

COSLA's Response to Firm Foundations

COSLA welcomes the opportunity to respond to the Scottish Government's consultation, *Firm Foundations*. COSLA's response should be read within the context of the Scottish Government-COSLA Concordat, and the expectation of joint policy development between the Scottish Government and Local Government via Single Outcome Agreements (SOAs). SOAs will set out the outcomes which each Local Authority is seeking to achieve due to local needs, circumstances and priorities.

Local Government's Vision

Local Government is the key strategic partner in maintaining and improving existing housing stock in both the private and public housing sectors, and in addressing Scotland's overall housing shortage. Social housing should not be the option of last resort – it must be more than a safety net for those most in need. It should offer real options for everyone who wants or needs to exercise their right to rent at different points in life and for a range of reasons – while they save to buy their own home; when they “downsize” later in life; or as a preferred option to renting in the private sector. Housing is a key local service that is best delivered locally, in collaboration with communities and partners. Affordable housing need is directly related to general housing need. The current uncertainty in the financial markets, and increasing personal debt, makes it imperative that Scotland has the capacity to address communities' affordable housing needs. To meet Scotland's social and private housing sector requirements, Local Government needs an appropriate range of powers to support:

- their strategic and landlord roles
- land assembly
- house building programmes
- efficient investment
- procurement; and
- the land release by partner agencies

Local authorities have potential roles as house builders; land suppliers and assemblers; investors; strategists; landlords; advocates and champions; co-ordinators and service deliverers. Our role is not just in providing council-owned stock, but the full gambit of housing options across the private and public sectors.

In considering the direction of housing policy, the following 8 areas have been noted as needing specialist attention:

- Increasing Housing Supply
- The Role of Local Government;
- Investment;
- Partnership Working/Cooperation;
- Land Supply;
- Tenures;
- Regeneration;
- Homelessness and the Private Rented Sector; and
- Regulation

Increasing the Supply of Housing (Question 1)

There is a shortage of appropriate housing across Scotland. *Firm Foundations* proposes that the rate of house building increases to at least 35,000 houses a year by the middle of the next decade. This shortage of housing should not be directed by a target. The Local Housing Strategy (LHS) identifies and determines local housing need. LHSs should be used to build up a national picture of housing need. Housing policy decisions should be made at a local level, ensuring there is

flexibility to accommodate the differing geographical, economic, social and demographic requirements within and between Scotland's local authorities.

From April 2008, Local Government will be reporting to the Scottish Government through SOAs. A local authority's SOA will be informed by the LHS. Therefore the LHS and must be regarded as the key driver and evidential base in addressing a community's housing needs. For the LHS to be fully effective, local authorities need the necessary tools and levers to ensure the housing projects set out in the LHSs and the Development Plans are realised. These necessary tools and levers are identified throughout COSLA's response.

The Role of Local Government (Questions 2, 3, 17)

Local Government has an established track record in housing provision. *Firm Foundations* affirms the primacy of the LHS as driving the housing policy agenda. Local authorities, as set out in their LHS, provide a wide services which assist in establishing and maintaining cohesive and sustainable communities, such as tenant engagement, maintaining and improving properties (in both the public and private sector), as a place shaper via regeneration projects, the strategic lead in planning and housing development, having the lead role in Community Planning Partnerships and in the delivery of community safety and community justice.

Housing Needs Assessment (HNA) data supports the LHS. HNA data has to be robust and credible to minimise any potential challenges. A possible solution would be for the Scottish Government to endorse the HNA data which is produced by local authorities. This issue over the credibility of HNA data is an opportunity for the Scottish Government and Local Government to engage more closely regarding research and data requirements.

Where appropriate, we welcome the proposal for local authorities to build houses again. This proposal should not just be constrained by a local authority's capacity to prudentially borrow. This policy would exclude high debt local authorities. The policy driver should be for a sustainable supply of good quality affordable homes to be built in the most effective way. Local authorities need equal access to investment options to strategically and effectively develop social and low cost housing,. This would level up the playing field, and open up a more competitive and efficient house building market. Such a role would assist local authorities in achieving their goal of establishing mixed tenure, sustainable communities containing affordable and low cost housing made to high design standards.

Investment (Questions 18,19,27 -29)

Local Government is operating under a tight financial settlement. We have to be realistic about what can be achieved, and recognise where resources are and are not available to meet future aspirations. It is highly unlikely that future housing aspirations will be achieved without increased resources. Achieving efficiencies is a consistent theme throughout *Firm Foundations*, more supply for less subsidy. COSLA agrees it is essential to demonstrate best value in the usage of public money. However, it has yet to be clearly evidenced that efficiencies driven by competitive large scale procurement, by maximising borrowing capacity, or in delivery, management or maintenance, can actually be achieved.

