

**REPORT TO: THE MORAY COUNCIL ON 30 JANUARY 2008**

**SUBJECT: 'FIRM FOUNDATIONS – THE FUTURE FOR HOUSING IN SCOTLAND' DISCUSSION PAPER**

**BY: DIRECTOR OF COMMUNITY SERVICES**

**1. REASON FOR REPORT**

- 1.1 This report summarises the main points detailed in the Scottish Government's Discussion Paper on housing. It sets out the proposed process to the paper.
- 1.2 This report is submitted to the Council in terms of Section A (64 – 70) of the Council's Administrative Scheme relating to the Council's housing functions.

**2. RECOMMENDATION**

**2.1 It is recommended that the Council:-**

- (i) considers the draft response to the Housing Discussion Paper; and**
- (ii) agrees the response to be submitted to the Scottish Government.**

**3. BACKGROUND**

- 3.1 On 31 October 2007, the Scottish Government published its Discussion Paper on housing – 'Firm Foundations – the Future of Housing in Scotland'. A full copy of the Paper was placed in the Members' Library or can be accessed through the Scottish Government's website. The Paper seeks comments by 25 January 2008.
- 3.2 The Discussion Paper recognises that it does not address every area of housing policy but is particularly focused on increasing the supply of good quality housing at prices which people can afford. It suggests that the proposals signal a shift in housing policy by placing a new emphasis on increasing overall housing supply, to achieve a fairer system of housing and on driving up environmental standards.
- 3.3 It indicates that it also seeks to strengthen the role of local authorities both through the strategic management of housing and through 'a renaissance' of council-house building. It proposes the removal of one of the barriers to Council new building, by proposing that the right to buy be ended for both tenants of new Council properties and new Housing Association properties. The Paper also indicates proposals for changes in the way that Housing Associations' development programmes are procured.
- 3.4 The Paper indicates the proposal to abolish Communities Scotland, and subsume the functions carried out within the Scottish Government, with the exception of the regulatory function.

- 3.5 In relation to the private rented sector, it proposes ways in which this sector might assist in meeting housing need.
- 3.6 Although the focus of the Discussion Paper is very much towards the more strategic aspects of the Council's housing role, it does make some mention of the local authority landlord role. It proposes that progress to achieve the Scottish Housing Quality Standard (SHQS) is monitored. It also indicates support for the idea of Arms Length Management Organisations to assist local authorities that wish to retain their housing stock to meet the SHQS.
- 3.7 The deadline for response of 25 January 2008 would have required the draft response to be considered by the Policy Committee at its meeting on 19 December 2007. It was not possible to meet this timescale given the wide ranging nature of the Discussion Paper. In view of this, the Chief Housing Officer contacted the Scottish Government and obtained agreement that the Council's response could be submitted following the full Council meeting on 30 January 2008.

#### **4. DRAFT RESPONSE**

- 4.1 The draft response is detailed in **APPENDIX I** to this report. An earlier draft was considered by the Housing Sub Committee at its meeting on 15 January 2008 and has been slightly expanded in the light of comments made at the meeting.

#### **5. SUMMARY OF IMPLICATIONS**

##### **(a) Corporate Development Plan/Community Plan/Service Improvement Plan**

The Discussion Paper contains proposals that will impact on the Community Plan, particularly in relation to increasing the supply of affordable housing. It will also impact on the Council's Local Housing Strategy, Homelessness Strategy and Housing Business Plan.

##### **(b) Policy and Legal**

The Discussion Paper contains proposals that may affect aspects of Council policy.

##### **(c) Resources (Financial, Risks, Staffing and Property)**

The financial implications of any policy changes will require to be considered in more detail once further information on changes is available.

##### **(d) Consultations**

The Discussion Paper was circulated to the Chief Executive, staff within Housing, Social Work, Planning, Legal and Finance Services for input to the draft response. The draft response has been circulated for comment also.

