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FOREWORD

Our wellbeing, as individuals and families and as a society, depends heavily on our ability to find a decent house that we can afford in a place where we want to live.

Far too many people in Scotland are unable to satisfy this basic aspiration. For some, this means being unable to become home owners. For others, it means living in houses that do not meet their needs, or in neighbourhoods that do not allow them to take advantage of opportunities in life – for work, education, leisure – that most of us take for granted. And for others again, it means failing to find any satisfactory form of settled accommodation.
This state of affairs is at odds with our vision of a country where sustainable growth offers opportunities for everyone to flourish. Indeed, it puts that growth at risk by obstructing labour mobility. It is at odds too with the commitment that we have made as a country to tackle homelessness. As Scotland’s Government, we are determined to end it by creating a housing system that meets communities’ needs for good quality, energy efficient houses that people can afford.

In this discussion document, we describe our vision of a housing system that delivers more houses: which meets higher environmental standards; offers more choice of housing that is affordable; contributes to the creation of sustainable mixed communities, and achieves better value for public expenditure.

At the heart of the document is our belief that we must and can improve the supply of all types of new housing. For some time past, we have built 25,000 houses a year – significantly less than has been required to moderate growth in house prices. By the middle of the next decade, we want to see that number increase to 35,000 houses a year.

Most of this housing will be for owner-occupation; some of it low cost home ownership that we will support. But, many people need or prefer to rent and the housing system must provide a choice of accommodation that meets their needs.

Improving supply and choice across all tenures will not be easy. It will place demands on developers, private landlords and registered social landlords. Above all, it will require local authorities, as the statutory planning authorities, to deliver the land supply necessary to support more house building. We want to encourage them to discharge this duty by co-operating at a regional level to meet the need for housing across the country as effectively as possible.

We also want to reverse years of decline that local authorities have suffered as social landlords. We believe that they have a vital role to play in working alongside registered social landlords to meet demand for social housing. To support them in the development of this role, we propose offering incentives to them to build new council houses. And we propose safeguarding all new social housing by ending the right to buy for new properties built by local authorities and registered social landlords.

Our proposals are ambitious and radical. They need to be if they are to achieve the improvements in supply, quality and choice of Scotland’s housing that we want to see. I hope that they will stimulate a debate about housing and how it should be contributing to the prosperous and sustainable future that Scotland deserves.

NICOLA STURGEON, MSP
Deputy First Minister and Cabinet Secretary for Health and Wellbeing
Our vision for the future of housing in Scotland has four elements:

- An increased supply of housing across all tenures, all of which is delivered on the basis of higher environmental and design standards.
- More choice of housing that those on lower incomes can afford.
- Housing developments that contribute to the creation of sustainable, mixed communities.
- Social housing that provides better value for public expenditure.

We propose to realise that vision by:

- Challenging Scotland’s local authorities, developers and builders to increase the rate of new housing supply in Scotland to at least 35,000 a year by the middle of the next decade; and encouraging local authorities to discharge their role in meeting that challenge by co-operating at a regional level to set and meet realistic housing supply targets through their local housing strategies.
- Launching a Scottish Sustainable Communities Initiative to encourage the development of new, sustainable communities of varying sizes that may be much expanded, or new, stand-alone settlements that are sympathetic to Scotland’s landscape and environment.
- Establishing a Low-cost Initiative for First Time Buyers (LIFT) to broaden the range of financial products and other forms of assistance available to help people achieve and sustain home ownership.
- Setting an agenda for the private rented sector that encourages the sector to flourish and play a full role in meeting housing need in urban and rural areas through the provision of good quality accommodation for private rent.
- Improving the choice available to homeless people through measures that encourage private landlords to offer accommodation suitable for those presenting as homeless.
Heralding a new, positive role for local authorities as social landlords by offering them incentives to build new council houses.

Safeguarding the future of all new social housing – whether built by local authorities or housing associations – by ending the Right to Buy for new social housing properties (except in tightly defined circumstances).

Improving the supply of new housing association houses by awarding subsidies to associations on a strategic and competitive basis.

Improving the choice and supply of affordable homes, and the contribution they can make to creating mixed communities, through the introduction of incentives to build houses for mid-market rent and of measures to enable local authorities and housing associations to adjust the mix of their stock.

Monitoring local authorities’ and housing associations’ progress in complying with the Scottish Housing Quality Standard; and being prepared to consider support for local authorities that choose to retain their stock and create Arms Length Management Organisations to achieve compliance with the Standard.

Modernising the regulation of social housing through the creation of a new regulatory function that is focussed on protecting and promoting the interests of current and future tenants, that reduces the burden of regulation and inspection on local authorities and housing associations, and that exercises its powers independently of Ministers.

These proposals are intended to secure major improvements in the supply and quality of new housing in Scotland, enabling people across the country to meet their housing needs and aspirations. Their scope and variety highlight the scale of the housing challenge facing us as a country. We will need help from the full range of housing stakeholders if we are to turn them into sound policies that will enable us to meet the challenge. We hope that home owners, tenants, those in housing need – and the bodies representing these groups – along with landlords and developers will take the opportunity to shape Scotland’s housing policy by responding to this document.

We are particularly concerned that the policies we develop in light of responses from stakeholders and the public are relevant to the needs of all sections of Scottish society. We are determined to drive forward the integration of equality into all our policies and spending plans, and to support the mainstreaming of the culture of equality into all aspects of the service planning and delivery of other organisations. We would therefore welcome comments and advice on the potential impacts for particular groups of the proposals in this document to ensure that our housing policies evolve in a way which will contribute to the creation of an open, just and inclusive Scotland.
INTRODUCTION

SCOTLAND’S HOUSING

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, as chart 1 shows, only a minority of households were owner occupiers, a far smaller share than the social rented sector. 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.

CHART 1: TENURE CHANGE WITHIN SCOTLAND’S HOUSING STOCK, 1982-2005

Source: Scottish Government, Communities Analytical Services, Housing Statistics
Our research 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.1

Our housing policies must recognise and adapt to these changes and the 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. And energy efficient, high quality housing is vital for creating sustainable places that promote health and wellbeing in Scotland and that make Scotland a more attractive place in which to work and invest. It also forms a key part of our global and local contribution on climate change.

Our first challenge, however, is to improve supply as a whole by addressing its failure to increase sufficiently in response to rising house prices. For that reason, this discussion document begins with a summary of housing market developments and an 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. These include the Scottish homelessness legislation which has been rightly applauded for its vision and ambition and a range of measures to address fuel poverty.

They also include the agenda set by the Housing (Scotland) Act 2006, the introduction of the Scottish Housing Quality Standard (SHQS) and related measures to tackle the chronic disrepair in Scotland’s housing stock. We will take forward 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. Our proposals signal a major shift in housing policy from the agenda of recent years. They 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.

While ensuring the long-term financial sustainability of the housing association movement, our proposals aim to strengthen the role of local authorities both through the strategic management of housing in their areas and through a renaissance of council-house building. And they signal a new, positive attitude to the private rented sector.

The agenda set out here is a challenging one, for government – local and national – in setting the context for change, and for house-builders, housing associations, private landlords and the many other players in the housing system. Success cannot be delivered by central government alone, but through these proposals we will lay the foundations upon which Scottish housing can grow and flourish.

An adequate supply of decent housing at prices people can afford is 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.

In June this year, we published our Scottish Housing Market Review. The review highlighted the unprecedented growth in Scottish house prices since 2002 (see chart 2). It identified possible causes of this and set out the consequences for existing and aspiring Scottish homeowners.

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In the 1970s, 1980s and 1990s, Scottish house prices were much more stable than in the rest of the UK. However, from 2002, Scottish real prices began to diverge from their historical trend and, by 2006, average Scottish house prices were 31% above the trend.

Changes in what might be termed “the geography of affordability” across Scotland are illustrated in chart 3. Whilst the increase in real price is most pronounced in Edinburgh, all parts of Scotland, including rural areas, have experienced real price growth well above earnings growth. National average house price to income ratios rose by 23% between 2002 and 2006.

Source: Scottish Government analysis of DCLG live tables 590, 592 and HM Treasury GDP deflators.
CHART 3: HOUSING AFFORDABILITY – HOUSE PRICE-TO-INCOME RATIO

House Price to Income Ratio 2002
- No Income Data
- <= 2
- 2.01 - 2.49
- 2.50 - 2.99
- 3 - 3.49
- 3.50 - 3.99
- >= 4

House Price to Income Ratio 2006
- No Income Data
- <= 2
- 2.01 - 2.49
- 2.50 - 2.99
- 3 - 3.49
- 3.50 - 3.99
- >= 4

Source: Registers of Scotland and ONS Annual Survey of Hours and Earnings (ASHE) data.
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 skew wealth towards the top of the housing ladder. Scotland would be wealthier and fairer if these market inefficiencies could be addressed.

There are no quick solutions to these problems. Measures to help first-time buyers have a role, as described in chapter 3. And we must ensure that we make best use of the existing stock, including through measures to bring empty properties back into use as described in chapter 4.

Over the long term, however, increasing the capacity of the housing market to supply more houses across all tenures, particularly in market hot spots, is the most effective way to sustain improved affordability. Yet increases in house-building cannot be achieved by government alone. The wider financial climate and local market conditions can have a significant impact on the ability or willingness of developers to commit to building in a particular area.

However, a housing system that is more responsive to demand would dampen house price inflation and reduce housing market volatility, so improving affordability and overall financial and economic stability.

The planning system has struggled to respond to demand, failing to enable an acceleration in housing supply. 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 the local level, not least to ensure that actions within housing strategies contribute to meeting the health and social care needs of an ageing population.

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As a Government we will set a national political context which is strongly supportive of house building. As part of this we propose to set a national aspirational goal for a significant expansion in housing supply.

Increased housing supply must be delivered on the basis of higher environmental and design standards that create sustainable homes in places where people wish to live and work. While new house building which promotes sustainable communities will usually be within and around existing settlements, Scotland’s pressing housing supply needs are such that it is also time to encourage much expanded or new, stand-alone settlements in the right locations.

Since action will be needed at all levels of government to deliver these aspirations, we will establish a new relationship with local government and other partners. We will also look to local authorities to work closely with their neighbouring authorities and their partners to establish regional targets for housing supply and to develop the local and regional housing strategy, planning and delivery framework.

**BOOSTING HOUSING SUPPLY**

Chart 4 shows that the house-building rate in Scotland has been relatively steady at around 25,000 a year for the whole of this decade, with no significant response to increased demand. House prices were 72% higher in 2006 than in 2002, but the level of new build increased by only 2% over the same period.

We believe that the rate of new house-building can, and must, increase if Scotland’s housing needs are to be met. We are already taking action to improve the responsiveness of housing supply to house price growth. This includes action to unblock developments in the pipeline through the Housing Supply Task Force and other initiatives described in this chapter.
Step change improvements will take longer to achieve. In the *Scottish Housing Market Review* we presented our initial analysis demonstrating the improvements in affordability in the medium term that could be generated by increasing the supply of new housing. We are now commissioning an economic model of the housing market that will allow us to strengthen our forecasts of future affordability.

On the basis of our current analysis, we believe that increasing the rate of new supply to at least 35,000 per year by the middle of the next decade is both achievable and necessary if we are to reverse declining affordability. At 10,000 more houses per year, that would raise house-building in Scotland to levels not seen since the mid 1970s and put the per-capita rate of building far ahead of that for which the UK Government is aiming in England.

