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From: Steven Castledine [Steven.Castledine@cml.org.uk]
Sent: 24 January 2008 12:25
To: Housing Consultation 2007
Cc: Kennedy Foster
Subject: Council of Mortgage Lenders response to Scottish Government discussion document: Firm Foundations - the future of housing in Scotland
Importance: High

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Dear Colleague

Attached, please find the Council of Mortgage Lenders Scotland response to the Scottish Government discussion document: Firm Foundations – the future of housing in Scotland.

I confirm that we are responding as an organisation and that our response may be made public, and that it also may be shared with other Scottish Government policy teams.

Please acknowledge receipt of this email and its attachment.

Yours sincerely
Steven Castledine for Kennedy Foster, CML Scotland Policy Consultant

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**Response by the Council of Mortgage Lenders
to the Scottish Government discussion paper**

Firm Foundations: The future of housing in Scotland

25 January 2008

Introduction

1. The Council of Mortgage Lenders (CML) is the representative trade association for mortgage lenders. Our 159 members and 96 associates comprise banks, building societies, insurance companies and other specialist mortgage lenders who, together, lend around 98% of the residential mortgages in the UK. In addition, CML members have lent £36 billion UK-wide for new-build, repair and improvement to social housing.

2. CML Scotland welcomes the opportunity to respond to the discussion paper, [Firm Foundations, the future of housing in Scotland](#).

Action on housing supply

3. The Scottish Government's desire to increase housing supply, from the current level of c25,000 new houses per annum to 35,000 per annum by 2015 is welcomed. Without an increase in supply, the current problems of affordability in Scotland will remain significant.

4. The present imbalance between the rapid growth of house prices and much lower rates of inflation generally, including growth in income, is unsatisfactory. For those who do manage to buy their first home, low inflation in the wider economy means that higher mortgage repayment costs persist for longer than they did for earlier generations.

5. Delivery of additional housing, both in terms of the housebuilding industry being able to deliver and achieving the environmental standards which the Government is proposing, will be a challenge.

6. As the discussion paper itself recognises, the delivery of the right type of housing and in the right location will be fundamentally important. This will also be important if lender confidence in the new-build sector is to be maintained and lessons, therefore, need to be learnt from the present issues in the housing market where there is an over supply of high density flats in city centre and waterfront developments. Local authority planners and builders/developers will have a key role to play in analysing the demand for housing in particular housing market areas, and in ensuring that the right type of properties are built to meet demand. Such an analysis should be fed into the development of local authorities' housing strategies. Much work was done to promote these by Communities Scotland in 2002. We are not aware to what extent they have been regularly updated.

7. From our involvement with the Housing Supply Task Force we are aware that there is a debate regarding the adequacy of the 35,000 new houses per annum proposal. Much of the

debate surrounds the assessment methodology adopted, and it is the view of CML Scotland that the Scottish Government should be moving to a method of assessment which will command the confidence of those involved in the housing sector.

Higher environmental standards

8. We note that an expert panel is to be formed to advise Ministers on a low carbon buildings strategy for Scotland, and this will include providing a route map to the goal of zero carbon homes. As residential property is one of the major contributors to CO₂ emissions, we fully support the drive to improve its energy efficiency. The CML is committed to various measures to reduce carbon emissions and has signed up to the Trade Association Forum's declaration on climate change. This declaration can be viewed at <http://www.cml.org.uk/cml/media/press/1176>.

9. However, we believe the agenda for zero carbon homes is challenging, requiring contributions from a number of stakeholders, particularly manufacturers of building materials, construction firms and planners. The definition of a zero carbon home remains less than clear and agreeing a standard for new zero carbon homes is only a starting point. The market still has to deliver them and it is important that zero carbon homes are insurable and mortgageable on normal terms.

10. Building zero carbon homes will have cost implications, and consumers will have difficult choices to make. Clearly, there is now a strong groundswell of opinion demanding action on the environment, but we still do not really understand how people will react when measures to reduce damage to the environment begin to impose significant constraints on lifestyles and household budgets. At this stage, we simply do not know enough about building zero carbon homes to know when they might be built in significant numbers, or whether consumers will be prepared to pay a premium for them.

11. We also believe there is more that could be done with energy efficiency on existing properties. While the CML is supportive of the concept of Energy Performance Certificates (EPCs), providing an EPC within the single survey does not guarantee householders will actually take energy-saving measures. While EPCs are a good first step, unless householders act on the information they contain they will not improve energy efficiency and reduce carbon dioxide emissions. It will be important to obtain feedback once the Single Survey has been introduced as to what action either sellers or buyers take as a result of receiving an EPC.

