

Housing, Regeneration and Planning

Firm Foundations: The Future of Housing in Scotland

An Analysis of Responses

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This report summarises the consultation responses to the Scottish Government's discussion document *Firm Foundations: The Future of Housing in Scotland*. The document was released for consultation in October 2007, with a closing date for responses of 25 January 2008. The discussion document invited responses to 34 questions on the future direction of housing policy in Scotland. These questions covered a wide range of housing policy issues reflecting the government's commitment to a vision of housing that encapsulates all tenures and ensures sufficient choice to meet identified demand and needs.

Main Themes

- There was strong support for the proposal to substantially increase the rate of new build, with many respondents also suggesting that this should include a target for affordable housing.
- A majority were opposed to grants to assist first time buyers into home ownership. Support was strongest for new build shared equity schemes.
- Respondents agreed that greater use could be made of the private rented sector to house low income and homeless households. However, measures to ensure that housing offered to homeless households was well managed and of good quality, and that tenants had greater security of tenure than is currently offered through a short assured tenancy were considered necessary.
- Measures would also be necessary to encourage landlords to increase the supply of suitable housing. Typically respondents suggested financial measures, such as expanded rent deposit guarantee schemes and improving housing benefit administration.
- There was a strong view that the supply of social rented housing should be increased and retained in the sector. There was, however, only limited support for proposals to allocate grant through large-scale competition, with the preference being for measures that increase efficiency and local accountability.
- There was almost total support for the proposal to exempt new build social housing from the Right to Buy. Many respondents felt that further restrictions to the Right to Buy would be beneficial.
- There was support for measures to further develop the supply of mid-market rented housing where a market demand exists, but it was stressed that this should not be at the expense of social rented housing.
- There was general support for the proposed changes to the regulatory framework, although there were mixed views on whether this could best be achieved through a specialist housing regulator or as part of a wider regulatory function.

Response

Responses were received from a total of 387 organisations and individuals. Not all respondents addressed every question: with local government organisations most likely to answer questions (typically answering around a quarter of questions).

Not all respondents interpreted the consultation questions in the same way. In some cases, respondents provided their own interpretation of (or amendment to) the question before responding; in some cases respondents appear to have answered a slightly different question to that posed.

Housing supply

There was very strong support for the proposition that an increase in the supply of housing was necessary and realistic. Respondents felt that the actual target for new build would need to be carefully considered, and might be best built up from local targets that had been developed in response to housing needs and requirements. Targets for the development of affordable housing were also considered necessary by many respondents.

There was support for proposals that local authorities should co-operate to set regional targets. This would allow targets to be developed around housing market areas, and would provide a mechanism to drive the delivery of new housing. It was considered that a framework for this co-operation already exists in the local housing strategy guidance.

There was only limited support for the proposition that the creation of new settlements would be a suitable way of delivering substantial growth in new build; respondents' views were that new development should be achieved by expanding settlements. It was felt that this would allow existing infrastructure to be drawn on – both in terms of key services (such as water and drainage) and social provision (such as health services, community facilities and shopping). However, it was recognised that new settlements may be more appropriate in rural areas, where existing settlements cannot be expanded successfully.

It was agreed that mechanisms to facilitate the increased new build would be required. The main blockage to delivering new build was felt to be lack of co-ordination between the allocation of sites and planning of infrastructure for those sites; a number of solutions were suggested including an infrastructure fund and a body to deliver serviced land. Some respondents felt new build delivery could be speeded up if measures were put in place to address landbanking by developers; measures suggested included reducing the planning consent period, increasing

the costs of undeveloped land and greater use of compulsory purchase powers. It was also argued that simplifying Section 75 negotiations would be helpful.

Measures to assist first time buyers

There was support for the view that assistance should be provided to people who were unable to access home ownership unaided, provided that those households would be able to sustain home ownership in the longer term. However, a small minority of respondents were of the view that home ownership should not be subsidised, and others argued that subsidy for home ownership should not be at the expense of developing affordable housing for rent.

Support was strongest for shared equity schemes, and in particular for newbuild shared equity schemes, which would increase the supply of affordable housing.

A majority of respondents were opposed to the suggestion that all first time buyers should be given a £2,000 grant to assist with buying a home. It was felt that the amount proposed in grant was too small to make a significant difference to a household's capacity to purchase a home, and that it was likely any such grant would simply feed through into increased prices. There was more support for targeted assistance, for those experiencing affordability problems and for people with additional requirements (such as people with disabilities and existing households who need to move into larger accommodation).

It was considered that the private sector could play a greater role in developing affordable housing without subsidy. In particular, it was considered that there was greater scope to use the planning system, as it was suggested has been achieved in England.

Expanding the role of the private rented sector

There was a general view that there is insufficient social rented housing to meet the demand from households in housing need and that, therefore, greater use could be made of the private rented sector (PRS) to house these households. However, it was noted that not all areas have a large, flexible private rented sector which can respond to new demands; and in these areas in particular, it was possible that the use of the sector for households in housing need would "crowd out" the households that currently rent at the more affordable end of the sector.