What is most critical, of course, is not just the stated ambition at national level, but that enough houses are built of the right type and in the right places. Therefore we will support local authorities to co-operate regionally in the setting of realistic housing targets through their local housing strategies.

We also recognise the need to avoid unmanaged, unplanned growth and to avoid the creation of housing estates which do not contribute to meeting our aim of sustainable mixed communities. We will expect plans for urban expansion in development plans to form part of long-term settlement strategies rather than approaching housing land release on a field by field basis. Proposals for the release of land currently designated as green belt can be considered as part of that wider approach, the aim of which is to provide clarity and certainty about the long term direction and scale of growth. Confidence in green belts can only be sustained against the background of a long-term settlement strategy.

The location of new housing development is critical, as is layout and design. We do not intend to repeat the mistakes of the past with large, single-tenure housing estates, poorly connected to jobs and services or dependent on the private car for those connections and designed in a way that does not foster a sense of identity or community.

Good design is about more than just architecture and the aesthetics of individual buildings. Some of our finest conservation areas are not necessarily defined by great individual buildings but by the spaces they enclose. The recent report by The Prince’s Foundation provides a clear indication of the characteristics to which we should aspire to

![Chart 4: New house building in Scotland since 1965](source: Scottish Government, Communities Analytical Services, Housing Statistics)
in order to create sustainable places. These include the integration rather than separation of land use to provide opportunities for a range of work and lifestyle choices; mixed tenure and house types; and walkable neighbourhoods with well integrated and well managed open space.

The starting point for this approach is an understanding of context and place. We want to see the conservation areas of tomorrow, places of enduring quality which should reflect local traditions in their design and layout while embracing the challenges of higher energy efficiency. We believe that investing in quality will bring long term social, economic and environmental benefits – in short, sustainable and successful settlements.

QUESTIONS

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?

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?

HIGHER ENVIRONMENTAL STANDARDS

Our proposals for a significant expansion of housing supply will, of course, be subject to a comprehensive strategic environmental assessment. It is vital they are delivered on the basis of much higher environmental and design standards than we have seen in the past. We will be building the housing and communities of the future – and we owe it to future generations to make sure these are sustainable.

The Prince’s Foundation highlights the impact that the urban fabric and layout of places can have on environmental, social and economic sustainability – the three elements of what is termed ‘sustainable urbanism’. That research has suggested that ‘sustainable urbanism’ can enhance development value and may even potentially enhance land value.

Scotland already leads the UK in the energy and accessibility standards set by building regulations and in the planning policy that asks for low and zero carbon equipment in new developments. It is also evident from chart 5 that carbon emissions from the Scottish housing stock are reducing. We need to go further to meet the challenge of climate change. Housing must play a major role in achieving our ambitious targets for reducing carbon dioxide emissions, given that housing is a significant user of energy and producer of emissions.

The Minister for Transport, Infrastructure and Climate Change has appointed energy specialists, designers, developers and others to form an Expert Panel to advise Ministers on a Low Carbon Building Standards Strategy for Scotland. One aim of that strategy is to move construction of new buildings, including housing, towards the rigorous energy performance levels imposed in Scandinavia, thereby allowing householders to reduce their energy use and carbon dioxide emissions, as well as their fuel bills.

Another objective is to provide a route map to the goal of zero-carbon buildings. Such a route map will show the future direction and stages for progressive enhancements to the energy standards in Scottish building regulations. This will offer the house building industry a degree of certainty that can support effective business and investment planning as progress is made towards zero-carbon homes.

Other new measures and incentives will contribute to increase the focus of housing funders, providers and consumers on the energy efficiency of new housing. From 2008, Energy Performance Certificates, which will provide...
important information on the carbon and energy emission characteristics of every new home on the market, will be provided to all homebuyers.

Our planning policies will help to create sustainable communities by promoting more environmentally sustainable transport, recycling previously developed land, better siting and design of new buildings, and by the continued development of renewable energy.

In order to deliver low or zero carbon homes, it will be necessary to increase the provision of micro-generation, alongside much better energy efficiency standards. Following consultation, our planning policies now require that all developments on larger sites incorporate zero and low-carbon equipment, contributing to carbon dioxide emission reductions over and above those achieved through building regulations.

HOMES FOR LIFE

While action to tackle climate change is key, sustainability also requires homes that can accommodate the needs of an ageing and diverse population. The new Scottish building regulations include requirements that will make homes more accessible and cheaper to adapt in the future.

STRENGTHENING THE HOUSING AND PLANNING DELIVERY FRAMEWORK

For the longer term, high quality strategic planning for housing is crucial at all levels – national, regional and local. We will take action to further the integration of land-use planning and housing strategy through a strengthened national policy framework, including:

> new guidance for local authorities on the strategic assessment of housing need and markets to inform both Local Housing Strategies (LHS) and development plans;
> further guidance setting out how local authorities should play a greater strategic role in shaping the housing system in their areas through their LHS in a way that is consistent with the move to a single outcome agreement between national and local government;
> the National Planning Framework, to be put in place next year, which will set the national spatial perspective for housing in the future;
> the revision by 2008 of Scottish Planning Policy 3 (SPP3) which will strengthen national planning policy for housing to ensure the provision of sufficient land for housing and to support the creation of quality residential environments; and
the outcome of a current review of planning agreements and their operation in facilitating housing development.

It is clear that if we are to make a step change in housing supply, it must be based on effective strategic planning. This means that housing and planning policies will need to be grounded in a robust and credible understanding of housing markets. They must also be effectively linked to the delivery of housing through planning of land supply, practical land assembly and investment.

The introduction of LHS following the Housing (Scotland) Act 2001, has been a lever for economic and social change, with an important shift of focus onto the working of housing markets. Moving forward, it will be important to ensure that the quantification in the LHS of overall housing requirements and, within that, of affordable housing need, is reflected both in land-use development plans and in the planning of affordable housing investment. The introduction this year of Strategic Housing Investment Plans, as part of the LHS, will sharpen the focus in this regard.

It is important to develop this approach still further. When people look for housing, particularly in the private sector, they do not all confine their searches to the immediate locality. House prices and rents may be more affordable in a neighbouring area.

For social housing, recent research suggests that cross-boundary Choice-Based Letting schemes in England have successfully increased the opportunities for, and the incidence of, moves across traditional administrative boundaries. Except in some large rural local authority areas, the assessment of housing need – and the means of meeting it – should therefore take account of wider housing market areas and not just of the position within a particular local authority boundary.

The key element in this approach will still be the LHS, but a much stronger emphasis needs to be placed on collaboration across local authority boundaries to produce robust and credible housing need and market assessments. We will issue new guidance to local authorities to assist them to undertake such assessments in order to build a stronger and more strategic evidence base.

Working at this strategic level should enable local government to take a broader view of the options for meeting housing need and to specify requirements for the mix of affordable housing – including social housing, housing for mid-market rent and low cost home ownership – that is needed to create sustainable communities and support economic growth.

In some cases, development of a strategic approach to housing will necessitate working corporately within a single local authority and with partners to develop a robust understanding of need in an area and to identify a strategic approach to addressing housing supply and need. In most cases, however, it will mean working in partnership with two or more local authorities to devise a strategic solution to need across a wider area. This builds on current thinking and best practice in Scotland.

We will consider the need for expert support for local authorities in strategic planning for housing. This could take the form of a specialist national function to bring a long-term perspective on the operation of regional housing markets in Scotland, to influence both market and non-market sectors through the provision of strategic information on trends and requirements, and to provide advice to support local government in the drive to improve the functioning of housing markets.

**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?

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7 O’Sullivan, T. et al, Local Housing System Analysis Good Practice Guide, Communities Scotland, 2004, defined housing market areas as ‘the geographical area within which most people both live and work and where most people moving home [without changing job] will have sought a house’.

8 Newhaven Research, Local Housing Strategies: Two Steps Forward?, Chartered Institute of Housing in Scotland, 2005, found that there was a developing consensus about the need for cross-boundary liaison and co-operation between local authorities.
ACCELERATING LAND SUPPLY

Scottish Planning Policy 3: Planning for Housing [SPP3] is under review with the aim of facilitating new land supply for development and making best use of existing allocations, especially in areas facing housing pressures. The review will consider ways in which the link between the assessment of housing demand and need and the planning and management processes can be strengthened and broadened.

There is a need for a more consistent approach to assessments of housing requirements based on a clear process and an improved methodology. The new guidance on undertaking strategic housing market assessments should help local government develop this consistency. There is also currently insufficient integration between local housing strategies and development plans. The review will seek to address this, as well as links with the community planning process.

The review will also provide greater clarity about the link between identified housing requirements and the release of land to meet them. In areas where there are particular pressures on housing supply, there is a need to encourage the quicker release of land for housing and the more effective use of existing housing land allocations. Importantly, the review will consider how a presumption could be introduced that will enable planning permission to be granted for developments in advance of land being designated in a development plan in circumstances where a demonstrable shortfall of housing exists.

UNBLOCKING DEVELOPMENTS IN THE PIPELINE

We have established the Housing Supply Task Force with the specific purpose of tackling the impediments that are hampering the supply of all types of housing, including both market and affordable housing, in the short term as well as considering measures for the longer term. It is chaired by the Minister for Communities and Sport and is intended to drive change and innovation in housing delivery, to ensure coherence in planning and housing policy measures, and to support accelerated land supply balanced by improved design and environmental protection.

The Task Force has begun its work and will examine what is preventing the building of more homes in a number of areas across Scotland. In addition, it will examine a number of themes – including surplus public sector land, community engagement and infrastructure constraints – to ensure that action is taken where this can remove blockages that are preventing more homes being built where they are needed.

ENHANCING THE GOVERNMENT’S STRATEGIC CAPACITY

We have announced to Parliament our plans to follow through on our commitment to abolish Communities Scotland. We intend to bring directly into central Government many of the Agency’s functions where they will be directly accountable to Ministers. This will enhance our strategic capacity to drive through many of the housing reforms outlined in this paper.

We will ensure that through the integration of these functions into Government, we add value to the support we are providing to the housing sector. But we are clear that success in implementing the improvements to the housing system set out in this paper will require effective joint working with, and respect for, the roles of other key partners, whether local authorities, the social housing sector, developers or lenders. Abolishing Communities Scotland will provide those partners with a single Governmental player that is committed to maintaining and developing close partnership working.

We have also confirmed to Parliament that following the abolition of Communities Scotland we will maintain a separate housing regulatory function. Our proposals for modernising the regulatory function are outlined at chapter 7.

We are planning to implement these changes to Communities Scotland by Spring 2008.
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?

HOUSING IN RURAL SCOTLAND

One issue which has already been identified by the Task Force as an early priority for consideration is the importance to the strength of our rural economy of appropriate, affordable housing and the particular housing difficulties facing many of our rural communities.

Rural Scotland has not been immune from the increased house prices seen elsewhere in Scotland. In remote areas, these price increases can have a magnified effect due to sparse supply in those locations. Lack of housing that is affordable may prevent local people from staying in their home communities and reduce the ability of local business to attract new employees. This can and does affect the growth, development and cohesion of rural communities.

