

Briefing paper



# **Homes Fit for the 21<sup>st</sup> Century: the Scottish Government's Strategy and Action Plan for Housing in the Next Decade: 2011-2020**

**Briefing paper from CIH Scotland**

February 2011

## **The Chartered Institute of Housing**

The Chartered Institute of Housing (CIH) is the professional body for people involved in housing and communities. We are a registered charity and not-for-profit organisation. We have a diverse and growing membership of over 22,000 people worldwide, with over 2,800 in Scotland. Our members work in both the public and private sectors. We exist to maximise the contribution that housing professionals make to the wellbeing of communities. We also represent the interests of our members in the development of strategic and national housing policy and aim to be the first point of contact for anyone involved or interested in housing.

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## At a Glance – Key Points

### *Supply*

A “radically different and innovative approach” to funding new affordable housing supply:

- Procurement of social housing through a £50m Innovation Fund which keeps council house subsidy at £30k a unit but sees HAG down to £40k a unit
- Allowing housing associations to channel receipts into new build through waiving of HAG repayment
- Encouraging multi-tenure developments to enable cross-subsidy to produce social rented housing
- Exploration of a Scottish social housing bond and access to pension fund investment
- Introduction of an Infrastructure Investment Loan Fund
- Support for RSLs which want to provide market rental homes
- Legislation to make it easier for RSLs to provide options such as shared equity and mid-market rent.

### *Existing stock*

- Reform of the right to buy to cut discounts on the original RTB
- Introduction of a new “regulated standard” in 2012, requiring higher levels of energy efficiency by 2020
- Expansion of the housing options approach to provide housing health checks, especially for social sector tenants
- Legislation to enhance flexibility within the allocations system
- Legislation to relax the rigidity of the Short Scottish Secure Tenancy.

## Introduction

The Scottish Government published its new paper [Homes Fit for the 21<sup>st</sup> Century: the Scottish Government's Strategy and Action Plan for Housing in the Next Decade: 2011-2020](#)<sup>1</sup> on 4 February. This paper follows on from the publication of the discussion document [Housing Fresh Thinking, New Ideas](#)<sup>2</sup> in May last year and draws on submissions from over 70 organisations and individuals. The paper sets out, in two parts ("New Supply" and "Choice and Quality"), the Scottish Government's strategy and vision for housing over the next decade against an uncertain economic future and sustained cuts in public spending.

The paper says the Scottish Government has recognised the vital role that high quality, affordable housing can play in achieving sustainable economic growth and its wider aims of tackling poverty and health inequalities. It highlights the need for affordable homes across all tenures, meeting a variety of needs and demands, including enhancing social mobility.

The paper reaffirms the commitment to meeting four major housing related targets: homelessness 2012, SHQS, fuel poverty and energy efficiency. It also signals the intention to introduce further targets aimed at improving the quality of new and existing housing stock to achieve greater levels of energy efficiency.

The paper says that the objectives set out are challenging, particularly given the decline in housing construction, the restriction on mortgage lending, and a very limited pot of public resources. To meet the challenges, the Scottish Government's intention is to take a more radical approach to increasing housing supply through new funding models, but also to look at new ways to make better use of the existing stock and increase choice. The strategy is set out in a series of action points, many of which were alluded to in the previous discussion document, with some significant new policy objectives that are worthy of note.

Needless to say, with an Election looming, the Scottish Government's paper will have little or no status if a different administration is in power in May.

This briefing paper aims to highlight the key commitments made in the Scottish Government's paper.

## Part 1: New Supply

Part 1 of the paper focuses on the need to increase supply of affordable housing across all tenures. The paper says that with the traditional way of financing new homes no longer possible, the Scottish Government intends to pilot as many new funding methods as possible, drawing on those already emerging from within the sector. This will include methods that require no Government support as well as those which will still require some form of public subsidy. With limited funds, the Government says it will target its investment in ways which lever in more resources from elsewhere to maximise the supply of affordable homes. Examples of this new approach will include:

- Encouraging mixed tenure developments to enable cross subsidy of the social rented housing
- Shared funding of developments from land owners, developers, housing associations/cooperatives and central/local Government
- Allowing HAs to channel receipts into new build where the Scottish Government's right to reclaim HAG has been waived
- Widening funding sources for affordable housing.