12. Our view is that EPCs should be much more widely available to homeowners at all points during their home ownership. We believe householders are more likely to take action to improve their properties while they are living in the property and will be able to benefit from the savings than at the point of sale when there are other things that they would prefer to spend their money on. In addition, delivering EPCs through the single survey will mean it will take a considerable number of years before all home-owners have received one.

13. The discussion paper refers to an assessment of the potential of the emerging market in "green mortgages". There is, however, no standard definition of what a "green mortgage" is, and only four lenders currently offer the product. Several of these are carbon offsetting arrangements rather than encouraging energy efficiency measures in the home. Consumer demand for green finance products is currently small. The Energy Efficiency Partnership for Homes (EEPH) has attempted to give a standard definition of a "green" mortgage. This can be viewed on their website <http://www.eeph.org.uk>.

14. A report in 2005 from the Centre for Sustainable Energy "*Making mortgages energy efficient*" considered whether financial incentives combined with an energy efficiency report would encourage home owners to be more energy efficient. The report concluded that:

"We are faced with an indifferent home-buyer and a mortgage market unconvinced by the commercial potential of promoting sustainable energy use in their products. Changing this will require concerted effort to tackle this consumer indifference and to bring to the market competitively priced mainstream mortgage products which make it simple and enticing for the home-buyer to take action to improve sustainable energy use."

15. The report also reviewed take up in a number of countries where "green" products were available and found that take up was poor.

16. We do not believe that "green" mortgages are necessarily the best way to finance energy efficiency in the home. For example, some energy efficiency measures such as loft insulation or cavity wall insulation are relatively low cost, and it would not always be cost efficient to spread the cost of this over the term of a mortgage; other financing might be more appropriate. EEPH hosted a seminar last year which explored some of the drivers for "green" mortgages and barriers to the take up of them. A [report](#) on this seminar can also be viewed on the EEPH website.

17. We believe other incentives may be more effective to encourage people to make energy efficiency improvements, including council tax rebates, fiscal incentives such as Government grants for energy efficient technologies and removing/reducing the VAT on materials and labour and/or giving tax relief for home improvement loans. We believe this, combined with readily available EPCs at all points during home ownership, is much more likely to achieve the policy aims that the Government desires than development of "green" mortgages.

18. In addition, it will have to be borne in mind that most mortgage lenders offer products on a UK-wide basis, and it is unlikely that they will wish to develop such products for Scotland only. It will, therefore, be necessary to take account of policy proposals in England and Wales.

Assistance for first-time buyers (FTBs)

Scottish Housing Support Fund and shared equity

19. The discussion paper recognises that it is increasingly difficult to get on the housing ladder, and refers to the intention to create a Scottish Housing Support Fund (SHSF), and to build on this by establishing a low-cost initiative for FTBs. In principle, we are supportive of the development of the SHSF, but it would have been helpful to have had more details regarding SHSF and how it will be constituted and operate.

20. The paper refers to providing targeted assistance to FTBs using both existing and new low-cost home ownership support measures. We would urge the Scottish Government to draw lessons from the experience of lenders in England and Wales, where a proliferation of low cost home-ownership (LCHO) schemes has made it increasingly difficult for lenders to deal with a complex patchwork of schemes.

21. Lender systems are becoming ever more automated and are not designed to deal with small schemes that benefit a relatively small number of people. Making a scheme so complicated that it has to be manually underwritten will mean that consumers do not have the

best choice of mortgages since only a few lenders will choose to be involved. Even if they do they may not be able to offer the lowest price mortgages because of the extra work involved.

22. There is a risk that if the Scottish Government were to allow LCHO schemes to proliferate, at best, borrowers will have a small number of lenders to choose from and, at worst, will not be able to find a mortgage at all. There is also a risk that borrowers will not get best advice if there are too many small schemes for advisers to be aware of.

23. The paper refers to leveraging private finance into the SHSF to expand shared equity provision for FTBs. It is not clear if the Scottish Government are looking for the private sector to invest funds in the SHSF and for it to on lend by purchasing the equity stake, or if like the Open Market Homebuy scheme operating in England and Wales, they are looking for the lender to share the equity stake. The Open Market Homebuy scheme operating in England and Wales has proved it is difficult for lenders to price an individual equity loan product that can compete against deeply discounted best buy rates, and equity loans bring with them regulatory and systems challenges. Privately funded equity loans will always be the preserve of a small number of lenders (because the number of people helped in this way will always be small), which means that the choice of mortgage for the borrower will be restricted.

24. We are not convinced that the development of fully privately funded shared equity loans is possible at this point in the market. With the Scottish Government's intention to increase housing supply, this should have the effect of a reduction in house price inflation, and if this is the case, it will work against the development of a privately funded shared equity market where investors will be looking for a return on their investment. There is still little experience about the performance of shared equity and what returns might be expected and this again makes it difficult for this market to develop. Finally, at a time when the market is still in the throes of financial turmoil, it is unlikely that there will be significant appetite for new and potentially risky forms of investment.