**6. CONCLUSION**

- 6.1 The Housing Discussion Paper published at the end of October 2007 is the first major housing discussion paper for some years. It is particularly focused on increasing the supply of affordable housing, but also raises a number of issues for comment. This report sets out the draft response to the Discussion Paper for agreement.**

Author of Report:	Jill Stewart, Chief Housing Officer
Background Papers:	Held by CHO
Ref:	TMC/JS/TS – Housing Discussion Paper – 30 January 2008

**APPENDIX I****DRAFT Moray Council Response**

**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?**

The Moray Council welcomes the objective of increasing housing supply. However, the details of how much of this increase will be in the social rented and low cost home ownership sectors are not indicated in the Discussion Paper. Additional supply in itself may not address the acute shortage of affordable houses – primarily for rent – that many areas, including Moray, face, as evidenced through Housing Needs research completed in Moray in 2007. The current expenditure plans for housing suggest only modest increases in funding over the next three years for the provision of social rented sector housing. If this remains the case, there will be an over reliance on the private sector to meet the target. The Council welcomes the focus placed on Local Housing Strategies and the integration of these with development plans.

**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?**

In general, the Council supports regional co-operation in setting realistic housing targets. In Structure Plan areas which are often made up of adjoining local authorities, this is already likely to happen. The new Planning System will reduce this co-operation to city region level only. Consequently, there may be a need for former structure plan area partners to work together to set targets, taking account of housing market areas. Regional co-operation should not be a 'one size fits all' approach and should be based on housing market areas rather than perceived regional boundaries. As an example, Moray is a local authority with a largely self-contained housing market area. The Council recognises the value of cross boundary discussion on common issues and continues to participate in such discussions with neighbouring Councils, Registered Social Landlords and organisations working across Grampian.

**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?**

Arguably, this role has been carried out by Communities Scotland. Given the Scottish Government's intention to abolish the agency, alternatives would seem to be either to locate the expertise within the Scottish Government or to use the saving

to allow local authorities to employ their own expertise. A limited resource within the Executive could provide a training function. Local authorities have demonstrated through organisations such as COSLA, ALACHO and SHBVN that they can share expertise and best practice. It is also useful to share best practice with Registered Social Landlords. The expertise involved includes understanding how the housing system works, the effect of intervention, strategic prioritisation and implementation.

**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?**

The blockages are not identified in the discussion paper but can be outwith the local authority's control. The principle blockage in Moray is land ownership. Whilst the Council works in partnership with some developers, there can still be reluctance on the part of developers to the provision of social housing through developer contributions. Infrastructure constraints can also affect some potential developments.

**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?**

SPP 15 Rural Development supports the provision of development opportunities in rural areas and thus should be already recognised in recently adopted Local Plans. New stand alone developments may be viable in some locations but also may conflict with strategies to make existing communities more sustainable, and to support existing services and facilities. New, sustainable communities will require a holistic approach to service provision, covering access to transport, health, educational and social facilities.

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

The Council supports low cost home ownership initiatives and recognises that they have a role to play in assisting people to access home ownership. However, the Housing Needs research carried out in Moray suggests that the role such schemes may play is limited as the principal issue in Moray is that of a low wage economy. The pilot Homestake new build initiative in Elgin saw only a modest level of applications with less than half of the properties being purchased by either Council/RSL tenants. The Council welcomes the recent Homestake Open Market pilot recently launched in Moray.

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

The Scottish Government could work with the financial services industry and private investors to find solutions that are affordable and sustainable for households. Good practice from the UK and elsewhere could be considered.

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

While the Council supports low cost home ownership initiatives, it has concerns that the primary effect of providing direct cash grants in a non-targeted way will be to inflate lowest quartile house prices.

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

Without public subsidy, the private sector may be able to provide small starter homes although such new builds may not be cheaper than ex council flats or other less popular second hand properties. Resultantly, it will be meeting aspiration rather than need. Otherwise, the provision of affordable starter homes through developer contributions would be a substitute for affordable rented housing opportunities, thus reducing the potential to increase the affordable rented housing stock. The contribution of such approaches to easing pressures in the housing systems is likely to vary across housing market areas. In Moray, the housing needs research has indicated that for most people in housing need, even low cost home ownership options are not affordable.