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<sup>1</sup> <http://www.scotland.gov.uk/Publications/2011/02/03132933/0>

<sup>2</sup> [http://housingdiscussion.scotland.gov.uk/media/2597/Housing\\_Debate\\_Green\\_Paper.pdf](http://housingdiscussion.scotland.gov.uk/media/2597/Housing_Debate_Green_Paper.pdf)

The paper commits to supporting the recovery of the private house building industry, including engaging with lenders to encourage new forms of mortgage products, as well as working with developers to support New Supply Shared Equity and rent-to-buy schemes. The document also highlights a longer term commitment to improve funding arrangements for infrastructure and continue work on planning reforms to ensure a generous supply of land for affordable housing.

As expected, after an announcement in January 2011, this paper confirms the Scottish Government's intention to expand shared equity schemes as a permanent feature of housing policy, and says that this decision follows [independent research](#)<sup>3</sup> which showed that shared equity schemes are an effective means of supporting First Time Buyers. The Government will invest £5m in 2011/12 to subsidise 220-250 properties for shared equity as well as exploring additional funding sources (this figure was added to following the agreement of the Scottish budget on 9 February, which saw £3m added to the Open Market Shared Equity Scheme - for rural areas, and £3m to the developers' New Supply Shared Equity Scheme). The paper makes specific reference to Aberdeenshire Council's own shared equity scheme with developers.

The Government's flagship [National Housing Trust](#)<sup>4</sup> initiative will continue and expand to deliver mid-market rental homes to plug the gap for those on low to moderate incomes who cannot access owner occupation or the social rented sector. Up until now, the NHT model has only been available for local authorities and developers, who - the paper says - have shown a keen interest in phase one. The paper says that in recognising the vital role that RSLs play in maximising the delivery of affordable housing, the Government intends to introduce a further phase of NHT designed specifically for the housing association sector (no timescale for this is specified).

As well as NHT and shared equity, a number of other new funding approaches are highlighted - many based on ideas previously referred to in the discussion document last May. These include bond finance, pension funds, subsidy-free shared ownership and encouraging institutional investment in affordable housing.

This part of the paper should be read in conjunction with the statement (in Part 2 of the paper) that the current system whereby some RSLs set up subsidiaries to make available products such as shared equity is too bureaucratic, and that there will therefore be consultation in summer 2011 on changing the legislation to make it easier for social landlords to diversify their activities.

The paper says that the Scottish Government will also explore other initiatives which support the supply of affordable housing, including an emphasis on bringing empty private sector homes back into use. It says there will be consultation on legislation which will give councils more flexibility on the amount of council tax they can charge on long term empty properties, using any additional revenue to contribute to affordable housing supply. In launching the paper, the Scottish Government's press release said that this would enable £130m to be raised over four years, delivering 800 new homes annually. Specific mention is made of Scottish Borders Council's use of receipts to fund Eildon HA to provide new homes.

## **The planning system**

The paper says the Scottish Government will "actively engage in the development planning process to ensure that plans provide a generous supply of effective housing land" but does

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<sup>3</sup> <http://www.scotland.gov.uk/Publications/2011/01/18142733/0>

<sup>4</sup> <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/nht>

not specify exactly how. It says that in summer 2011 it will issue new guidance for councils on using compulsory purchase to free up land. The paper says that an Infrastructure Investment Loan Fund will be set up to provide loans to unblock projects which might not otherwise proceed.

### **Innovation and Investment Fund**

Announced on 3 February and in many respects as significant as the main paper itself, the Scottish Government's [Innovation and Investment Fund](#)<sup>5</sup> will see £50m made available for all sectors including the private sector and for all types and tenure of affordable housing. The fund expects to award £20m to councils, £20m to housing associations and £10m for innovative projects open to all sectors through a subsidy competition. According to the Scottish Government this money will produce a majority of social rented housing.

In setting out the criteria for the Fund, the paper says that following recent [research](#)<sup>6</sup> by Heriot-Watt and York Universities on the capacity of housing associations and councils to develop with much lower subsidy levels, council house subsidy will continue at £30k per house, but that subsidy via HAG for housing associations will be £40k per house. The Scottish Government believes that housing associations can make their grant money go much further using a range of opportunities open to them including:

- The capacity to borrow or make contributions from financial resources
- Exploiting innovative private finance mechanisms
- Cross subsidising social housing developments by including a proportion of homes at intermediate rent levels and low cost home ownership
- Driving down running costs through modern procurement methods.

