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## 1. Opening Remarks.

- 1.1. The opportunity to comment on the first stage report is welcomed. This draft critique has focussed on the sections that deal with the PRS and rural Scotland in particular.
- 1.2. A number of extracts from the report are included *in italics* and are identified by the relevant paragraph number in the report.
- 1.3. While aware that the HITF has looked at improving quality in existing houses it must be appreciated that, in some cases, it may be better to replace old stock with new housing and this act may also be an opportunity to provide housing in a more appropriate location. This may be especially relevant in some rural areas where old housing may be inaccessible or difficult or expensive to service. The HITF should not, therefore, totally ignore the new build / development side of housing provision.

## 2. Comments on HITF First Stage Report.

*HITF para. 2.*

*Problems of disrepair resulting from lack of maintenance are found particularly in older properties, flats and the private rented sector and there is evidence that houses in more remote rural areas are in worse condition than those in urban areas.*

- 2.1. Reporting on disrepair is to report the symptom not the cause.
- 2.2. The reason for disrepair in rural areas is covered in comments on para. 14 below.

*HITF page 2, Heading to paras. 3 & 4.*

*Why are some parts of the stock worse than others?*

- 2.3. We are glad that this question is asked but there is inadequate coverage of this very important point. See comments on para. 14 below.

*HITF Para. 14.*

*The work of the Task Force is being undertaken in two stages. The first stage, the results of which are presented in this report, has focused on the legal, administrative and financial elements currently in place which prevent or encourage housing improvement.*

- 2.4. It is unfortunate that the HITF hasn't looked into the history of housing provision - therein lie some of the causes for today's problems.

- 2.5. For example: the PRS existed with rent controls between 1919 and 1988, some controls, though withering in number, continue to this day. The Rural PRS in particular was affected by this. With returns from rented housing always being more marginal in the rural areas, rent controls ensured that two generations of land managers turned their attention away from rented properties to other, more viable, enterprises. That attitude, a result of circumstance, has left behind a backlog of neglect that still exists and which will take time to eliminate - even with assistance.
- 2.6. That backlog of neglect shows up in SHCS reports.
- 2.7. Furthermore housing in rural areas faces a number of added difficulties which make good house condition more difficult to achieve and maintain: (while touched on in 44 this issue has not been addressed in the round) - issues include:
- 2.7.1. Age of buildings - the average age of rural housing (especially rural rented housing) is higher and therefore likely to exhibit age-related problems of house condition. Age of housing and associated poor condition is covered in HITF para. 3.
- 2.7.2. Remoteness - distance from centres can make maintenance more expensive
- 2.7.3. Scale of housing - related to the above point - the small scale of housing density means that works can be more expensive per unit.
- 2.7.4. Exposure to the elements - rural houses are often subject to greater exposure to inclement weather or more extreme climate than in settlements - higher altitude, location, solitude (lack of shelter from neighbouring buildings) - all these factors contribute to the problem
- 2.8. Lower rural household income means that rents are lower. Combined with higher maintenance and running costs this put a squeeze on both the income and expenditure sides of rural PRS provision making it less viable to lease rural housing.
- 2.9. Coupled with the issues identified above there are further impediments to the provision of affordable rural housing:
- 2.9.1. There is a lack of understanding of rural housing issues among decision makers such as the Scottish Executive and Parliament. This has resulted in a failure to establish housing strategies appropriate to rural Scotland.
- 2.9.2. Today virtually the whole structure of housing support is still geared towards addressing housing in an urban context.

2.9.3. This is manifested in the fact that the current focus of financial support for rented housing is not targeted at resolving the rural housing problem.

2.10. Therefore to confine the scope of the report to the *legal, administrative and financial elements currently in place which prevent or encourage housing improvement* omits to cover the legal, administrative and financial elements that are missing.