Innovative mortgage and related products to assist people in purchasing their first home

25. The UK mortgage lending industry has responded to the needs of FTBs through offering a range of product options and there has never been more choice available. Research conducted by the consultants Mercer Oliver Wyman, suggests that the UK mortgage market is the most complete amongst the main countries of Europe in terms of product range. Clearly, a healthy housing and mortgage market needs a flow of new FTBs and lenders are ever mindful of the need to cater for this vital group.

26. The assistance provided by lenders falls into three broad categories:

- Low equity lending which meets the need that that many FTBs have to borrow on a high loan to value ratio.
- High income multiple lending meeting the need that many FTBs have to borrow above standard income multiples to able to get on the housing ladder.
- The development of specific FTB and mortgage related products. Features of these products include discounts and cashbacks, fixed and capped rates, payment of costs and fees, flexible and current account mortgages, extended mortgage terms and interest only mortgages.

27. While lenders are more than willing to work with the Scottish Government on researching what other innovative mortgage products could be developed to assist FTBs it is difficult to see what products could be developed which are little more than a variant of existing products that are already available in the market place.

FTB grant of £2,000

28. While welcoming measures to improve affordability for FTBs, our view is that the FTBs grant of £2,000 is not the right approach. The total cost of this initiative would be in the order of £70 million, given that there are just over 35,000 loans to first-time buyers in Scotland each year.

29. The proposal is one which is intended to improve affordability, by allowing the £2,000 to be used towards the fees and outlays incurred by the FTB in the purchase of the property. It is unlikely that the proposal will improve affordability, particularly as many mortgage products exist for FTBs which allow them to spread costs of this nature over the lifetime of the mortgage.

30. We have considered whether the £2,000 could be spread over the first two years of the mortgage as a way of reducing mortgage costs, but believe that this would be administratively difficult.

31. The £70 million which this proposal would cost, would be better targeted in assisting home ownership by investing the amount concerned in both the new-build and Open Market HomeStake schemes.

Expanding the range of affordable housing to buy

32. One possible way of encouraging the private housebuilding sector to play a bigger role in providing, without public subsidy, increased provision of affordable starter homes, would be to encourage/incentivise them to develop shared equity schemes along the lines of HomeStake, where the housebuilder would retain an equity stake in the property.

33. Lenders from time to time experience difficulties with restrictive covenants imposed by some local planning authorities for affordable housing. Local planning authorities are adopting different approaches to affordable housing in Section 75 agreements and lenders find it very difficult to deal with the variety of restrictions being imposed. There is a danger that lenders could withdraw support for these schemes entirely because the cost of continually developing systems to keep up with the new variations is not a viable option.

34. A particular concern is increasing numbers of restrictive covenants that seek to impose artificial market controls; for example, those restricting future property sales to a multiple of local or regional incomes. If a lender had to repossess a property subject to these restrictions they might be unable to obtain the best price because the resale value is restricted to an income multiple. However, even if there is a clause that protected the lender's interest, borrowers could also be affected adversely in the longer term. They could become trapped in the properties, as it is unlikely that incomes will keep pace with house price rises. Borrowers would be unable to re-mortgage and borrow above the restricted price or realise the full market value of their share of the home and move on. Lenders are, therefore, unlikely to support these schemes.

35. We would encourage the Scottish Government to consider developing along with local authorities a model Section 75 agreement. In England and Wales where the equivalent

to Section 75 is Section 106 there is in place a [model section 106 agreement](#) which CLG published in August 2006.

Private rented sector

36. It is good that the discussion paper recognises the vital role which the private rented sector plays in the housing market through its ability to provide flexible accommodation. It is a particularly important tenure for students, recent migrants and young mobile professionals. Many of these people do not aspire to owner occupation, at least in the short term. In 1983, 79% of people aged under 25 reported that they wanted to own their home within two years but, by 2007, the proportion had fallen to 50%.

37. These findings may help to explain recent landlord survey evidence. The survey produced by Association of Residential Letting Agents (ARLA) has revealed that since 2003 there has been a persistent decline in the length of time rental properties are left unoccupied. The average length of a void fell from 4.3 weeks in the first quarter of 2003, to just 3.5 weeks in the same period in 2007. The survey also revealed an increase in the number of landlords reporting more tenants than properties available.

38. Buy-to-let mortgage lending has grown strongly in the last decade and has made an important contribution to rising tenant demand. In 1998 when CML started collecting data on the market there were almost 29,000 buy-to-let mortgages, worth £2billion and by 2007 this had grown to over 940,000, worth £108bn. The growth of buy-to-let has also played an important role in improving the quality of housing stock in the private rented sector.