Housing investment decisions should be devolved to local authorities. In line with the current decision to remove ring fencing and to maximise a local authority's ability to respond locally, it makes sense in the long run, that all housing investment should be distributed to and allocated by local authorities. This would assist local authorities in delivering the aims of their LHS. We need a national housing investment framework, which is informed and directed from the 'bottom up' by using local housing need indicators, as mutually agreed by COSLA and the Scottish Government. The money need not necessarily be split between 32 local authorities – shared services solutions may be more appropriate in certain areas to develop housing across council boundaries.

Housing investment should be ear marked for longer periods of time, enabling long-term planning. It must be recognised that investment in housing is a broader package than bricks and mortar, it is about communities including roads, schools, other infrastructural requirements, regeneration and

green spaces etc. Local authorities need the necessary investment to plan and maintain the required infrastructures and facilities.

Additional assistance to meet the Scottish Housing Quality Standard (SHQS) should be solely linked to the SHQS. The key issue is housing debt and its effect on local authorities' ability to meet the SHQS. Arms Length Management Organisations (ALMOs) will not solve the problems for high debt local authorities. ALMOs do not directly improve the standard of housing, they are a variation in tenure management. Without the benefit of debt write off and appropriate financial support, ALMOs are of limited use. The aim of financial assistance from National Government should be that every tenant in the social rented sector is living in SHQS compliant accommodation by 2015.

Partnership Working/Cooperation (Questions 2,3)

Local authorities recognise the importance of working with their key partners in the housing sector to meet Scotland's housing challenges. It is important that our partners e.g. Housing Associations, are able to actively participate in the LHS process and that their housing developments are consistent with the LHS and the Development Plan.

We welcome the recognition of the existing regional co-operation between local authorities across a range of planning and housing issues. A strategic approach should drive regional cooperation/partnership working between councils and their stakeholders. This strategic approach already happens in the Structure Plan process. Local housing targets are evidenced in the LHS as informed by the wider Housing Market Area. Cross boundary working can be further enhanced through the appropriate resources and incentives being made available. Local authorities recognise the pivotal role that both planning and housing have in addressing Scotland's housing shortage, and acknowledge the required connections that planning authorities and housing departments need to make in meeting housing needs.

Land Supply (Questions 4, 5, 31, 32)

There are a number of factors that impact on land supply such as: infrastructure constraints; land valuations; landbanking by developers; fragmented land ownership; the 'readiness' of land for development e.g. brownfield sites; the availability of other public sector agencies land for housing development; and community engagement.

To address the land supply problem, Local Government, rather than private developers or the Scottish Government, needs to control local land assembly. COSLA would not support the establishment of a new quango, or National Government taking the lead role in acquiring and assembling land for development. Local Government is best placed to co-ordinate infrastructure providers, landowners (including other public sector land owners), developers etc to discuss and realise future housing developments. An appropriate level of resources should be made available to ensure such a liaison/co-ordination structure is properly supported. We are not proposing that each local authority needs to have a co-ordinating role, a shared services approach might be more appropriate. To address the problem of fragmented land ownership the compulsory purchase order procedures need to be streamlined and sped up.

Local authorities make a significant contribution of land to strategic housing investment projects. However, local authority land is a finite resource. Disposing of local authority land for less than market value should not become the expected norm. A local authority's willingness to support strategic housing development must be balanced against increasing pressure on the Council's Housing Revenue Account in the context of maximising SHQS investment (as well as pressure on the General Services Account for investment across a range of council services). It is likely that the option to transfer sites at less than market value will become more constrained in the future.

To assist local authorities in identifying and realising the house building opportunities on other public sector agencies' land, the Scottish Government needs to convey a clear expectation that other public sector bodies should engage with their Local Government partners in developing and delivering local asset plans, making their land/asset register available to local authorities and to

actively look at their land/asset portfolio to assess its potential for affordable housing use. As proposed in the *Callcutt Review of House Building Delivery* (2007) the publication of developers' landbanks would assist local authorities when planning their LHS and Development Plan.

It is problematic that housing developments do not keep in line with the LHS and Development Plan. COSLA recommends that *Callcutt Review's* proposal to withdraw planning permission if developers do not begin a project within a certain timescale is given further consideration in Scotland.

Community engagement is vital in ensuring developments go ahead. The Scottish Government and Local Government, together with our community planning partners, need to develop and articulate concerted joint communications on the changing profile of Scottish households; the need to replace houses which are no longer fit for purpose; the lack of affordable housing; pressures in some rural areas; and the importance of housing to economic prosperity; health and wellbeing and community cohesion.

Firm Foundations also proposes stand alone settlements. It would be expected that such settlements be identified through the Development Plan process, as directed by local housing need that has been evidenced in the LHS from the supporting HNA data.

Tenures (Questions 6, 8,16, 20, 21,22, 23)

COSLA welcomes the opportunity to exempt new properties from the Right to Buy (RTB) policy. A blanket RTB policy across Scotland would not be an effective solution. Local authorities need the autonomy to decide how manage the RTB policy in their local area, after considering the local housing market conditions and local housing needs .