As well as examining the hurdles that are preventing housing developments in rural Scotland through the Task Force process, we also want to engage further with those responsible for the delivery of housing in rural areas; whether they are in the public or private sector. We feel that more can and needs to be done to assist delivery, to encourage innovation and to address the obstacles that currently exist. There are lessons to be learned from the good practice that is being promoted elsewhere; not least by the Prince of Wales’s Affordable Rural Housing Initiative which is active in its pursuit of balanced, sustainable rural communities.9 Over the last three years, the Prince’s Foundation Initiative has identified many illustrative examples where the private sector has played an important role in the delivery of affordable rural housing, and it has used these examples to raise awareness and motivate others to get involved in similar ways.

NEW SETTLEMENTS

For sustainability and economic reasons, new house-building should be within and around existing towns, cities and villages wherever possible, making best use of brownfield sites and existing infrastructure and thus minimising the need for commuting. But Scotland’s housing supply needs are such that expanded or new, stand-alone settlements may well be a part of the solution in some areas.

Where new settlements are part of the solution, they provide an opportunity to effect a step change in the quality and environmental standards of new communities, both within and outwith existing settlements. Housing can be developed for a range of tenures with decentralised heat and power and high energy efficiency standards and located so as to make optimum use of public transport and provide opportunities for walking and cycling. Design and build should reflect the best architectural and design traditions of Scottish towns and villages.

We invite views on the role of a Scottish Sustainable Communities Initiative to encourage local authorities and their partners to bring forward proposals for such communities in their responses to the consultative draft of the National Planning Framework. Proposals should serve as exemplars of 21st-century low-impact development and reflect the principles set out in our policy statement, Designing Places.10 The criteria we will use in selecting the successful proposals include:

> their contribution to meeting regional housing and economic needs;
> high environmental and design standards;
> commitment to building a sense of community and environmental wellbeing;
> provision for walking and cycling and effective use of public transport and information technology infrastructure;
> innovative use of renewable and clean energy technologies; and
> effective reuse of brownfield land.

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Further details will be set out in a document accompanying the consultative draft of the National Planning Framework.

**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?

**PUBLIC SECTOR LAND**

The Housing Supply Task Force has identified surplus public sector land as another priority for early examination to assess whether this potential resource is being used as effectively for housing development as it could be. We have initiated a review of the Scottish Government’s estate which will examine the potential there. The next stage will be to examine the scope for further releases of surplus land held by local government and other public agencies.

Local government has a key role to play in this context. We will work with local authorities to secure solutions that are in the interest of both local communities and national needs. The Disposal of Land by Local Authorities Regulations that we have been consulting upon revise the consent regime that applies to the disposal of land at less than market value. This will allow councils to make such disposals where these will contribute to the wellbeing of the area, or will offer significant community benefits.

Alongside the role for local authorities, we believe that there could be a role for central government in the acquisition and assembly of land for development, as a pro-active response to the problems of housing supply – for example to support delivery of new development under the Scottish Sustainable Communities Initiative.

The purpose of such a role would be to deliver developments with a more balanced mix of housing in pressured markets, through master-planning, control of the pace of development on sites, cross-subsidy of affordable homes from private housing, and better use of available surplus public sector land. We see the development of such a national land role as one of the tools in a range of approaches designed to produce more houses, more quickly.
First-time buyers have suffered more than average from recent house price increases. Historically, prices at the bottom of the housing market have not moved in line with the overall housing market but, in the recent house price boom, lower quartile house prices have risen sharply across Scotland pricing many aspiring owners out of the market.11

As chart 6 shows, nearly 50,000 first-time buyers entered the Scottish market in 2002, accounting for almost 40% of all new mortgages issued. But this number fell dramatically as house prices rose, with new entrants falling to 32,000 in 2004, and the market share falling to 28%. First-time buyer activity is only now beginning to recover, albeit increasingly characterised by higher-income households.

In response to higher house prices, first-time buyers now have to stretch themselves further. According to the Council of Mortgage Lenders (CML), 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.

The size of deposit required is often an even bigger hurdle. As chart 7 shows, first-time buyer deposit size as a proportion of household income has risen from 12% in 2000 to 35% in 2006 (an average of £2,500 to £9,000).12 Recent market turbulence is likely to restrict mortgage lenders’ willingness to lend without substantial deposits. All these changes have affected the profile of the ‘typical’ Scottish first-time buyer. Many people who would traditionally have bought a home have found themselves priced out of the market. The average income supporting house purchase rose from £19,491 in 2000 to £29,808 in 2006.

The CML reports that buyers are depending for their deposits much more on financial assistance from parents and grandparents. Recent survey evidence suggests that over half of UK first-time buyers would ask their parents for help with financing a deposit, and that parents who provide assistance are giving an average of £17,677.13 There is growing evidence that increasing house prices are exacerbating wealth inequalities and spatial disparities.14

First-time buyer households are of many different compositions. More individuals, as well as families, are aspiring to home ownership. Our research on aspirations found that 86% said they would ideally prefer to own, and that affordability was a key constraint.15

While the difficulties faced by first-time buyers arise in both urban and rural areas, affordability varies widely across the country with local labour and housing markets exhibiting first-timer buyer trends which are distinct from the national averages. Recent local authority level data shows that smaller properties are particularly expensive relative to lower quartile incomes in the Lothians and Highland.

We are committed to helping households to meet their home ownership aspirations. The action that we are taking on housing supply will help many in the medium to long term. It is right that we provide more immediate help for first-time buyers on modest incomes who have been priced out of local markets and for those currently renting from a local authority or housing association, or on housing waiting lists, who wish to pursue home ownership.

DIRECT SUPPORT FOR HOME OWNERSHIP

To tackle this issue, we have already announced our intention to provide additional support for first-time buyers through implementing our manifesto commitment to create a Scottish Housing Support Fund. We plan to build on this by establishing 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. We will work with housing providers and private sector investors and lenders to develop the initiative to include grant, shared equity and mortgage related products and services.

The new approach we will take through LIFT involves:

- work to establish the Housing Support Fund, as a key means of financing the expansion of LIFT, particularly through levering in private finance to expand shared equity provision for first-time buyers, and other means of providing support to first-time buyers which would be attractive to private sector investors;

- work with mortgage lenders and investors – as part of the Government’s engagement with the market on the Housing Support Fund – to create innovative and viable financial products to help deliver affordable home ownership. This will include assessment of:
  - ways to lower ownership access and mortgage costs for first time buyers;
  - our proposal to make a £2000 grant available to first-time buyers; and
  - the potential of the emerging market in “green mortgages” (where lenders offer, for example, a discount on their standard variable rate if the home is energy efficient).

Through this discussion document, we are seeking views to inform both the development of LIFT and the identification of further realistic ideas and opportunities for Government and private lenders and investors to create more innovative products and services to assist people in purchasing their first home.

Currently, the majority of Government-subsidised homes for low-cost ownership is delivered through the provision of housing on a shared equity basis. This enables people to purchase a shared equity home in partnership with a Registered Social Landlord, using a government grant which is recycled when the house is sold or the owner increases their stake in their home.
The scheme comprises both “new supply” shared equity, which adds to the overall supply of housing stock, and an “open market” version which helps people to buy existing properties on the open market. The new supply scheme is the dominant form and is currently available across Scotland in both urban and rural areas. The open market version is currently being piloted in the Lothian region. There are positive indications that the private sector is particularly interested in the potential of shared equity as a specific vehicle around which to structure private investment into the Housing Support Fund.

As part of LIFT, we will take forward the testing of open market shared equity in a further six local authority areas which are facing particular pressures [Aberdeen, Aberdeenshire, Moray, Highland, Stirling and Perth and Kinross]. This will test further the demand for the scheme and the practicalities of its operation in different areas and will inform the Government’s discussions with private investors over new private funding. We will target the expanded pilot more efficiently than was the case previously and promote it more actively to those in the social rented sector and on lower incomes.

Uptake of the scheme by those in the social rented sector with home ownership aspirations will provide the added benefit of freeing up social rented homes for those on waiting lists. We will also look closely at the pilot’s application in rural areas, and especially at its operation alongside the Rural Home Ownership Grant, a grant mechanism that assists individuals in rural and remote areas to procure their own home. Testing the pilot in areas like the Highlands and Aberdeenshire will give us a better insight into the most appropriate ways of helping first-time buyers in rural and remote communities in future.

QUESTIONS

6. How should different types of assistance within LIFT be targeted?
7. How could the Government stimulate more innovative mortgage and related products and services to assist people in purchasing their first home?
8. Should the Government provide direct cash grants to first-time buyers?

THE SINGLE SURVEY

The introduction of the Single Survey to the house buying and selling process in late 2008 will further support our ambitions to help households meet their home ownership aspirations. The Single Survey will mean that sellers of houses will have a duty to provide a detailed survey of the property to buyers on request. It will provide house buyers with more information about the condition of the property, together with an energy report, information on accessibility aspects of the property and a valuation. The survey will save buyers money as well. It will be provided by the seller, so buyers will not run the risk of repeated expenditure of hundreds of pounds on surveys or valuation reports on properties where their offer is unsuccessful. This change in approach will be of particular benefit to first-time buyers, who typically will save at least £200-£300 on the cost of buying their first home.
EXPANDING THE RANGE OF AFFORDABLE HOUSING TO BUY

Current Planning Advice makes clear that “affordable housing” can take a number of forms, not just publicly subsidised housing for social rent and various types of low-cost home ownership. This recognises that there is a place for unsubsidised affordable housing, usually in the form of entry level housing for sale, where it can be clearly demonstrated that these homes will meet the needs of, and be affordable to, groups of households identified through a housing needs assessment.

Experience suggests that this particular category is infrequently factored into the planning of developments and there is scope for local authorities to give much greater consideration to this option in their negotiations over affordable housing contributions. The key, however, is the provision of homes that are genuinely affordable. Many homes that are described as “entry level housing” or “starter homes” are priced outwith the realistic purchasing power of most first-time buyers. There is clearly a healthy pool of potential purchasers in this segment of the market and we invite local authorities and the house-building industry to consider how more can be done to meet the aspirations of people who find themselves in this position.

QUESTION

9. How can the private house-building sector play a bigger role in providing, without public subsidy, increased provision of affordable starter homes?
The private rented sector already plays a vital role within the housing market. We want to ensure that we set the right agenda to allow the sector to flourish and to play an even greater role in meeting local housing need, providing good quality accommodation in urban and rural communities.

As chart 8 shows, private renting plays a fuller role in the overall housing market in many other European states. Although the sector in Scotland has reduced in size over much of the last century, currently housing about 8% of Scottish households, it does make an important contribution to meeting housing need.

The flexibility of the sector is particularly important and means that it remains an attractive option for some, particularly younger people. As chart 9 illustrates, young professionals form the highest proportion of private renters – 16-34 year olds account for almost 55% of the sector – suggesting that the choice, location and flexibility offered by the sector remain important factors in deciding where to live for this group.

The sector also provides easy access housing for young and mobile people, including students and migrant workers, as well as accommodation linked to employment. In rural areas in particular, the sector may also be a traditional long-term housing option.
We want to ensure that in Scotland the private rented sector is contributing fully to meeting housing need. The changing demographics of the housing market mean that the sector needs to be sufficiently flexible to cater for changing demand from different types of tenants.\(^\text{16}\) Our vision is of a modern, vibrant private rented sector, able to meet local housing need through the provision of good quality accommodation.

The Scottish Parliament has passed several pieces of legislation in recent years – National Landlord Registration Scheme, Repairing Standard, Right to Adapt for disabled tenants and new provisions for the licensing of Houses in Multiple Occupation – aimed at increasing standards and improving the reputation of the private rented sector as a good option for tenants.