There is also a hint that landlords could use moderate rent increases (i.e. across all rents) to generate additional funding for development, but it will be left to landlords to decide whether or not a rent increase could be justified after determining the level of affordability for tenants.

The paper says that the Government intends to award funding for innovative projects which offer a mix of homes and value for money, but that don't compromise on quality (although CIH would observe that the minimum standard is based on the Building Regulations, not Housing for Varying Needs). Certain allowances in the levels of funding awarded will be made for remote rural developments and housing for particular needs.

#### **Initial comments from CIH Scotland**

CIH Scotland welcomes the commitment to exploring new ways of increasing affordable housing supply and widening choice through important schemes like mid market rent.

CIH is sceptical, however, about how much new social rented housing – as opposed to other types of affordable housing – will be provided in the coming years. Whilst, on the face of it, the Innovation and Investment Fund is only a part of the overall approach to new supply, it may well be that it signals how *any* future social housing provision will be made.

It is difficult to imagine that such a dramatic reduction in HAG levels can lead to the development of a significant proportion of truly affordable and high quality social rented housing. Social housing has a better chance of being produced in areas that enable cross-subsidy from low cost home ownership and mid market rent, but the greatest concerns relate to areas where there is little or no market for this type of housing.

<sup>5</sup> <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/investment/innovationfund/process>

<sup>6</sup> <http://www.scotland.gov.uk/Publications/2010/11/11115938/0>

In relation to affordability, CIH Scotland is calling on the Government to set out criteria on what an “affordable social rent” is and to then base subsidy mechanisms on these criteria. If left up to individual providers to decide, based on inadequate subsidy, CIH would be concerned that even in hotspot areas the gap between social and mid market rents will begin to narrow as social housing rents rise.

CIH would question the value of any further provision of new shared ownership, as opposed to shared equity. The LIFT review suggested that shared ownership was an unpopular tenure which should not be developed further.

CIH welcomes the increased flexibility for councils to raise money through council tax on second homes to fund new affordable housing supply.

With reference to the assertion that the Scottish Government will do more to ensure a supply of land for affordable housing, it is not easy to square such an intention with the “hands off” approach to how local authorities run their affairs.

## **Part 2: Choice and Quality**

In Part 2, the Scottish Government sets out its approach to “creating a fair and responsive housing system that takes into account people’s needs and offers a range of sustainable housing choices across all tenures”. As well as increasing supply, the Scottish Government believes that more can be done to invest in the quality of existing stock and neighbourhoods to create more sustainable communities in the long term.

### **Social housing**

The paper makes it clear that the Scottish Government has no intention of following the English approach to creating shorter tenancies that seek to pressure higher income tenants out of the sector. The focus instead is to be on providing a wider range of affordable housing options. The paper also asserts the Scottish Government’s opposition to the UK Government’s planned reforms to housing benefit which it believes will lead to higher arrears and more evictions rather than increasing employment prospects. In terms of under occupation, the paper says that incentives for downsizing should continue to be available, and will, as now, be at the tenant’s discretion rather than enforced.

The paper highlights the Scottish Government’s commitment to further restrict the right to buy. Through consultation, the Scottish Government will seek to remove the “excessive” discounts of up to 70% under the “preserved” right to buy and reform it to make it fair for both landlords and tenants. This will build on the more recent changes to the right to buy introduced in the [Housing \(Scotland\) Act 2010](#)<sup>7</sup>.

### **Home ownership and the private rented sector**

The paper says the Scottish Government recognises that a sustainable home ownership sector can support stable communities and reduce pressure on affordable housing, and then highlights the challenges faced by the home ownership sector due to the restricted availability and accessibility of mortgages. Although regulation of lending is reserved to the UK Government, the Scottish Government says it will make the case for policies that ensure that the mortgage market and house building industry can recover. This will include working

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<sup>7</sup> <http://www.legislation.gov.uk/asp/2010/17/contents/enacted>

with house builders, lenders and the UK Government to facilitate more flexible mortgage arrangements in Scotland.

The paper says that new forms of mortgage indemnity schemes are beginning to emerge for new build properties, and that they could become more widely available within the next two years.

On the private rented sector, the paper says that the Scottish Government's overall aim is to grow and improve the sector in Scotland. It says that by 2014 the Scottish Government wants to see many more RSLs providing market rent housing, and that incentives will be developed to encourage arrangements such as private landlords leasing property to social landlords. Changes to Local Housing Allowance are potentially damaging to the sector, says the paper, and the Scottish Government will continue to oppose the proposed reforms.