**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?**

There are a number of factors that act as barriers to the enhancement of the role of the private sector in housing low income and homeless households. Existing homelessness legislation would not regard a private sector let as 'permanent' accommodation and therefore, the local authority's duty under homelessness legislation is not met through this means. Its use as temporary accommodation, through a leasing scheme, would assist in alleviating pressure on other forms of temporary accommodation. A barrier to the use of such a leasing scheme in Moray is the operation of the housing benefit thresholds, which are linked to council rent levels. Moray has the lowest level of Council rents in Scotland, and this impacts on the threshold for temporary accommodation housing benefit calculations.

Current arrangements for rent assessment do not take sufficient consideration of local variations in rental costs. The operation of the Housing Benefit system, particularly for those under 25 years of age acts against access to the private rented sector. The proposals to change from Housing Benefit to a Local Housing Allowance may also have a detrimental effect on the number of landlords willing to accept benefit dependent or low income tenants.

**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?**

The Council agrees that the Voluntary Accreditation Scheme is a means of improving quality and management within the private rented sector. The Landlord Registration Scheme is also a means of ensuring appropriate standards in the private rented sector. However, many landlords regard the Registration Scheme as simply regulation. The Council welcomes the proposed review of the private rented sector.

**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?**

The Council carried out research to assist its understanding of the private rented sector in 2005. Since then, the Council has met with a number of private sector landlords, through forum meetings primarily around the Landlord Registration Scheme introduction. The response from many landlords present at two well attended meetings was hostile to the Landlord Registration Scheme and the proposed change to a Local Housing Allowance. It is likely to be difficult to engage positively with private sector landlords unless landlords feel that such engagement will address some of the concerns voiced by that sector in relation to regulation and the operation of the housing benefit system particularly.

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

The use of leasing schemes whereby the Council rents accommodation from private sector landlords can assist in increasing supply but housing benefit issues need to be addressed to enable the full potential for such schemes in areas of low Council rent levels, such as Moray.

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

The use of rent deposit guarantee schemes (used in Moray) can assist. Provision of housing support (where required) to assist in sustaining tenancies may also alleviate some concerns that private landlords may have. Private landlords who currently let property to tenants on benefits have expressed significant concerns about the introduction of the Local Housing Allowance and its payment direct to tenants.

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

It would be helpful to have a more comprehensive understanding of why homes are empty. This may vary from area to area. The Council welcomes the prospect of further guidance on this. The Council recognises the various schemes that currently

exist to assist in bringing back empty homes for use. One initiative that the Council is about to pilot is that of a Rural Housing Enabler project with the Rural Housing Service in the Speyside area of Moray. This will examine the potential for various approaches, including bringing empty homes back into use, to address housing needs in smaller communities in Moray.

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

Yes. The right to buy has meant that, despite huge investment in new social housing, the number of units continues to decrease. In Moray, the rate of council house sales has now declined from 2004 levels largely as a result of the impact of the Modernised RTB and the designation of pressured areas within Moray.

**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?**

Removal of the right to buy from new build properties tackles one of the barriers to new Council building. Unless there is some form of subsidy to local authorities, the cost to the public purse of Council new build will be higher than that for Registered Social Landlords. The Moray Council has a slightly higher than average housing debt per house and further examination of the potential for new build will be required to ensure that there is not an adverse effect on rental levels for existing housing stock or the ability of the Council to continue investment in the existing housing stock. The ability to provide much needed new council housing should not simply be driven by the ability of the local authority to prudentially borrow when there is a shortage of affordable rented housing in the area, but should reflect the investment needs identified within the Local Housing Strategy and the Strategic Housing Investment Plan. The Council sees no value in awarding incentives for new council building on a competitive basis. In the past, competitions have simply meant that more time is spent preparing bids than on delivery.