We do not intend to undo the work of the previous two Parliaments, but we do want to make sure that we strike the right balance whereby our policies both safeguard the interests of tenants and recognise the potential of the sector, setting the right conditions to enable the private rented sector to contribute more fully to meeting local housing need.

Part of this is about ensuring that recent improvements in the sector continue. We want to ensure that tenants benefit from increased standards in both the physical condition and management of accommodation in the sector. This is particularly true for those tenants who may be more vulnerable to exploitation – tenants on benefits, particularly lone parents in receipt of benefits who are disproportionately represented in the Private Rented Sector, and migrant workers.\(^\text{17}\)

We know that the great majority of landlords already operate to good standards and we want to work closely with the sector to continue to encourage a more professional approach and improve the sector’s reputation. That is why we recently announced that we will be encouraging landlords to follow best practice by providing start-up funding for a National Voluntary Landlord Accreditation Scheme, which we expect to launch in 2008.\(^\text{18}\)

This scheme will make sure that those who work hard to look after their properties and their tenants can promote themselves as good landlords. The scheme will be developed working in partnership with landlords’ and letting agents’ associations, as well as local authorities, to ensure that the scheme is industry-led and attracts as many landlords as possible.

We also want to enable the sector to play a much greater role in meeting local housing need and this means that we need to know much more about the sector. Landlord registration will give us some information but we want to foster much closer working between local authorities and the sector.

We need to understand local private rented markets better and how they can relieve wider housing pressures and we need to do more to include the private rented sector as a delivery partner in our approach to housing at a national and local level. We want to work with landlords and letting agents and with local authorities to ensure that, where we can, we set the right conditions to enable this to happen.

**INCREASING CHOICE FOR HOMELESS PEOPLE**

A more professional sector, coupled with increasing demand for private rented accommodation from a range of different types of tenants, should serve to encourage further growth in the sector over the next few years. The sector is particularly responsive to demand and the relatively high turnover in accommodation (compared to owner-occupation or social renting) provides a steady supply of properties. In some cases these may be properties that were previously empty and have been brought back into use by a private landlord. We need to do more to utilise this flexibility in the sector to help deliver local housing solutions.

Since devolution, local authorities have worked much more closely with private landlords. As part of their functions under the Housing (Scotland) Act 2001, local authorities are now engaging with the sector and taking a more strategic view of the private rented sector’s role in meeting housing need locally. We want to see this strategic planning more comprehensively developed across Scotland, particularly through Local Housing Strategies.

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. The private rented sector has much to offer its tenants in terms of flexibility, choice of location and, in most cases, good quality housing and we want to see more homeless households being offered the benefits of private rented accommodation, where that is appropriate.

\(^{17}\) Scottish Household Survey data, 2003-2006.

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.

Satisfaction levels with the private rented sector are particularly high among younger people, with 84% of 16-24 year olds and 96% of 25-34 year olds stating that they are very satisfied or satisfied with their private rented accommodation. This suggests that mobility, choice and location are seen as important factors in choosing a private rented home.

We also know that younger people, particularly younger men, predominate in homeless presentations and finding solutions for these households is likely to be an increasing priority for local authorities as they work towards the 2012 homelessness target and are required to treat all homeless households equally. It is important that homeless households are offered housing solutions that are appropriate and suitable to their needs and the private rented sector has a role to play in this, particularly for younger people.

In addition, changing demographics and the growth in single person households means that we need a different profile of housing stock to meet housing needs more broadly. The private rented sector is also well placed to provide this, with properties covering a range of sizes and types.

Greater use of the private rented sector to re-house homeless households would also help to remove pressure from social housing stock, which will allow social landlords to meet a wider range of housing need. We will consult shortly on amending the existing Homeless Person Interim Accommodation (Scotland) Regulations 2002 to allow local authorities more flexibility in discharging their homelessness duties, with a view to enabling wider use of the private rented sector where this will meet the needs of homeless households.

While there have been concerns with this approach in the past, primarily related to security of tenure and the poor reputation of a few landlords letting to tenants on benefits, we believe that the recent and ongoing improvement in the sector means that it now offers good options for many homeless people.

We want to encourage responsible landlords 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.

Overcoming the concerns many private landlords have traditionally held about letting to tenants on housing benefit will also need to be considered as part of this approach. Local authorities have a key role to play in building effective relationships with landlords to better understand the local rented market.

Most local authorities have now developed close links with the sector, for example through Landlord Forums. This has had a significant impact, not just because local authorities now have a much greater awareness of the number and type of private rented properties in their area, but also because local authorities can now work with private landlords to help ensure they are providing the right types of housing to meet local demand, whether this comes from students, migrant workers, young professionals, people presenting as homeless or others. Building this trust and working in partnership with the sector should help to encourage private landlords to consider housing people nominated by the authority.

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A number of authorities are going even further and pushing ahead with innovative approaches to working in partnership with landlords and letting agents. For example, the City of Edinburgh Council's Letwise service provides free training events and a magazine for landlords, as well as organising an "Edinburgh Landlord Day" to give landlords the opportunity to learn more about the practical and legal aspects of managing property and tenancies.\(^{21}\)

We believe this is the starting point for finding a successful way ahead and would encourage all local authorities to start considering what approaches are both suitable and feasible for their areas.

**QUESTION**

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

**REVIEW OF THE PRIVATE RENTED SECTOR**

We plan to carry out a review of the private rented sector. The main objective of the review will be to ensure that the private rented sector can deliver the right types of housing in the right places to help meet housing need and reduce the pressure on the social rented sector. To support the consultation on amending the Interim Accommodation Regulations, the review will look in particular at the role of the sector in housing low-income families and individuals on benefits, including those presenting as homeless.

We want to listen to landlords to understand better the concerns they may have about letting to tenants on benefits and work towards solutions to address these. The review will also consider, in this context, how to ensure sufficient security of tenure for homeless people to avoid the possibility of repeat homelessness.

More generally, and following a number of legislative and other changes in the sector since devolution, now is a good time to take stock of the impact of these changes. We have said that we want to ensure that we have the right balance of policies and legislative protection to allow the sector to flourish and play a full role in Scotland's housing market, by providing sufficient safeguards for tenants whilst, at the same time, avoiding excessive regulation which could put people off remaining as private landlords.

We have also said we need to understand much more about the sector. Therefore our review will include a comprehensive study of the sector. We want to hear from landlords and tenants about their experiences, concerns and aspirations for the sector and will be exploring these issues through tenants and landlords surveys. These surveys will examine the views and needs of a diverse range of tenants to understand whether different issues impact upon different groups of people, including migrant workers, tenants on benefits, students, single parents and long term renters, particularly in rural communities.

We will also look at the economics of the sector, including institutional investment, to consider the size and types of landlords currently renting property and their motivations for doing so. While many factors, such as interest rates and house prices, influence private landlords’ decisions on whether to purchase or renovate properties for rent, we want to find out more about the impact of a variety of factors on landlords’ decisions to rent property to particular types of tenant. We will use this evidence base to inform our future thinking about the sector.

We also want to look at ways of increasing engagement between local authorities and the sector to understand better local private rented markets and availability of property to let, build links with landlords and facilitate the provision of advice and support. We want to see much more strategic engagement with landlords in order to enable the sector to contribute more fully to meeting housing need.

\(^{21}\) http://www.edinburgh.gov.uk/internet/housing/private_tenants_and_home_owners/CEC_letwise
QUESTIONS

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?

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?

MEETING HOUSING NEED

The following sets out some broad areas we will be considering further.

Private Sector Leasing Schemes

There are a number of different types of Private Sector Leasing schemes in operation in Scotland and in England. These schemes generally encourage landlords to make their properties available to local authorities for a certain number of years by offering guaranteed rental income and putting in place either a managing agent or local authority staff to take responsibility for dealing with the management of the tenancy and resolving any problems.

The largest such scheme in Scotland is the Edinburgh Private Sector Leasing Scheme, run by Orchard and Shipman, which aims to provide 1500 properties across the city for homeless households.22

Private sector leasing schemes can play a part in allowing local authorities more flexibility in responding to the needs of homeless households. However, there are some issues relating to the sustainability of the accommodation which we would want to explore further, particularly to ensure that the schemes do not act as a barrier to employment.

QUESTION

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

Encouraging landlords to rent to tenants on housing benefit

There may also be potential in some areas for greater use of existing initiatives like Rent Deposit Guarantee Schemes (RDGS) to help low-income tenants to access the private rented sector.23

Under these schemes, the local authority, or the organisation contracted to run the scheme, essentially acts as guarantor for tenants who cannot afford to pay a deposit to a landlord. The scheme generally works closely with the landlord to ensure that the landlord follows good practice in managing the property and the tenancy and can help to resolve any disputes which arise between the tenant and the landlord during or at the end of the tenancy.

For young people, the Flatmates scheme run by Edinburgh Cyrenians in West Lothian helps those under 25 who face single room rent restrictions by creating and supporting sustainable flat share between single individuals who would not normally have been able to access suitable properties in the private rented sector.24

The Cyrenians scheme builds on the RDGS model, offering an intensive assessment, reference gathering and matching phase prior to tenancy commencement, followed by a tailored package of support available when the tenancy commences.

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Other issues which we will wish to discuss with stakeholders to consider their viability, include considering an accreditation scheme for tenants, which would give landlords more confidence in agreeing to rent property to tenants on benefits by showing that they understood their responsibilities and were reliable.

This may be particularly relevant as many landlords are concerned about the UK Government’s plans for housing benefit to be paid directly to most tenants in the private rented sector when Local Housing Allowance (LHA) is introduced across the UK from April 2008. However, more work will need to be done on any accreditation proposals to ensure that this approach would be sufficient to encourage large numbers of landlords to consider letting to tenants on housing benefit.

**Question**

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

**Bringing empty properties in disrepair back into use**

Making best use of the existing housing stock, including empty stock, is an essential element of sustainable development. Available statistics give us an indication of the total number of empty dwellings in Scotland, across the social and private housing sectors. However, there can be a variety of reasons why a property may be empty, including whether the property is used as a second home, whether the property is derelict, awaiting demolition, awaiting conversion or improvement or whether the property is for sale or rent. We need to develop our analysis to understand better how we identify empty properties which may be appropriate for reuse.

We will explore opportunities to promote greater use of schemes which offer incentives to bring empty properties in disrepair back into use. These include use of Rural Empty Properties Grants, under which Government provides funding to contribute to the costs of renovating rural properties on condition that the property is rented out at affordable rents to local people who are employed, or have an offer of employment in the area. We want to examine the scheme’s effectiveness in helping meet wider housing need and to see whether there is scope to streamline grant appraisal procedures.

Similarly, a scheme along the lines of the existing RSL Lead Tenancy scheme could also offer potential for bringing empty properties into use in some areas where there is a lack of social rented properties. The aim of the scheme would be to provide grants to contribute to the costs of the refurbishment of empty properties which are privately owned, but would then be leased to an RSL to accommodate homeless households.

We also want to examine how we can help local authorities enhance their strategic thinking and planning in relation to assessing the number of empty properties in their area and whether more action is required to address the issue of empty properties at a local level. Revised LHS guidance is due to be issued to assist local authorities with the production of their next LHS due in 2009 and will include specific advice about empty homes.

