'The Government's housing policies must recognise and adapt to the changes and aspirations that they have engendered'. Clearly the Government can not be held directly responsible for the supply of new private homes nor for the supply of private rented properties, although their policies will have an impact. They can however take a much higher degree of responsibility for a lack of supply of public rented properties. A lack of adequate investment to maintain council properties, reduced resources for

local authorities to build their own properties and a generally lackadaisical approach to keeping abreast of the supply of houses has led to the current situation. Demographic changes in terms of people living longer, geographical shifts, increases in the numbers of immigrants and more single person households are trends which have emerged over a number of years and have contributed to the problem. Government can not claim these are new factors. This paper provides an opportunity to take such factors into account within the wider debate.

The paper does not seek to address every aspect of housing policy but does concentrate on the owner occupied sector and on helping to get people into this sector. This is an important issue but the problems of those unable or unwilling to enter this sector should not be ignored and indeed the failure of the market to provide an adequate supply of new properties for sale has had an impact on the demand for social rented homes. The demand for social rented homes is seen by some as an issue which will resolve itself as and when the supply of houses of all tenures increases. The market mechanism has failed to respond to the level of demand from those wishing to buy. It will take a number of years for the overall supply to increase and in the meantime public provision remains a priority.

The need for social housing to play a role in the future of housing provision in the UK is well established and this paper notes the need to ensure this recent level of provision is built upon and incorporates sustainability and environmental issues. This is the start of the consultation process and it is important that an approach emerges from the Scottish Government in the form of recommendations in order to clarify and maintain impetus.

APSE welcomes the proposed initiative to end the Right to Buy for new social housing although recognise that blanket application of this approach may not be appropriate. Different circumstances exist in different areas and it may be more relevant to withdraw Right to Buy in some areas rather than others. As such the flexible to end this scheme may be a better solution. The measure would reduce the chance of losing homes from the socially rented sector. Problems with supply will remain for a number of years and the idea that the public sector should support house building which is then passed over to the private sector merely adds to the problems suffered by those unable to access the private market. The number of houses will remain the same - transferring ownership simply exacerbates the problem for social providers. Those with existing rights under the Right to Buy scheme should retain them as noted in the paper.

The second proposal, to provide incentives for new council house building at first glance appears appropriate, dependant on the size of financial pot. However, the idea that these incentives should be awarded on a competitive basis, adds confusion. Competing with other councils to win a share of a fund leads to protectionism, lack of knowledge sharing and ill feeling between councils. The issue is about people finding homes and good practice, in terms of effective borrowing; this should be promoted as widely as possible rather than kept as a secret. Sharing good ideas is something local

government does very well and this proposal would discourage people from sharing knowledge.

If there are funds available they should be allocated to the schemes likely to make the greatest impact. There are differing supply issues across Scotland based on different levels of supply and demand, geography, housing types and costs. Councils will attempt to build to meet local needs and having to jump through hoops to access funding will not be welcome or an effective use of resources.

The reference to the Scottish Housing Quality Standard (SHQS) is relevant as it highlights the role to be played by existing social housing. The number of current social homes far outnumbers those expected to be built over the next 10 years and it would be perverse to think that resources should be directed to new build with nothing being committed for existing homes. It is fundamental that the SHQS is retained until 2015 and developed thereafter to include a neighbourhood perspective as well as addressing energy efficiency social cohesion and community safety issues.

The paper notes that 'Good quality houses of the right type and tenure mix and good quality services are essential if we are to create places where people want to live... But the quality and mix of houses are not the only factors in creating vibrant, mixed and sustainable communities. The quality and management of the environment and public space are also critical elements'. APSE supports this sentiment fully and feels that it fits with the place shaping role of local councils. The place-shaping role of councils has been promoted recently and providing social rented homes certainly help to shape the locality in terms of physical development, appropriate facilities, sustainability and community cohesion.