### **Choice and options**

The paper says that wider choices in the affordable housing market mean there is a greater need for information to help people make the right housing choice. In terms of improving options for social rented tenants, the Scottish Government says it will continue to strongly encourage the development of common housing registers which offer choice-based lettings (which, it says, should become the norm for any CHR), but it will not pursue the idea of a *national* CHR, preferring instead to use the housing options approach to achieve choice and flexibility across local authority boundaries. The paper says that the majority of social landlords should offer, or be part of, a house swap or mutual exchange service.

With 2012 on the horizon, the paper notes that the Scottish Government has already progressed the housing options approach through its £500,000 funding of five "hubs" where all 32 local authorities to work together to prevent homelessness. The paper says that the Government now intends to take this approach a step further, with all information and advice being provided through housing options and "housing health checks" not only to those at risk of homelessness, but to people on housing lists and long term tenants who want to look at their options. Through working closely with housing associations, councils, the private rented sector, voluntary and advice agencies, the Scottish Government says it will ensure that people in housing need have access to expert information and advice about the different options open to them.

### **Legislation on tenancies and allocations**

In order to address concerns about aspects of the current tenancy regime raised in some of the responses to *Fresh Thinking*, the Scottish Government says it will consult on changes to legislation to give local authorities and housing associations more flexibility. These include:

- Minimising legislative constraints on allocations policies, but retaining the requirements under homelessness legislation
- Limiting succession rights, for example where succession would mean a home would be under occupied
- Widening the circumstances where a Short Scottish Secure Tenancy (SSST) can be used, for example applicants housed temporarily in overcrowded accommodation, tenants in properties with adaptations they don't require, and tenants with a history of antisocial behaviour.

Perhaps the most radical suggestion regarding use of the SSST is the possibility that they could be used for all new social housing tenancies as an initial tenancy, during which both the landlord and the tenant can make sure that the property is suited to the tenant's needs and is sustainable in the longer term.

## Energy efficiency

This paper reaffirms the Scottish Government's commitment to tackling climate change and improving energy efficiency in new and existing homes. It will continue to pursue the strategy and goals set out in the [Energy Efficiency Action Plan](#)<sup>8</sup> published in October 2010, through working together with homeowners and landlords to maximise the use of insulation schemes and encourage private landlords to take a up a range of energy efficiency incentives. The Scottish Government says it will also work closely with the UK Government to ensure that Scotland can fully benefit from UK wide schemes aimed at improving energy efficiency.

The Scottish Government says it would like to see social landlords leading the way in energy efficiency. After consulting with social landlords and other stakeholders, it will (in 2012) introduce a further regulated standard which will require much better levels of energy efficiency by 2020. Funding will be made available from a range of sources to minimise the financial burden for landlords, and supporting guidance will be produced to enable landlords to plan effectively for implementation.

### Initial comments from CIH Scotland

The commitment to cut the excessive discounts enjoyed by tenants with the preserved right to buy is warmly welcomed by CIH Scotland. Discounts in Scotland are more than twice the size of those in England, where they were capped many years ago.

CIH Scotland welcomes the rejection of the English approach to shorter social tenancies and higher rents for tenants on higher incomes, and also welcomes further support for the housing options approach to ensure the availability of good information. CIH is also pleased to see a commitment to taking forward the housing options approach beyond preventing homelessness. If adequately resourced, this will help a wide range of people to consider their housing options at various stages in their lives.

It is good to see a promise of sensible legislation to make it easier for social landlords to diversify their activities, be tougher on succession rights and give more flexibility on the use of Short Scottish Secure Tenancies. Any consideration of wider use of Short SSTs (e.g. for all new tenancies) should look at the experience in England, where such provisions have existed for some years.

Although minimising the legal constraints on allocations polices is to be welcomed, CIH would question how much flexibility landlords can actually exercise in practice, given the increasing pressure on supply from meeting homelessness duties.

CIH is pleased to see the Scottish Government decide against a national Common Housing Register, which we believe would have been time-consuming and expensive when simpler options exist for providing applicants with cross-boundary housing information.

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<sup>8</sup> <http://www.scotland.gov.uk/Publications/2010/10/07142301/0>