We are keen to hear about other proposals for joint working between landlords and the public sector to bring empty properties back into use. The Newcastle Private Renting Project provides advice and support to landlords in areas with high numbers of empty homes in order to persuade them to renovate and rent out their properties. Highland Council advertises a leasing scheme whereby private landlords can lease empty properties to the Council. The Council also buys empty properties from other public sector bodies. These properties are then made available to local people at affordable rents.

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Argyll and Bute Council is examining ways in which second homes and other empty properties in a state of disrepair can be brought back into use as housing for rent. The Cairngorms National Park Authority has teamed up with the Scottish Rural Property and Business Association to promote wider use of Rural Empty Property Grants in the area. These are some examples and we are interested in finding out what other schemes or incentives might help us to recycle empty properties more effectively.

**QUESTION**

15. What other schemes or incentives might help us to recycle empty properties more effectively?
Does social housing have a future? We believe that it does. For many it is the only means of making a good quality home a reality; for others it will play a vital role at particular times in their lives, whether providing a first home before moving on to owner occupation, or providing a safety net at a time of personal crisis.

Our investment in social housing is one of the most significant aspects of housing policy. It will continue to be very important and it will command the great majority of the resources that we devote to housing. But it must change.

Alongside these changes, Parliament has decided that leaving many people homeless is no longer something that we are prepared to accept.

The result of these changes has been a growing tendency for tenants in social housing to be more vulnerable and less representative of society as a whole than has been the case in the past.28

At the same time, some social landlords have found it difficult to deliver the standards of service that their tenants might reasonably hope to receive. Underlying these developments, the costs incurred by social landlords in building new homes and managing their existing ones have risen inexorably above inflation in recent years.29

Taken together, these things suggest that if Scotland wants to make sure that affordable housing for social rent is available in sufficient quantities to meet demand, and at a sufficient quality to provide individuals with good quality homes in attractive and sustainable mixed communities, then we need to think hard about

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the desirability of simply allowing the trend towards a more marginalised tenant base to continue.

In this chapter, we set out some of the main dimensions of the challenges that we must tackle if we are to re-invigorate social housing. In chapter 6 we set out our proposals for stimulating innovation and choice in social housing, and the way in which we hope to forge a new kind of partnership with social landlords – both local authorities and housing associations.

**LONG-TERM CHANGES IN THE NATURE OF DEMAND FOR SOCIAL HOUSING**

As owner occupation has grown in popularity, social housing as a whole has declined as a proportion of the total housing stock – from over 50% in 1981 to its current level of around 25%.\(^{30}\) In fact, as chart 1 in the Introduction illustrates, the decline in the sector generally is the result of a large reduction in the number of local authority houses, which has taken place at the same time as the number of households renting from RSLs has grown gradually.

The decline in social housing has been accompanied by substantial changes in the profile of its tenants and of those wishing to become tenants. In 1981, the profile of social landlords’ tenants matched quite closely the profile of households in society generally in terms of their size, composition and social and economic characteristics.\(^{31}\)

As charts 10 and 11 illustrate, this is no longer the case. Households in social housing are now far more likely to consist of single pensioners, single parents, and other single adults. Tenants of social landlords are less likely to be in employment than those in households generally, with over half of tenants of working age without work. They are more likely to be retired or unemployed or permanently sick than other households. Consequently, almost three-quarters have incomes below £15,000 a year and two-thirds are dependent to some extent on housing benefit.

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\(^{31}\) General Register Officer for Scotland, 1981 Census.
In effect, the last 25 years have seen the role of social landlords change from that of meeting general housing needs to being increasingly the providers of homes for the most vulnerable in society.

This trend appears likely to continue, with owner occupation remaining the tenure of choice for the majority. It is even cited as the tenure of preference among the majority of tenants in social housing in the 25-39 age group.33

The fact that so many younger tenants would prefer to move into owner occupation may be explained partly in terms of perceptions that owner occupation has other, financial, benefits over social housing. Even so, it cannot be seen as an endorsement of social housing from those who have experience of it, or as an indication that social housing can be viewed as a choice that would be attractive to the generality of future households.34

The result – in the eyes of many at least – is that social housing has become stigmatised.35 It is viewed by many as being too closely associated with unpopular and unsatisfactory neighbourhoods. Chart 12 illustrates the extent to which this perception is shared by tenants of social housing. In every age group social renters are much less likely to be very satisfied with their neighbourhood than owner-occupiers and tenants of private landlords are with theirs.

In truth, the widespread perception of stigma oversimplifies an altogether more complex picture. It tends to overlook the extent to which many recent social housing developments have been part of mixed developments that have helped to reinvigorate areas as mixed communities; and it fails to represent the position in much of rural Scotland, where social housing is recognised as playing a positive role in sustaining fragile communities.

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32 Clegg, S. et al, Housing Aspirations, Scottish Government Social Research, 2007. Six in ten social renters said their ideal tenure was owner-occupation.
33 Scottish House Conditions Survey data, 2004-05.
34 Clegg, S. et al, Housing Aspirations, Scottish Government Social Research, 2007. This research suggests only 1 in 10 households would ideally prefer to rent. It also showed the widespread perceived financial benefits of owner-occupation.
Nevertheless, it has sufficient basis in fact for all of us to be worried about the impact that concentrations of social housing have on particular neighbourhoods and the people who live there. The most deprived 15% of neighbourhoods are characterised by high concentrations of social housing and more generally, as chart 13 illustrates, there appears to be a strong correlation between concentrations of social housing and deprivation.

The benefits of avoiding concentrations of deprivation and social housing by creating communities with a mixture of tenures and a mixture of households have been recognised for some time.36 They have been demonstrated in projects in areas such as Crown Street in Glasgow’s Gorbals and Ardler in Dundee, where regeneration was delivered through the creation of mixed communities. Providing for a mixture of tenures and household sizes is the key to enabling aspiring and successful individuals to move up but not out of their communities.

We wish to build on the success of high quality mixed tenure developments and to look at ways of increasing variety and choice in housing and tenure. We wish to encourage approaches that enable people of different ages, lifestyles and incomes to meet their needs in neighbourhoods.

that are safe, attractive and sustainable. Increasingly, social landlords, working with partners, or through specialist subsidiaries, are contributing to these outcomes by building a mix of tenures. We want to ensure that our funding and regulatory regimes support and encourage this behaviour.

VARIATIONS IN THE PERFORMANCE OF SOCIAL LANDLORDS

In many respects, social housing’s poor reputation is unjustified. Many social landlords provide high quality housing and deliver high standards of service to their tenants. Some have track records of building new stock that is attractive and popular with tenants and that has done much to improve the quality and appearance of the neighbourhoods where it is found. Despite a fair few and notable successes, however, there is an enormous variety in levels of performance.

The physical fabric of Scotland’s social housing has, on average, never been higher. Significant investment has been made by many social landlords to achieve the Scottish Housing Quality Standard. Others, however, have found themselves for a variety of reasons, unable to overcome the weight of historical circumstance in order to renew the fabric of their homes to a level that meets the reasonable aspirations of today’s tenants.

Taken as a whole, Regulation and Inspection reports suggest that social landlords’ performance is variable. Of 58 landlords inspected since 2001 a third were judged to be providing only fair or poor housing management services and a half fair or poor maintenance services. These findings tend to undermine the reputation of social landlords generally, confirming in the minds of some the idea of a low quality service that would be unattractive to those with any choice in the matter.

Some might argue that poor performance might matter less if tenants were able to move with ease from poorer to better performing landlords. In practice, however, the tenants of poor performing landlords cannot respond to poor performance in the way that customers can do where a genuine market in services exists. Very often – where local demand for affordable housing exceeds supply – they do not have a choice and as a result, poor performance can persist. This is unfair to tenants served by poorly performing landlords: they are effectively trapped.

Moreover, it carries the risk, over time, that poorly managed stock will blight neighbourhoods and exacerbate the effect of deprivation. For as long as landlord performance remains so hugely variable, and the basic ability of landlords to modernise their stock in accordance with basic contemporary standards remains in doubt, neighbourhoods with high concentrations of social housing – and in the most deprived areas, social housing accounts on average for 68% of the total stock – are likely to remain difficult to integrate into wider society and become neighbourhoods of choice.

RISING COSTS

Changes in the types of people living in social housing, and the pressure to raise physical and other standards, have been seen by some as leading inevitably to higher costs. What is much more rarely illustrated, however, is the enormous extent to which social landlords’ management and maintenance costs have risen in recent years.

It is difficult to compare the costs of local authorities and housing associations directly. Their accounting classifications, their stock, their tenants, and their financial arrangements all vary to some extent from social landlord to social landlord. It is, however, instructive to look at the trends evident for local authorities and housing associations. Chart 14 illustrates how the running costs of local authorities and registered social landlords have increased above inflation in the past five years.

Whatever the factors contributing to these rising costs, it seems evident that the costs of managing existing homes are rising rapidly to an extent that is not sustainable for tenants, landlords or the Government.

37 Scottish Executive, Social Focus on Deprived Areas, 2005.
The problem, however, is not confined simply to existing social housing. It is endemic in attempts to build new social housing too.

INCREASING DEPENDENCE ON SUBSIDY FOR NEW HOMES

The increasing cost of providing social housing has fed directly into increasing levels of subsidy paid by government. Social rents are affordable for those on low incomes because our practice over many decades has been to use public expenditure to subsidise new social housing.

Originally this meant subsidising local authorities to build council housing. More recently the policy has been to subsidise RSLs to build new stock. The present subsidy – Housing Association Grant (HAG) – meets an average of 67% of the cost to RSLs of each new house they build. Over the three years 2005-08, most of the Government’s £1.2 billion expenditure on affordable housing will be spent on HAG subsidies.

While the proportion of building costs per house covered by HAG has remained broadly constant, the amount of HAG per house has risen – from £52,000 in 2002-03, to £79,000 in 2006-07, an increase of 35% in real terms over four years. Part of these increases can probably be attributed to inflation in the construction industry and in the price of land. But whatever the cause, continuing to increase the amount of subsidy per house is unsustainable. It is also incompatible with our commitment to getting better value for all public expenditure.

Above all, the more steeply costs rise, the more difficult it becomes to increase the number of new houses we can build for social rent and other forms of affordable housing. If we are to meet the need for affordable housing without placing an unreasonable burden on public expenditure, we need to change radically the means by which Government subsidises, and social landlords build, new affordable housing.

As chart 15 illustrates, social housing in England – where land and construction costs are often higher – relies on substantially lower levels of subsidy than Scottish social housing. While we recognise that circumstances in Scotland are different in some respects, maintaining such a large difference will undermine our ability to meet demand for social housing. Even taking account of the impact of lower rents in Scotland, subsidies here are higher than in England.
Continued substantial real terms increases in management and maintenance costs, and the rising cost of building new homes for social rent, are an unsustainable combination. They put pressure on rents and on landlords’ finances as one, the other, or a combination of the two bears the strain of the higher costs.

For government, rising costs bring pressures for increasing subsidy, intensifying pressure on public expenditure. In a tight fiscal environment their effect is to inhibit the provision of sufficient new social housing at a time when it is necessary to meet substantial demand. Something must be done.

CONCLUSIONS

We believe that social housing has a positive future. The steep rise in house prices that has taken place in recent years means that social housing, far from being an anachronism, is often the affordable and secure alternative to owner-occupation. But if we are to escape from the seemingly inexorable trends of the past 20 years, the future will depend upon a significant break with the past.