The holistic approach councils can bring to an area by management of a range of services such as cleansing, grounds maintenance, enforcement and education fits with the papers approach and should be promoted as such. Giving councils support to build more homes and effectively expanding their landlord role would contribute to that holistic approach and result in improved neighbourhoods.

The document refers to those councils now building new council homes and states that 500 to 600 homes could be built by spreading this good practice. Scottish councils have a fine tradition as builders, maintainers and managers of social housing providing homes for millions of people. Over recent years the level of provision has reduced dramatically but councils remain the accountable body to act on behalf of the local population to provide a housing service for those unable or unwilling to enter the private market. Councils such as Midlothian Council are utilising existing powers to build social homes. They have commenced building over 300 properties as part of a commitment to provide 1,000 social homes and are an example to others in Scotland. This brings into question the discussion papers figures and it is likely that far more than 500 – 600 homes could be provided by councils. Revitalising councils' ability to directly provide homes in significant numbers once again would be an opportunity to access a tried and tested route for the provision of social housing and this therefore should not be capped.

The paper notes that consideration is being given to providing support for local councils to achieve compliance with the SQHS. The commitment noted in the paper to raising standards in existing and future homes is admirable. However it seems unlikely that the current funding arrangements will enable councils to meet this commitment. In England £19 billion has been spent on meeting the 'Decent Homes Standard' and this has rightly been promoted as one of the current Governments major achievements. It will be interesting to see how this commitment will be resourced in Scotland and APSE would expect a significant amount of money to be allocated if this consideration is made definite to reflect the Scottish Government's commitment.

The report states that "While both the underlying economics and public perceptions of the prospective returns means that where people can afford it, most are likely to try to become full owners of a property". This is the critical issue in terms of providing a social housing service. There will continue to be under-funding, problems with supply and the continuing issue of the most disadvantaged 'stuck' in social housing if it seen as a second rate option which most people are trying to escape from. Figures from England show that older tenants (possibly with a more stoical and appreciative attitude) are more satisfied with their housing than younger tenants (whose expectations appear higher). It is this latter view that will prevail over time and is more likely to add to the desire to move on from social housing either to home ownership or a partial stake in their home. Either way the perception noted in the report appears likely to remain. APSE appreciates the degree of difficulty involved in changing deeply held perceptions but this is an issue which must be addressed if the problems associated with social housing are to be successfully tackled. Government must highlight the benefits of social housing, including good value from low rents, high standards of construction and support from the landlord, if there is a chance that social housing is to lose the tag of 'housing of last resort'.

APSE feels there is a need to look beyond the limitations of ownership alternatives of the stock and existing standards by embedding social housing within a wider neighbourhood regeneration policy that is forward thinking, meets increasing demand for housing and breaks free of the current ineffective debate on funding. Actions which need to be taken are:-

- moving on from the 'Scottish Quality Homes Standard' to a wider 'Quality Neighbourhood Standard' which will address issues around communal facilities, environmental sustainability and energy efficiency to be completed by 2025
- ensuring that new social housing policy is flexible enough to deal with the variety of circumstances in terms of tenure, property size, found across all regions with the ultimate aim of providing a home for all who need one
- creating a neutrality in funding options irrelevant of management arrangements so that if ALMOs are introduced into Scotland the funding arrangements will be the same as they are for those councils who intend to operate without an ALMO

- encouraging the positive role local authorities can play as providers of affordable, secure social housing in order to meet the demand from those people on waiting lists and promote social housing in a more positive light
- clarifying funding arrangements so they are easier for housing practitioners and tenants to understand
- placing housing policy at the centre of future policies addressing wider social objectives on health, wealth, crime, education and employment related outcomes with appropriate funding.

Please forward any views on the text or answers to questions to Alistair Fildes at: afapse@ukonline.co.uk

It would be helpful also if any authority decides to respond direct in relation to the document, that a copy of these views could be made available by sending them to the above e-mail address.

There is a long list of question and APSE would be grateful for responses from members to any or all of the questions included in the document. Responses to question number 2, 3, 16 – 19 and 24 - 29 would be especially welcomed.