*HITF para 36.*

*The private rented sector accounts for some 162,000 houses in Scotland or 8% of the total stock. It is relatively old with 62% built before 1919 and only 34% built since 1945 (compared with 60% of the owner-occupied stock). Almost 41% of the private rented sector comprises tenement flats compared with 23% of the overall housing stock. The private rented sector is more significant in rural Scotland (where it accounts for 13% of the total stock) than urban Scotland (6%).*

2.11. Some of the factors which have resulted in the current condition of the PRS in comments on para. 14 above.

2.12. The recognition that the PRS is much more significant in rural Scotland as a house provider is welcomed but this fact has yet to be translated into a realistic strategy to support the provision of affordable rural housing.

2.13. There was a lack of rural rented house construction between 1918 and 1988 which reflects the lack of viability (rent controls and other disincentives) during that period. The HITF should understand what forces were at work which deterred construction of housing for rent during this period. The resultant high age of rural rented housing is another element for poor condition in the rural PRS.

*HITF paras. 44 & 45.*

*These paragraphs make reference to poor condition in rural housing.*

2.14. The poor condition referred to in these paragraphs is the symptom - what hasn't been investigated are the causes. It seems that **the paper concentrates on symptoms not causes**. Better understanding of the causes would make it easier to determine the cures. Again refer to comments in para. 14 above.

2.15. The fact that the PRS provides a far greater proportion of housing in rural areas points towards the need for measures, appropriate to rural circumstances, to solve the problems there. See also comments on Expenditure on para. 69 below:

*HITF para. 69.5.2*

*Expenditure on improvement and repair grants has fallen by over 40% in cash terms in the past five years following the introduction of the single capital allocation and the withdrawal of the former "ring fence" for Non-Housing Revenue Account*

*spending in 1996. This only reinforced a downward trend in expenditure which dates from the 1980s. The experience of the impact of relatively generous grant availability from 1980 to 1984 demonstrates that high grant levels as part of a system of carrots and sticks had a significant impact on the improvement of BTS properties at that time.*

- 2.16. The relevance of the 'significant impact' of realistic incentives should be noted.
- 2.17. Total programme expenditure by Scottish Homes on rented housing in 2000-2001, outwith the Housing Association sector, was £1.2million across the whole of Scotland. (0.7% of SH rented housing budget.)
- 2.18. Meanwhile the HA sector received £175million. (99.3% of SH rented housing budget.)
- 2.19. According to the 1991 census the HA sector provides fewer homes than the PRS even in urban Scotland.
- 2.20. The inappropriateness of the allocation of SH expenditure on rented housing (HA 99.3% others 0.7%) becomes even more apparent in rural Scotland where, in communities below 1000, the PRS provides 56% of rented housing against the HA sector's 2%.
- 2.21. In light of the fact that such allocation of expenditure has been ongoing for years it is hardly any wonder that the PRS, and rural PRS in particular, shows up as being in less good condition than other housing providers.
- 2.22. What the HITF has identified is that where PRS housing is viable (high rent open market sector) then the PRS provides housing of the highest standard. In addressing solutions the HITF needs to ensure that it is viable for the PRS to provide affordable housing. If it achieves that then the quality of the product will improve and affordable housing will be provided at better value for taxpayers' money than through other means.

*HITF para. 76.*

*Some landlords may not be profit orientated, for example, some landlords in rural areas.*

- 2.23. This is a passing reference to findings within Scottish Homes report no. 83 which identified that :
- "it is common practice for landowners to favour local needs when setting rents and allocating tenancies"
- 2.24. Unless the HITF understands the implications of that and other findings about the rural PRS (there are many significant findings within Scottish Homes Report 83) they don't really have much chance of identifying practical solutions for the problems that exist in the rural PRS.

- 2.25. The rural PRS is a major housing provider - it has the potential to do a great deal more, especially the provision of affordable housing, but it must be allowed and encouraged so to do. At present the sector is treated largely as a 'pariah'.