Along with social landlords and bodies working on behalf of those in housing need, we recognise that the present demand for housing requires there to be an increase in social housing stock that is affordable to those on lower incomes. Estimates of the extent of this need vary, but no one doubts that we must improve the supply of new affordable houses, including social rented houses.
Parliament has set an ambitious statutory homelessness target. We are committed to achieving that outcome by 2012. But like many others we recognise that doing so will require us to be innovative.

Some of our policy measures described in earlier chapters will help to improve the supply of affordable social housing. For example, the challenge of building more houses, of all types, will be made easier by the work that the Housing Supply Task Force has in hand. Improvements in the availability of private rented accommodation may help too, particularly where it is accompanied by future possible measures to improve the choices available to people who are homeless.

However, these developments do not alter the fact that social housing needs to change fundamentally.

If we manage that change successfully, tenants, current and future, can look forward to affordable rents, good service, and as much choice as possible. And taxpayers can be assured that the subsidies they provide are achieving as much as they possibly can.

In chapter 6, we outline our proposals for changes that will improve the supply, quality and choice of social housing.
In this chapter, we set out our proposals for improving the supply, quality and choice of social housing. The proposals on improving supply relate mainly to the RSLs, as they will continue to be responsible for providing most of the new supply. We begin however by setting out ideas for encouraging local authorities to contribute to the supply of new social housing.

SUPPORTING LOCAL AUTHORITIES AS SOCIAL LANDLORDS

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.

We propose 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 we 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. Therefore we 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: We propose that Government should offer incentives for local authorities that are prepared to undertake new council housing. We 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 need for social housing in their areas.
These initiatives would give local authorities clear incentives to contribute their resources to improve the supply of new social housing. They would mark a break with previous housing policies, by making clear our commitment to a continuing and growing role for local authorities as social landlords and our determination to safeguard new social housing as a public asset for the future.

Ending the Right to Buy would also benefit RSLs, as many, like local authorities, currently face the risk of losing any new stock that they build. It would give them an important measure of certainty at a time when we will be looking to them to adapt to changing circumstances.

QUESTIONS

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

IMPROVING THE SUPPLY OF RSL HOUSING

Our proposals for supporting new council housing are intended to add to the overall supply of social housing. RSLs will continue to build the great majority of that housing. As we made clear in chapter 5, they need to do so much more efficiently than at present.

In our view, securing greater efficiency from RSLs requires us to adopt a fundamentally different approach to the way in which we subsidise new RSL housing. The approach that we outline below would combine a more strategic means of identifying and meeting need with a competitive process for allocating the subsidy to meet the need.

As we discussed in chapter 2, improving supply is not just about enabling more houses to be built. It means building enough houses of the right type in the right place. Achieving that outcome for RSL housing requires us to allocate our subsidy to RSLs (Housing Association Grant [HAG]) strategically to meet need at Housing Market Area level.

Our current approach to awarding HAG is straightforward. Any RSL seeking to build new houses for social rent can apply to Government for HAG to make up the difference between the cost to them of building each house and the amount of borrowing they can support from the rental income that the house will generate once operating expenses have been deducted.

There is an annual HAG budget and targets for the number of new social houses that this should support. HAG applications are considered against a number of criteria, including the applicant’s performance as a service provider and developer and in the community.

The strength of this process is that it allows relatively large numbers of RSLs to develop new social housing in response to local need. Its weakness is that it does not enable us to form a strategic view on where to direct subsidy to meet need most effectively within housing market areas. We propose to replace it with a new approach that allocates subsidy to a few larger scale, longer-term programmes.

Under this new approach we would channel all subsidy to one developer for them to take the lead in meeting the need for RSL housing across a housing market area, or other large area, over a period of several years. In addition to meeting need more effectively, this would enable a few lead developers to secure procurement efficiencies through their ability to offer contractors significant levels of work over a number of years.
A key objective of this approach is to allow all types of RSLs to continue acquiring stock where that is consistent with strategic need for new stock. However, rather than do so at their own hand, the lead developer would be expected to develop stock on their behalf as part of a larger strategic programme.

To improve the value that we get for public expenditure, we would require the lead developer to identify the greatest amount of resources, including money and land, that they and the RSLs for whom they were developing, could contribute to the programme and to develop proposals for using them as efficiently and effectively as possible.

In effect, the business of developing social housing would become a separate role in which a relatively small number of developers would acquire the specialist skills in design, procurement, funding and land acquisition necessary to deliver large programmes.

A key skill for the developer would be the ability to meet the needs of particular areas and of the RSLs operating there. These needs will differ across the country from large scale urban developments that contribute to regeneration projects, to delivering large numbers of small developments to meet need in more rural areas.

In the first instance, we would expect these developers to be RSLs. But over time, it might make sense to encourage others, such as private sector house builders or other large contractors to become developers.

Later in the year we will be consulting on a procurement strategy that describes in detail how we propose to manage the approach outlined above.

Encouraging the creation of lead developers to deliver strategic building programmes is intended to get the right houses in the right places as efficiently as possible. By itself however, it runs the risk of a few lead developers becoming entrenched as substantial regional monopolies. To counter this, we propose introducing a competitive regime under which a number of developers would bid for each block of subsidy.

This provides an opportunity for us to involve local authorities in decisions on the allocation of public funds to meet the need for social and other affordable housing in their areas. We propose working with one or more councils to specify the number and mix of affordable housing required in total across particular housing market areas over a period. This assessment would form the basis of an invitation to tender for work. The invitation would guarantee quality by setting minimum specifications to be met. Prospective developers would bid to meet the specification for the least possible subsidy.

This approach would enable us to satisfy ourselves that we were getting value for money by testing the price at which developers would undertake to achieve specified outcomes. It would place the onus on the lead developer to bring together partners among RSLs, private financiers and any other parties capable of using their financial resources to minimise the amount of subsidy required to meet or exceed the specification.

It will take some time to introduce a competitive regime – and we would not expect it to be in operation before April 2009. In the meantime, we believe that the increase in demand for social housing and our duty to secure value for public expenditure require us to make immediate progress in reducing the cost of subsidy per house. Therefore we will consult separately in the coming weeks on detailed proposals for getting better value from the current arrangements with effect from early in financial year April 2008-09.

QUESTIONS

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

19. If not, how would you ensure that public subsidy is used to build as many good quality RSL houses as possible?
GREATER FREEDOMS FOR REGISTERED SOCIAL LANDLORDS TO DEVELOP DIFFERENT KINDS OF STOCK AND TO RE-ORGANISE THEIR STOCK IN ACCORDANCE WITH DEMAND

Given the range of need and demand among households – and households’ differing means of meeting these needs – genuine choice requires there to be a variety of opportunities for renting and owner occupation. These opportunities need to include a range of renting and ownership options between conventional social renting at one end of the spectrum and outright ownership at the other.

In chapter 4 we indicated our intention to consult shortly on enabling local authorities more flexibility in accessing the private rented sector to provide suitable accommodation for homeless households. Such flexibility should help to increase the choice available to those presenting as homeless.

Within social housing, demand comes mainly from those who cannot buy or rent in the market without some form of financial assistance or subsidy. It does not follow, however, that these households all require the same type or degree of assistance.

For some, social housing will be the means of meeting their long-term housing need. For many others it will not. Their aspirations or circumstances will mean they expect more choice, or see social housing as a temporary solution to their housing needs. One thing is certain, demand is likely to become more complex and variegated in future – and it is therefore right for government to reflect this in its approach.

We want to encourage social landlords to respond to this more variegated demand for affordable housing, for example by attracting people who otherwise would choose the private rented sector or struggle to afford owner occupation. Adopting this course will help landlords to counter the trend towards a narrow, more vulnerable tenant base and will also help with the creation of mixed communities.

ENCOURAGING MORE HOUSING FOR MID-MARKET RENT

A number of RSLs, through specialist affiliates or subsidiaries, already offer houses for mid-market rent (i.e. at levels between full market and normal social rents). These houses are often built alongside, or as part of, new private development – and generally in urban areas. They are popular with people on incomes that are not quite enough to afford owner occupation, or who need or want to rent for a limited period and can afford to pay more than a social rent, for example those entering the teaching or nursing professions, who expect to be able to buy a house later in their careers.

The rental income from properties for mid-market rent does not cover the full cost to RSLs of developing them. At present, as the Government does not subsidise RSLs to build such properties, RSLs finance the shortfall through separate funding deals with local authorities to provide housing for key workers, or with private developers as a means of meeting the developer’s obligation to provide affordable housing as part of a new development. Consequently, the supply of such properties tends to be limited and does not meet the full extent of demand for them.

Increasing the supply of such properties would have benefits. It would be a response to market demand for more variety in affordable housing. It would enable social landlords to broaden their tenant base, helping to dispel the sense of stigma attaching to social housing and counter the tendency towards deprivation becoming concentrated in social housing. This in turn would help to create more mixed communities.

In view of these benefits, we propose that registered social landlords should in future be eligible to receive a subsidy for houses they build for mid-market rent. To encourage better integration of social housing and the wider housing system, we propose that the subsidy should be available only where housing for mid-market rent is included as part of new developments for social rent.
We would require that the housing, most probably built and managed by registered social landlords through their subsidiaries, would be constructed and maintained to the standards required of social landlords. Arrangements for subsidy would be set out in a contract between the social landlord and the Government.

We see merit in seeking to combine the award of subsidy for mid market rents with that for the proposed competition for mainstream HAG. This would allow us to run competitions for a mixture of affordable housing in given areas. We would welcome views on whether we should explore this possibility further.

**QUESTIONS**

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

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

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

**IMPROVING VARIETY IN EXISTING STOCK**

Our proposals on mid-market rents are intended to encourage social landlords to make their new developments more varied and therefore more appealing to a wider mix of prospective tenants. We also wish to encourage the development of more variety in the existing stock of all social landlords, particularly in areas where social housing is most concentrated.

Therefore, we propose giving landlords the flexibility to respond to local demand by enabling them to convert existing stock to mid-market rent and to sell stock on the open market where it makes strategic sense for them, addresses need in the local housing market and is consistent with the creation of a more mixed community.

It would be a condition of all conversions and sales that proceeds arising from them, whether income through higher rents or capital receipts, should be used to fund new affordable housing, or meet the cost of improving existing social housing.

The circumstances in which this flexibility might be used may well be limited, for example by the extent and nature of demand for different forms of affordable housing and by the type and condition of the stock. We hope, however, that it will at least encourage landlords to consider the scope that they have to adjust the mix of their stock in particular areas. Where such scope exists, the proceeds arising from higher rents or sales would be available to contribute towards the costs to the landlord of meeting the need for new stock and of improving remaining stock.

**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?

**THE DEVELOPMENT OF AFFORDABLE HOUSING FOR RENT BY PARTIES OTHER THAN SOCIAL LANDLORDS**

At present social landlords are either local authorities or RSLs. Until now it has been the policy that RSLs alone are eligible to receive Government subsidy to build new houses for social rent. In practice, therefore, anyone seeking a subsidy to build a house for social renting has had to be registered and regulated by Communities Scotland.

This arrangement has ensured that public funds provided to support the creation of new social housing are used only for that purpose. It is an important objective, but there is a risk that seeking to secure it through the requirement to be registered may deter some prospective landlords from providing houses for social rent – inhibiting the supply of much needed affordable homes where they cannot otherwise be provided.
Our proposals to provide funding for local authorities to build council houses are in part a response to that concern.