Pat Taggart and Phil Brennan, Principal Advisors, APSE

Discussion document questions

Question 1: Do you agree that aiming to increase the rate of new housing supply in Scotland to at least 35,000 a year by the middle of the next decade is a sensible and realistic ambition, and that this will help set a necessary political context for acceleration in housing supply?

Question 2: Do you agree that, to give practical effect to the ambition, local authorities should co-operate regionally in setting realistic housing targets for housing market areas, and in enabling the delivery of these targets? If so, what arrangements should be put in place to support and provide incentives for such co-operation between relevant local authorities?

Question 3: Is there a role for a specialist national function to provide expert support for local authorities in strategic planning for housing? What expertise do you think this function would require?

Question 4: Even when land has planning permission there are still blockages that prevent new housing being built. What additional arrangements would, or could, accelerate development on land with planning permissions to help ensure that future housing supply targets are met?

Question 5: We have proposed that much expanded or new, stand-alone settlements may be a valid solution. How should we best encourage the development of new, sustainable communities that are sympathetic to Scotland's landscape and environment?

Question 6: How should different types of assistance within LIFT be targeted?

Question 7: How could the Government stimulate more innovative mortgage and related products and services to assist people in purchasing their first home?

Question 8: Should the Government provide direct cash grants to first-time buyers?

Question 9: How can the private house-building sector play a bigger role in providing, without public subsidy, increased provision of affordable starter homes?

Question 10: What issues do you consider should be taken into account when considering the increased use of private sector let's to house low-income and homeless households?

Question 11: How should we ensure an appropriate balance between safeguarding tenants' rights and encouraging the private rented sector to achieve its full potential in Scotland's overall housing market?

Question 12: Do you think there is sufficient engagement between the public sector and private landlords? If not, what else should national and local government be doing?

Question 13: What other options should we consider for increasing the supply of private rented housing for low income and homeless households?

Question 14: How could more private landlords be encouraged to let to tenants on benefits and homeless households?

Question 15: What other schemes or incentives might help us to recycle empty properties more effectively?

Question 16: Do you agree that we should exempt new build social housing from the Right to Buy?

Question 17: Do you agree that we should subsidise local authorities in areas of need to use their prudential borrowing capacity to build new council houses?

Question 18: Do you agree that we should introduce large-scale competitions for subsidy?

Question 19: If not, how would you ensure that public subsidy is used to build as many good quality RSL houses as possible?

Question 20: Do you agree that we should subsidise the development of houses for mid-market rent?

Question 21: If so, should the subsidy be awarded as part of the competitive regime for awarding HAG that we are proposing?

Question 22: If not, how would you increase variety in social housing?

Question 23: Do you agree that we should encourage landlords to look at means of adjusting the mix of their stock in the interests of achieving more sustainable mixed communities?

Question 24: Do you think that subsidies for development should be provided to bodies other than registered social landlords?

Question 25: What sorts of protections should be offered to tenants in these circumstances?

Question 26: Do you think that the Scottish Government should vary Right to Buy discounts by (a) locality and/or (b) type of property?

Question 27: Do you agree that ALMOs can provide a satisfactory alternative to stock transfers?

Question 28: Do you think that additional help from Government to enable landlords to meet the SHQS should be linked to improvements in a landlord's performance?

Question 29: If so, what measures do you think would be beneficial? If not, why not?

Question 30: Do you agree that we need to find new ways of focusing on the quality of place/open space and greenspace within deprived neighbourhoods?

Question 31: Do you have suggestions for approaches that are not resource intensive and that include stakeholders?

Question 32: Do you agree that the lead role (and recipient of any resources) to undertake this work should be open to a range of stakeholders?

Question 33: Do you agree with the features and principles we have set out here for a modernised regulation framework?

Question 34: How would you like social housing regulation to be organised? (For example, should it be a separate organisation or part of a group of other regulators?)