*HITF para. 79.*

*Landlords have an advantage over owner-occupiers in that they can offset expenditure on repairs and improvements against tax liabilities.*

- 2.26. This statement is not strictly true. Landlords can offset expenditure on some repairs only against rental income from properties. They cannot offset expenditure against wider tax liabilities.
- 2.27. There appears to be no mention of the negative effect of the withdrawal of tax concessions such as ESCB4 on the repair and maintenance of properties within the PRS. A short paper on the effect of withdrawal of ESCB4 was submitted to Tony Cain during the first stage of the HITF.
- 2.28. The treatment, in the report, of the impact of taxation on house maintenance, repair, improvement and management is lightweight.

*HITF para. 109.*

*Local authorities have traditionally been identified as having the primary responsibility for tackling condition problems in private sector housing in their area.*

- 2.29. Local authorities were able to assist house condition improvements when they had reasonable funds for improvement grants. This was effective.
- 2.30. Latterly the availability of such funds has, at best, been intermittent (which makes it more difficult to plan repair and refurbishment projects) and the scale of funding inadequate to make many projects worthwhile - especially for letting at reasonable or affordable rents. See comment on para. 69.5 above.

### **3. Comment on issues that the report should consider.**

- 3.1. The next area to look at is how to utilise the PRS to resolve housing problems. The HITF should consider the effective historic support mechanisms available to the private sector:
- 3.1.1. Improvement Grants - when consistently available and adequate in scope these proved effective mechanisms for bringing properties into good condition

- 3.1.2. GRO Grants for market rents - again, prior to 1996, this proved to be an effective mechanism which introduced a high proportion of private finance into the provision of rented housing.
- 3.2. The HITF has identified that incentives to deliver a particular housing product do work. The major failings with both mechanisms were that Improvement Grants are inconsistent and inadequate and that GRO-Grant was not designed to deliver affordable housing for rent.
- 3.3. In rural Scotland the major failure has been in not providing appropriate grant support mechanisms designed for the truly rural parts of the country for the provision of, and upgrading of, affordable housing.
- 3.4. Instead Scottish Homes have largely persisted with mechanisms designed for urban Scotland - these, to a very great extent, miss the target in rural Scotland.
- 3.5. The principal support mechanism for affordable house provision currently employed (aid to RSLs) has not been cost effective in terms of results per unit of public funding. Nor has it achieved results in rural areas because the incentive has not been targeted at the actual providers of rented housing in rural Scotland.
- 3.6. A similar comment to 3.5 can be made on efforts to address disrepair. The incentives utilised have not been appropriate to the actual providers of affordable rented housing in rural Scotland.
- 3.7. Finally it must be appreciated that overly bureaucratic mechanisms appropriate to the assistance of projects involving hundreds of houses may not be suitable for schemes involving one or two houses. Instead the time taken and the cost of managing the application, including legal fees, may act as a disincentive to house improvement projects. Housing strategy support should be practical, pragmatic and appropriate to the circumstances if it is to lead to the effective, economic and efficient addressing of housing problems.

#### **4. Conclusions**

- 4.1. Overall, regarding housing problems, the report is good at describing the symptoms, poor at identifying the causes, and weak on analysis.
- 4.2. Within Communities Scotland and the Scottish Executive there is still a reluctance to learn about the underlying causes for housing problems and to focus housing strategy towards delivering a good housing product using all methods of delivery.
- 4.3. For too long there has been focus on one delivery mechanism for affordable housing - RSLs - at the expense of other mechanisms.

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- 4.4. There remains a substantial body of opinion which still regards the PRS as 'bad' or 'unsavoury' and which is not prepared to acknowledge that the PRS has some very considerable strengths or to consider using those strengths to the benefit of those in housing need.
- 4.5. The linkage between grant aid on the one hand and a reasonable/workable set of conditions in return - rent levels, nominations, and standards of property, management and maintenance - is the obvious candidate for a route ahead involving the PRS to deliver affordable housing.
- 4.6. The way to tackle the weaknesses and faults within the PRS is to engage with and assist the sector - not ignore it.

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