If possible, we want to remove other obstacles to the provision of new affordable housing and wish to explore whether, in some circumstances, we could safeguard public funds in a more light handed fashion.

For example, it might be possible to make subsidies available on a contractual basis. This could be appropriate in specific circumstances, such as pressured rural housing markets where private landowners are unwilling to split up estates by selling off small pieces of land for development by RSLs, but are prepared to develop and manage rented housing themselves on their own land to complement local provision for meeting housing and homelessness needs.

The extent and variety of circumstances where this approach might be necessary and feasible is likely to be fairly limited, but in signalling an intention to extend our approach in principle, it may be possible to create an additional supply of homes which otherwise would not exist.

QUESTIONS

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

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

FURTHER CONSIDERATION OF THE RIGHT TO BUY FOR NEW SOCIAL HOUSING

We have outlined our proposals for ending the Right to Buy for new build social housing. In this section, we discuss our plans for reviewing how Right to Buy applies to the existing stock of social housing.

Over 480,000 tenants have bought their homes since 1980, allowing them to meet their housing aspirations and helping to create stable mixed-tenure communities. However, the Right to Buy can aggravate affordable housing shortages in areas of housing pressure, which is why the operation of the scheme was adjusted by legislation in 2001.

The 2001 changes were intended to strike a better balance between the needs of the community and those of individual tenants. The full effects of these "modernised" Right to Buy arrangements have still to be seen and understood. We stand by our manifesto commitment to review the Right to Buy and will do so when the effects of the modernised arrangements are clearer.

If necessary, we will explore ways to achieve greater local flexibility within the scheme, while recognising the rights of existing tenants and ensuring that we achieve value for money for our investment in new build stock. We will look at the flexibility that exists within current legislation around discount rates, where the powers to vary discounts have not been utilised previously. There may be scope for variation for different localities and for particular categories of properties, such as large family houses, where those are in short supply.

In the meantime, the pressured area mechanism enables local authorities to suspend the Right to Buy for some tenants in areas facing particularly acute pressures. Several local authorities have already applied successfully for designations under these arrangements and it is expected that many more will wish to consider this as an effective means of striking an appropriate balance where there is pressure on social housing in their area.

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

IMPROVING THE QUALITY OF EXISTING HOUSING

The Scottish Housing Quality Standard (SHQS) is the test of whether a house is in decent physical condition. We believe that the Standard represents the minimum acceptable level of quality for Scotland’s social housing. We expect all social housing to meet, or exceed, the Standard by 2015, unless it is clear that this is not practicable or could be achieved only at disproportionate cost.

We are monitoring landlords’ progress towards the gradual achievement of full compliance over the next eight years. Our assessment to date of landlords’ plans for achieving compliance suggests that there is no risk to landlords meeting the Standard for the vast majority of all social houses in the country.

A minority of landlords appear to be at risk of not meeting the Standard, at least in respect of some of their properties. The causes of this risk spring from a combination of poor stock condition, high management and maintenance costs and weak finances with high levels of debt.

In cases where it is clear that it is not technically feasible for a property to be brought up to the energy efficiency element of the Standard, or that this could be done only at disproportionate cost, we are content for the property to be exempted from that element. In all other cases, it is essential for tenants that landlords find ways of meeting the Standard.

If landlords conclude that they lack the managerial capacity or financial resources to meet the Standard, they will need to explore options for making good these deficiencies. In practice this will mean forming partnerships with stronger, better performing landlords to manage their stock. Where that is not feasible, they may have to transfer their stock to a body that can manage it effectively, or – in the case of RSLs – merge with other landlords.

For local authorities, transferring all or part of their stock to a RSL created for the purpose remains a possibility. We have no objection in principle to this course and would be prepared to consider proposals for full or partial transfers, particularly in cases that qualify for the Treasury to write-off the debt associated with the stock being transferred. However, we are prepared to consider such proposals only where they have the support of tenants and are based upon a business case that demonstrates how the new RSL will acquire the capacity and resources to achieve compliance without any additional financial support from us.

We have asked Treasury to consider in what other circumstances, besides stock transfer, they would be prepared to write off local authority housing debt. Meantime, where tenants do not support stock transfers, local authorities will have to identify alternative means of acquiring the capacity and resources to achieve compliance. This is likely to mean creating a separate organisation that would operate at arms length from the local authority to manage stock that the authority would continue to own. A number of Scotland’s local authorities have created similar organisations to manage other activities, such as leisure services.

Each arm’s-length management organisation (ALMO) would be required to achieve specified outcomes, including SHQS and measures of service and performance, which the local authority would set. Its managers would be accountable to the authority for achieving the outcomes and would have full autonomy from the local authority in determining how to do so, enabling them to run the ALMO as a separate business with the freedom to act solely in pursuit of the objectives set for it by the local authority.

Evidence from England and Wales, where ALMOS manage one-fifth of all social housing, is that with properly set objectives they can achieve...
substantial improvements in the quality and efficiency of housing management and bring substantial benefits for tenants.

Whether efficiency improvements in Scotland would be sufficient to achieve the SHQS would depend, among other things, on the level of debt that the ALMO had to service, as the Treasury does not write-off the debt associated with stock managed by ALMOs. Where debt levels appeared to constrain an ALMO’s ability to deliver the improvements required to achieve SHQS, there could be arguments in favour of the Government giving the ALMO additional financial support.

We are conscious that such support would be at the expense of other public services and could be seen by some as a reward for previous poor financial management. On the other hand, denying ALMOs the possibility of assistance under any circumstances would effectively mean tenants having to bear the consequences of their landlords’ past poor performance.

We are not prepared to condemn some tenants to permanently poorer standards than others. Therefore, we will consider providing a measure of financial support, but only where an ALMO has improved its performance over a number of years in line with a programme agreed between them and us in advance. We believe that this approach will give managers an incentive to improve services, while safeguarding public funds.

**QUESTIONS**

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

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?

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

**BETTER NEIGHBOURHOODS**

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. Focusing on these factors is essential if we are to improve the perceptions of areas suffering deprivation and stigma. 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.

There are very many examples of places where the development of new, affordable homes has been accompanied by a focus on the quality of the public spaces, including green spaces, within neighbourhoods. Examples include Crown Street in Glasgow and Petersburn, Airdrie, where the community has developed a new local park to complement the housing redevelopment.

Often, but not always, the lead role in developing these initiatives has been the RSL responsible for new housing development. But we recognise that this can sometimes be the part of a development that gets missed or gets squeezed out for financial reasons. And often the maintenance of public space seems to be a bone of contention or again, the part of proposal that gets diluted because it is difficult to fund in the long term. At the same time, it is one of the factors that many tenants and residents say reduces their satisfaction with the neighbourhoods where they live.

We are keen to encourage social landlords and other neighbourhood stakeholders to work together in devising solutions to the problems of particular neighbourhood needs. So any proposals for tackling this issue need to be in line with the wishes of those living in the area and to be developed on the basis of co-operation among local stakeholders.

We want to develop new ways of approaching this agenda and through this consultation hope to generate ideas and suggestions. We intend to develop a number of projects around Scotland that focus on the key features of creating mixed,
sustainable communities. One of these factors will be the “quality of place”. We intend to make a small amount of funds available to enable partners in these projects to develop high quality public spaces and proposals for long term management. In this way we will test out a range of approaches.

We are also looking, with Greenspace Scotland and the Glasgow and Clyde Valley Green Network, at the possibility of introducing guidelines and standards for the quality assessments of Greenspace in neighbourhoods. We think that a range of stakeholders may be well placed to take the lead on this agenda and that this could vary from neighbourhood to neighbourhood. It may be that as the main landlord, an RSL is best placed to take on this role, but other stakeholders, such as the local authority or local Greenspace Trusts, might be better placed in some situations.

We are concentrating in this consultation on physical quality rather than on the extensive agenda of people focussed interventions in communities experiencing multiple deprivation. The substance of that agenda is quite rightly the remit of community planning partnerships and regeneration outcome agreements. Linking the physical agenda about “place” to this “people” based agenda is obviously of the utmost importance and through the Government’s five strategic objectives, we will work to ensure that such links are made.

**QUESTIONS**

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

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

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?

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**IMPROVING ACCESS AND CHOICE IN LETTINGS**

We believe that Common Housing Registers (CHR) are a crucial tool in simplifying and maximising access to social housing, where local authorities and RSLs work in partnership to use a common application form for all their stock. CHRs cut out the duplication of applicants applying to multiple landlords while promoting access to the full range of social housing in an area. They allow a combined housing list to be maintained, giving a more accurate picture of housing demand, and are often accompanied by the benefits of co-ordinated housing information and advice, shared needs assessments and harmonised or common allocations policies.

Many areas of Scotland have developed excellent CHRs, and other areas are making good progress and expect to launch a CHR in the next year. The good practice behind CHRs has been promoted in Scotland for a number of years and all areas have received funding to help develop a CHR. We want to see that progress maintained and effort renewed across all areas so that there is a CHR in every area of Scotland. We will consider whether the time is right to bring into force the provision in the Housing (Scotland) Act 2001 to make it mandatory for local authorities to develop and maintain a CHR.

We support the practice of choice based letting for social housing. We recognise that it cannot be applied to its intended effect in circumstances where demand significantly outstrips supply. Even so, it can assist prospective tenants in more pressured areas by giving them a realistic understanding of the extent and nature of such choice as exists. This helps them to make informed decisions about the options available to them. Evidence suggests that those obtaining houses in this way tend to be more satisfied with their allocations and are more likely to maintain their tenancies than are those allocated houses through traditional allocations systems.

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We know that demand for social housing, including responding to the high level of homeless applications, makes housing allocations a difficult and pressured area for landlords. This is not a new development, and it is important for landlords to recognise the flexibility that they have to develop allocations policies, in consultation with their tenants, that suit their circumstances.

Recent research has confirmed that landlords find it difficult to navigate the different statutory requirements and policies in this area. We are committed to improving clarity in this area and addressing the issues identified. We will consider the research findings and the need for new guidance on allocations that will help landlords understand the requirements upon them and make use of flexibility they have.

We recognise that some landlords would like to see changes to the statutory requirements on allocations and will consider suggestions that would help them to achieve mixed and sustainable communities while meeting the needs of the most vulnerable in society. Our forthcoming consultation on the regulations allowing local authorities more flexibility in discharging their homelessness duties is in accordance with this thinking.

CONCLUSIONS

The proposals outlined in this chapter are aimed at improving the supply, quality and choice of social housing. They are focussed on the outcomes that social landlords can achieve for tenants, those in housing need, the communities in which they operate and the value they can achieve for public expenditure. They reflect our view that a thriving social housing sector that meets the needs of a rapidly changing society will be a diverse sector with a range of providers, including local authority landlords, and a variety of RSLs, some large, some specialist and others continuing to build on the strengths of the community based movement.

Quite deliberately, we have not sought to specify or describe a template for the future of the sector. We recognise that social landlords each face their own particular challenges and it is for them to decide how to respond to them in a way that meets the needs of their tenants and communities and that reflects their own traditions and values.

Our concern is to ensure that our expenditure on social housing supports the supply of as much good quality housing as possible in the areas that it is needed, and that the existing stock of social housing is managed and maintained efficiently and effectively. It is for social landlords themselves to acquire the skills and expertise to secure these outcomes. Whether they do so at their own hand or in partnership with others is a matter for them to settle.