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

The proposals to reduce the number of developing associations are logical in efficiency terms, but need to take cognisance of development in rural areas, which might not be as efficiently procured as in more urban areas.

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

While competition is proposed, there are other means of achieving the same objective, such as partnership arrangements, the Moray Volume Procurement Initiative and the DEVANHA initiative in Grampian.

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

The need for mid market rent may vary from area to area. Subsidy for mid market rent should only be considered where there is clear evidence that mid market rent housing will reduce pressures on the social rented sector, as funding available for other forms of affordable housing will be reduced as a result. Building mid market rent properties alongside social rented housing will produce a strange mix, with significantly different rents for what may appear similar housing. It is unlikely that tenants will understand the different funding regimes.

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

Where there is an identified need for mid market rent housing, the level of requirement should be determined by the local authority as part of its Strategic Housing Investment Planning process.

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

The Council questions whether the objective is to increase variety in social housing or to move away from social housing being stigmatised as described in the discussion paper. The paper recognises that tenure mix in developments is a means of achieving sustainable communities.

**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?**

This proposal may be appropriate in some parts of the country where there may be issues around the sustainability of existing estates. Where it is of relevance, approaches can be set out in the Local Housing Strategy. In Moray, issues around housing stock mix relate more to property size than tenure mix, with shortfalls in the availability of smaller housing (single person) and larger housing (more than 3 bedrooms). The shortage of family housing has been exacerbated by the effects of the Right to Buy legislation.

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

If public subsidy is being made to landowners, then the housing provided should be allocated in a transparent way which meets identified housing and homelessness needs. As housing provided will not be 'secure', any subsidy has to reflect value for money for the period of the lease.

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

Tenants would be likely to expect fairly long leases and some guarantees about their housing futures when leases expire. Any guarantees of social housing being available on the expiry of the lease period would exacerbate pressures in such areas, where the primary pressure is a shortage of secure, social rented housing.

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

The Council welcomes the intention to review the Right to Buy. Until such a review is carried out, any proposals to vary discounts may be premature. Right to Buy legislation is already complex, with the different forms (preserved, old, modernised, suspended). Local variations will further add to the complexity.

In Moray, more than 50% of property with three/four bedrooms has been sold under Right to Buy. Consequently, the Council faces particular pressures for larger accommodation to address overcrowding in its housing stock. Therefore, the potential for local variations could enable Councils to respond to specific pressures that result from the continuation of Right to Buy.

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

Stock retention by the local authority is also a satisfactory alternative to stock transfer for many Councils, including The Moray Council. ALMOs as an alternative to stock transfer may have some difficulties in Scotland as the housing finance arrangements in England are markedly different to those in Scotland. ALMOs in England also received additional finance resources. An ALMO will not per se enable achievement of the SHQS without additional financial assistance for those authorities requiring additional resources.

**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?**

This implies that performance impacts on whether a local authority can achieve the SHQS, whereas it is more likely that it is a complex range of financial factors, the nature of the housing stock etc that are likely to affect the likelihood of compliance. While the Council agrees that some tenants should not have to live in housing of a poorer quality than others, it may be seen as unfair to simply provide additional resources to those Councils where SHQS compliance cannot be achieved. The regulation and inspection regime already exists for social housing and can be used to effect improvements in performance where this is required.

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

n/a

**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?**

Yes. Quality of place is important in all neighbourhoods. This is reflected within the new policy guidance SPP11.

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

It would be helpful to develop approaches using established community planning mechanisms. Building awareness of funding opportunities might assist. Funding issues can arise as a result of the multi tenure nature of most housing estates. Initiatives such as community gardens and allotments could be considered.

**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?**

Yes – the lead role should reflect what makes sense in any specific project.

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

Yes. The Council previously welcomed the move to proportionality within the inspection regime.

**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?)**

There will be advantages if social housing regulation sat within a group of other regulators. There is an increasing range of regulators within local authority activities, often with overlap.