To establish and maintain sustainable communities, tenure choice is vital. The LHS will determine the tenure requirements of local authority areas. The targeting of subsidy should be dependent on the pressures on the local housing market and the availability of affordable housing. The proposal to offer a grant of £2,000 to all prospective first time buyers is unlikely to address the problems that most disadvantaged first time buyers experience. Such a grant would more likely benefit the developers and serve to inflate house prices. Local authorities regard *Homestake* as a successful scheme and welcome its expansion. Shared ownership schemes should be flexible in allowing staircasing down, as well as up, to accommodate people's changing circumstances. The proposal for mid-market rent properties is intended for a niche market, key workers. There is concern that subsidising such a niche market will divert valuable resources away from meeting affordable housing need and instead service housing aspirations. In the first instance, mid-market rent properties should be developed without subsidy.

Regeneration (Question 30)

We would welcome a stronger acknowledgement of the role of local government in driving forward regeneration. An integrated community regeneration approach to housing provision will help address both local and national priorities e.g. tackling health inequalities, eradicating poverty and promoting local economic development. Under the *Local Government in Scotland Act 2003*, 'a local authority has the power to do anything which it considers is likely to promote or improve the well-being of its area and persons within that area'. This means there are opportunities within *Firm Foundations* to better support local government in 'improving quality of space'. Community Planning Partnership members need to take equal responsibility in maintaining and regenerating local areas.

Homelessness and the Private Rented Sector (Questions 10 - 14)

Local Government has consistently said it is committed to meeting the 2012 homelessness target, subject to the appropriate level of resources being in place. At present a number of local authorities are struggling to meet the 2012 target. We therefore welcome moves to ease pressure on local authority housing stock, such as increasing the involvement of the private rented sector

(PRS). There is a policy tension between meeting the challenging 2012 homelessness target and the drive to establish and maintain sustainable communities.

At present local authorities are able to use the PRS for temporary housing, but are unable to use it to discharge their duties under the homelessness legislation. This inability to allow people to remain forces vulnerable people to move out of what may well be settled, stable and successful accommodation. Many people would elect to remain in their PRS tenancies for long periods, or permanently, and their landlords would be happy for them to remain. However, because local authorities are effectively unable to close these cases, they are forced to either jeopardise the tenants' future by moving them into public sector accommodation, or face public criticism because of the length of time taken to resolve homelessness.

Our expectation would be that landlords letting to homeless people in permanent accommodation should be subject to inspection and regulation, safeguarding tenants' rights. Such regulation may be undertaken by local authorities and would be conditional on the local authority recovering full costs for the regulation process from the landlord. We support the proposed review of the PRS. We expect such obstacles as the single room rents for under 25s and the Local Housing Allowance (LHA) to be considered in this review.

Local authorities will encounter problems following the introduction of the LHA and the Broad Market Rental Market Areas (BMRA). Tenants in higher rental areas will be financially disadvantaged and indeed excluded from living in these areas when BRMAs come into force. This will have implications for the current and future usage of the private sector to house homeless people.

We consider the solution lies in having separate BRMAs for the areas with higher rental values. Otherwise tenants in high demand areas will no longer be able to live alongside family and friends or near their jobs. BRMAs will 'price' low income private tenants out of their existing communities, and force them to find accommodation in areas of low demand and low amenity. COSLA has urged that local Rent Officers have meaningful consultation with individual authorities, and where evidence shows there are diverse rental levels in different localities that separate BRMAs within a local authority area are established. There are also concerns within Local Government that the LHA may deter landlords from housing tenants where the LHA is paid directly to the tenant.

Regulation (Questions 33 and 34)

Following the publication of the Crerar Review, COSLA is actively working with the Scottish Government to establish a more straight forward structural framework and coherent approach to scrutiny. It has been acknowledged that the primary responsibility for improvement lies with the organisation providing the [housing] service – the local authority or RSL. Local Government is committed to a scrutiny system that better meets the needs of our communities. Local Government therefore welcomes greater scrutiny responsibility, placing tenants at the centre of the scrutiny process.

The current inspection regime pays little regard to the democratic process which exists in local authorities. Moving to an outcome-focus inspection process under the Best Value regime, with the audit responsibility being transferred to the Accounts Commission, will increase local authorities' autonomy, dovetail with SOAs and ensure the better delivery of ministerial targets at a local level by removing unnecessary red tape. We acknowledge that RSLs are constituted and financed differently to local authorities. We therefore propose that the regulation and inspection of RSLs should continue to be done by an independent agency. Under this proposed new inspection process, local authorities and RSLs should operate under the same performance standards.

Conclusion

COSLA welcomes this consultation and in taking forward the emergent policy. Within the spirit of the Scottish Government-COSLA Concordat, we would expect to consider the responses to *Firm Foundations* in conjunction with the Scottish Government.

Caroline Johnston**Policy Manager****0131 474 9259****caroline@cosla.gov.uk****February 2007**