We put the interests of tenants – current and future – first. Social housing will have no future unless we do – because meeting the changing demands and aspirations of tenants is the key to coping with a society that has changed a great deal and will go on changing in future. The reforms that we propose to make to improve the supply of social housing, to widen the choice that is available, and to raise the standards that are on offer, will all work in favour of tenants’ interests.

Despite these initiatives, however, it remains the case that demand for social housing will remain strong for as far as we can see ahead. Allocations policies will continue to be determined by need, rather than individual choice and as a result, social housing will for the most part continue to be rationed. Consequently, tenants in social housing will not have the choice available to those in the owner occupied and private rented sectors.

An absence of choice weakens the ability of tenants to shape their future. It also contributes towards the sense that social housing is separate from mainstream housing. For these reasons, we want to initiate a debate with tenants’ groups and landlords about the merits of strengthening the role of tenants, so that they can become more empowered customers of their landlords.

We strongly support the work that is going on across Scotland to strengthen the network of Registered Tenants Organisations. In time, the network will give tenants a strong regional and national voice.

However, an approach that relies only on strengthening existing participation structures will not be enough. Participation does not necessarily bring with it power or a wide-range of choice, particularly over longer-term issues. Recognition of this fact has long underpinned the need for effective regulation of social housing providers.
A regulator can protect the interests of tenants and prospective tenants and compensate for their relatively weak bargaining position vis-à-vis landlords, particularly in terms of improving efficiency or service quality. Other groups that can benefit from regulatory protection are homeless people, Gypsies/Travellers and owners factored by social landlords.

Our decision to abolish Communities Scotland has implications for the regulatory function, as does our desire to stimulate innovation and choice in the provision of social housing. The recently published Crerar Review also has a bearing on how the function is discharged in future.

In due course, we will set out the way in which the Government will respond to Professor Crerar’s findings as they might shape the wider landscape for scrutiny. As a starting point, however, it is important to recognise that the way in which regulation works to safeguard and promote the interests of tenants and others, is an important component of a successful future for social housing.

As part of the steps we will be taking to abolish Communities Scotland, we will put in place interim arrangements to ensure that the regulatory function which Communities Scotland discharged on behalf of Ministers, continues to operate at arm’s length from Ministers. In the longer term, we will build on the success and strengths of the regulatory function, to make more explicit the way in which regulation serves the interests of tenants – current and future – and others. We outline below the principles that we propose should underpin the modernised regulation of social housing.

A MODERNISED APPROACH TO REGULATION

We believe that the purpose of regulation as it is applied to social housing – should be as far as is practical to protect tenants – current and future – from unacceptable or unmanaged risks. The principal risks that we expect social housing regulation to address (working alongside our other legislative, policy and funding mechanisms) are:

- tenants being poorly served by their landlords and neighbourhoods being unattractive places to live;
- tenants’ interests – current and future - being impaired by a landlord’s failing properly to maintain stock which has been significantly part-funded by taxpayers; and
- social landlords failing in their obligations to provide tenants with continuing housing services, or to fund housing quality improvements, or to contribute to the development of new supply as a result of poor leadership or financial mismanagement.

The current regulatory function has helped to raise standards of practice and has led to intervention where performance is weakest to secure improvements. It has commanded significant confidence amongst the financial community and enabled housing associations – that rely significantly upon private finance to provide the huge majority of new affordable housing in Scotland – to enjoy advantageous rates on borrowing. This has greatly benefited tenants, landlords, and the taxpayer. We want to protect this significant measure of confidence. High standards of long-term financial sustainability are vital to the provision of new social housing.
We also believe, however, that reform is needed in the following areas to reflect the changing policy context, to strengthen the focus of housing regulation on the things that will matter most in the future, and to make regulation more effective:

**Focusing on current and future tenants:** In the current Regulatory Code of Practice for Communities Scotland, Ministers have set out a range of objectives for the regulator. We propose that social housing regulation should be more explicitly focussed on regulating for the benefit of consumers of housing and related services, with an explicit duty to promote their needs and interests. So, we propose that the modernised arrangements should give greater prominence to the regulator’s purpose in promoting and protecting the interests of current and future tenants and other consumers of housing services. This would require the regulator to build on its current engagement with these consumers and their involvement in its scrutiny processes.

**Greater independence:** Crerar suggested a number of core principles for regulators. These include independence from Ministers, the freedom to make judgements about service delivery and to report on these publicly and the ability to decide on their own how to discharge their functions. While Communities Scotland currently acts with operational independence and freedom in its regulation function, it is still exercising powers on behalf of Scottish Ministers. We propose that the modernised arrangements should include the attributes outlined in the Crerar Review.

**Separating standard setting and measurement:** Within the framework that Communities Scotland operated, it set performance standards (in partnership with the sectors it regulates) and measured landlords against these standards. But this can lead to a lack of transparency and accountability because only Government, with its accountability to the Scottish Parliament for housing policy generally, can set a strategic direction on standards. So, we propose that the modernised arrangements should include a greater separation between standard setting and measurement. Central government should set out the strategic direction and standards for social housing. The regulator should hold landlords to account on compliance or performance against these standards and, where appropriate, set out more detailed operational standards and timescales for required compliance. The regulator would provide advice to Ministers in setting standards.

**Reducing regulation and inspection burdens:** We are committed to reducing the regulatory burdens on social housing providers and propose that the modernised arrangements build on changes already being made by Communities Scotland in its more risk-based and proportionate approach, so that regulation operates on the basis of the following principles:

- There should be a clear recognition that responsibility for meeting standards, improving performance and achieving value for money rests with housing providers. In particular, responsibility rests with governing bodies and elected members through their own internal scrutiny and performance management arrangements. Therefore, self assessment by housing providers should, in most circumstances, form the starting point for any decision about the need for further scrutiny by the regulator.

- There should be no cyclical programme of inspections of social landlords, and once the current round of baseline inspections of local authority landlords is completed, routine inspections of this nature should cease. Inspections or investigations will still have a role to play in improving housing services. But they will be triggered by performance concerns and be targeted, risk-based and proportionate; or follow particular themes to seek out sector wide improvement or to assess the impact of policy changes.
There should be lighter touch regulation for the better performers.

The regulator should gather consistent, reliable performance information from housing providers that is used and useful, in a cost effective way. This should be aimed at making sound risk assessments (to focus attention on poorer performers), giving key information to relevant stakeholders, and helping tenants and others to be better informed about housing providers. This information should include material on costs and efficiency, as well as financial viability.

The regulator should play a lead role in terms of assessments and performance information in relation to all social landlords and this should be relied on by other scrutiny bodies, to avoid duplicative information requests and over-regulation. It should also be used to inform funders when a housing provider is not a suitable investment partner.

Take account of the developments in the relationship with local government: We want to set our proposals for social housing regulation within broader developments in performance management and assessment frameworks for local government as they develop. In this respect, for example, a reformed approach needs to recognise that local authorities themselves will be important customers for regulatory activity in exercising their strategic place-making, housing and neighbourhood management functions. For this reason they may want to trigger regulatory attention on a particular issue or landlord where there are concerns about its responsiveness to strategic housing or community issues.

More proportionate and targeted intervention: Intervention should be at the minimum level necessary to secure the desired outcome or improvement and should be proportionate to the issue being tackled. And organisations should have the opportunity to put things right themselves before the regulator takes action. The current statutory intervention powers that Communities Scotland exercises on behalf of Scottish Ministers are relatively severe and intrusive. We propose to review and modernise these intervention powers to provide a broader range of possible enforcement and intervention measures that can be escalated and exercised in a more graduated and proportionate way. These “lower level” interventions could include information requests, a right to inspect or investigate, publicising a failure, an improvement or enforcement notice, fines or compensation, and rent capping. These powers could be exercised in relation to any social landlord.

PROTECTING TENANTS AND PROMOTING THEIR INTERESTS: EQUITABLE PROTECTION

Our proposals to create an independent regulatory function with the statutory duty to promote the interests of existing and future tenants is critical in ensuring that tenants are well served by their landlords.

Building on the approach we have already proposed in this paper, we also propose to review the more significant intervention powers available to the regulator. Our starting point is that tenants in social housing should be given similar levels of reassurance and protection whoever happens to be their landlord. The principle of equitable protection is consistent with our view that the interests of tenants – current and future – must be to the fore.

Our proposals for modernising regulation cannot be implemented in full immediately as some aspects will require primary legislation. We will seek an opportunity to introduce legislation to achieve these changes, taking account of Professor Crerar’s independent review of the scrutiny landscape in Scotland and containing enough flexibility to ensure that the new arrangements can respond effectively as policy develops over time.
PROTECTING TENANTS AND PROMOTING THEIR INTERESTS: GLASGOW

The twin aim of protecting and promoting the interests of tenants and taxpayers is at the heart of our approach to the challenging issues seen in Glasgow. We want to see tenants being given a greater say in the management of the houses and their neighbourhoods, including through second stage transfer where that is what tenants want and where it is sensible and financially achievable. We want to see major and sustainable improvements in the quality of the housing stock; continuously improving services to tenants (and to owners affected by improvement works); and transformational regeneration in the city which includes a high proportion of the most deprived communities in Scotland. And we want to see the funds that are provided by Government being used in a transparent and accountable way to support these objectives.

QUESTIONS

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

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?)
The deadline for responses to this discussion document is **25 January 2008**.

We will aim to publish a summary of all responses to the consultation by the end of March 2008.

We welcome responses to every aspect of the discussion document, but we are particularly interested to hear views on the following specific areas:

**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 lets 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 focussing 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?)
Consultation is an essential and important aspect of the Scottish Government’s working methods. Given the wide-ranging areas of work of the Scottish Government, there are many varied types of consultation. However, in general, Scottish Government consultation exercises aim to provide opportunities for all those who wish to express their opinions on a proposed area of work to do so in ways which will inform and enhance that work.

The Scottish Government encourages consultation that is thorough, effective and appropriate to the issue under consideration and the nature of the target audience. Consultation exercises take account of a wide range of factors, and no two exercises are likely to be the same. Typically, Scottish Government consultations involve a written paper inviting answers to specific questions or more general views about the material presented. Written papers are distributed to organisations and individuals with an interest in the issue, and they are also placed on the Scottish Government website enabling a wider audience to access the paper and submit their responses.

Consultation exercises may also involve seeking views in a number of different ways, such as through public meetings, focus groups or questionnaire exercises.

Should you require this document in an alternative format or a translation into a community language, this is available on request, please contact Becky Smith on 01 31 244 7753.

Copies of all the written responses received to a consultation exercise (except those where the individual or organisation requested confidentiality) are placed in the Scottish Government library at Saughton House, Edinburgh (K Spur, Saughton House, Broomhouse Drive, Edinburgh EH11 3XD, telephone 0131 244 4565). All Scottish Government consultation papers and related publications (e.g. analysis of response reports) can be accessed at: http://www.scotland.gov.uk/consultations.
The views and suggestions detailed in consultation responses are analysed and used as part of the decision making process, along with a range of other available information and evidence. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review;
- inform the development of a particular policy;
- help decisions to be made between alternative policy proposals; and
- be used to finalise legislation before it is implemented.

Final decisions on the issues under consideration will also take account of a range of other factors, including other available information and research evidence.

While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.