There was support for the measures that have already been put in place to improve standards in the sector – in particular landlord registration and the proposed accreditation scheme. It was stressed, however, that if the PRS were to play an expanded role housing low income and homeless households, further measures to improve households' security of tenure and to guarantee standards of service and housing conditions would be required. Such measures included a new/modified tenancy for homeless households that afforded better tenants rights than the current short assured tenancy, increased regulation of the landlord, and a requirement that PRS properties meet the increased physical standards linked to accreditation schemes. There was a strong view that households placed in the private rented sector by the local authority should not have worse conditions than those placed in social rented accommodation.

Respondents appreciated that measures to encourage private landlords to rent more of their accommodation to low income and homeless households would also be required. Improved engagement between local authorities and landlords, for example through landlord forums, was generally viewed positively, although some landlords felt that incentives would be required to encourage such participation and some local authorities considered current provisions sufficient.

Typically, the main mechanisms to increase the supply of private rented housing were related to finance – ensuring housing benefit is paid timeously and introducing/promoting measures to guarantee rents. There were concerns that the new Local Housing Allowance (LHA) might reduce the supply of private rented housing. This might happen in expensive parts of Broad Rental Market Areas, where the LHA would no longer cover rents. Direct payments of rent to tenants was also considered a barrier to letting by landlords.

Private sector leasing schemes were considered a valuable way of ensuring tenants' rights, quality of accommodation and service, while at the same time providing reassurance to landlords in terms of guaranteed rental income and property management. Making better use of empty property was also considered important as a means of increasing supply.

Social rented housing

Respondents were strongly of the view that the social rented stock should be increased. There was strong support for measures designed to facilitate and support new building in the sector. It was felt that new build stock should be exempt from the right to buy (RTB) and many thought that further restrictions in RTB rules would be beneficial in retaining stock

for social use. There were mixed views on support to use prudential borrowing to build new council houses; typically those who were in a position to take advantage of this measure were in favour, while others argued that support should be directed to where housing need was greatest.

There was only limited support, typically among developers, for the proposal that social rented housing could be developed more efficiently if large-scale competition for subsidy were introduced. Respondents questioned the assumption that subsidy rates in Scotland were higher because of inefficiencies in procurement and delivery; and argued that competition would serve to reduce the quality of housing, and may not deliver savings because of building requirements, land costs and construction costs. Instead, respondents suggested a number of measures that would improve the efficiency of development without compromising local accountability and housing standards. These included local procurement partnerships, removing annuality of funding, innovative/modern construction techniques and securing additional land releases.

There was clear support for the suggestion that government should subsidise properties for mid-market rent. Mid-market rent was considered a useful tool in widening the housing options for low income households and would assist in the development of mixed communities. However, it was again stressed that this should be new funding and should not detract from the development of affordable housing for rent.

There was also support for the suggestion that development subsidies should be available to bodies other than registered social landlords. The greatest support was for extension of subsidy to not-for-profit organisations. Further, respondents typically qualified their support by saying that bodies receiving subsidy should be regulated. There was also a strong view among respondents, with the exception of developers, that tenants living in subsidised housing should have their security of tenure and standards of housing quality protected. Some respondents argued that these tenants should have the same rights as those living in the social rented sector (but without the right to buy), while others suggested that a more flexible approach, such as a modified short assured tenancy, would be more appropriate.

There was a strong view among respondents that all social rented sector stock should at least meet the SHQS. Typically, respondents supported the principle that government funding should be available to organisations that are currently struggling to achieve the SHQS. However, there were mixed views as to whether this support should be linked to improvements in the landlord's performance. Respondents appreciated that there is a tension between not penalising tenants whose landlords are under-performing and ensuring that resources are being spent effectively.

However, there was a view that the existing regulatory framework should be used to manage landlord performance, while financial support to meet the SHQS should be allocated to where it is most needed, and in particular where failure to meet the SHQS results from structural issues in the stock (such as no mains gas in the local area) or from stock transfer settlements that pre-date the SHQS.

Respondents overwhelmingly supported the suggestion that new ways are needed to provide good quality greenspace and open space in deprived areas. There was strong support for a set of national guidelines on open spaces, and suggestions that these should be tenure-neutral. It was felt that consultation with the local community and stakeholders was essential when developing open spaces; with a view to producing appropriate design briefs and maintenance schedules.

Regulation of the social rented sector

The proposed regulatory framework, which adopts a risk-based proportionate approach and which separates the roles of government and the regulator, was generally welcomed by respondents. It was suggested that this framework needs to be transparent and rigorous; and that the regulator should have powers to maintain service standards within the sector. This would serve to ensure that lenders continue to have confidence in the regulatory regime.

There were mixed views as to how the regulatory body should be constituted. It was suggested that a separate specialist regulator for housing services was required, staffed by people who have a strong understanding of the sector. This body might be part of a group of regulators, all working within agreed parameters. Others suggested that regulation and audit could be carried out using existing regulatory bodies – the best value inspection regime and the Accounts Commission. It was suggested that a panel of specialist housing advisors might be required. There was also a view that a different organisational approach might be developed for local authorities and housing associations, to reflect the different constitutions of each type of organisation: with oversight of local authorities passed to the best value regime and the Audit Commission; and housing associations regulated by a new specialist agency.

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