39. Our research has revealed that the vast majority of buy-to-let landlords expect to stay in the residential rental market for sometime. In 2005 our research – *The profile and intentions of buy-to-let investors* (CML, 2005) – found that 60% of landlords said they expected to remain as landlords for more than 10 years. And in the second quarter of this year, a survey conducted by ARLA revealed that over 90% of buy-to-let landlords said they would remain in the market even if house prices started to fall.

40. The paper refers to the legislation which the Scottish Parliament has passed in recent years aimed at increasing standards and improving the reputation of the private rented sector as a good option for tenants. While recognising the Scottish Government's desire to continue to improve standards it has to be recognised that a balance requires to be struck. Regulation does not come at zero cost for landlords and it is clear that increased costs on landlords will be passed on to tenants in the form of higher rents. Too much regulation will burden landlords, especially those with just one or two properties. This could have an impact on supply. Excessive regulation also provides opportunities for rogue landlords who ignore their legal obligations over those who dutifully adhere to the new rules.

41. In our view the biggest obstacle to an increasing use of the private rented sector to those on low incomes or homeless households has been the reform of housing benefit. Clearly this is a reserved matter for the UK Government but our response on [Welfare Reform](#) in 2006 to the Department of Works and Pensions highlights the negative impact which we believe this will have on the private rented sector.

42. We believe that private sector leasing schemes like the one operated by Orchard & Shipman with City of Edinburgh Council are a good way of increasing supply of private rented houses for those on low income and homeless households. Lenders have been generally supportive of such schemes and the attractions to landlords are obvious in terms of guaranteed rental income albeit at lower than market rent and ensuring that dilapidations are dealt with.

43. On the question of empty properties there have been claims of some buy-to-let landlords deliberately leaving their properties empty. Not only would this breach the conditions of their buy-to-let mortgages, it makes very little financial sense, since the landlord would then be faced with meeting council tax, service charge and other running costs as well as their funding costs, with no income from the property. The locations where it is claimed properties are being deliberately left empty are those where there appears to be an over-supply of flats, most notably cities in the north of England, which suggests that landlords do want to let the property but are, in some cases, unable to do so. We have not seen much evidence of this happening in Scotland.

Proposals for stimulating innovation and choice in social housing sector

Ending right-to-buy for new social housing

44. As the paper itself recognises, the right-to-buy has proved popular in Scotland and has played a significant part in increasing levels of home ownership. We would suggest that this measure has been good for the Scottish economy but we accept that the number of local authorities applying for pressurised area status in recent years highlights the difficulties which the right-to-buy has created in the ability of local authorities and housing associations to provide social housing in certain housing markets. For this reason we have supported previously a review of the right-to-buy to see if it could be made more supportive to local needs.

45. While we are pleased that the rights of existing tenants to purchase their house will remain we would have thought a blanket approach to ending the right-to-buy for all new social housing hardly fits the Government's stated desire to make the right-to-buy more responsive to local needs. We would urge the Scottish Government to consider this proposal as part of its wider review of the right-to-buy which we note will happen when the effects of the modernised right-to-buy arrangements announced in 2001 become clearer.

Local authorities building new council houses

46. Whilst in principle we have no objection to local authorities building new council housing using prudential borrowing capacity, we would question if it is right that a local authority that has been involved in large scale voluntary stock transfer and has had their housing debt written off as a consequence should have the ability to borrow for this purpose.

47. In addition, while we note that incentives will be awarded on a competitive basis we assume that the same type of efficiencies agenda which it is being proposed be applied to housing associations should equally apply in the case of local authorities. Consideration also needs to be given as to whether any local authority considering this approach has the necessary level of development skills.

Improving the supply of RSL housing

48. The paper outlines a desire to increase the level of social housing provided by housing associations while at the same time reducing the level of public subsidy per house built. Clearly this will require housing associations who are developing to achieve greater efficiencies, to leverage more of their existing assets and to raise private finance.

49. In terms of efficiencies one proposal is to channel all subsidy to one developer to take the lead in meeting all housing association need or demand across a housing area or large area, although it is hoped that a number of developers would bid for each block of public

subsidy on a competitive basis. This clearly assumes that there will be more than one housing association willing to develop in an area and we do not always believe that this will always be the case. In addition, it is our understanding that the concept of a lead housing association developer already exists in certain areas in Scotland.

50. From the view point of raising private finance we can understand the merit of these proposals, but we believe that a number of factors require to be considered:

- Until very recently the housing association sector was considered to be a "no default" sector. This situation has now changed with the recent announcement in England that Ujima housing association is, at the time of writing, in receivership and the subject of a housing corporation moratorium under the Housing Act 1996. Even without other risks this would create an upward pressure on the pricing for future lending. However, with capital market turmoil and an uncertain housing market, the risk profile for registered providers has been raised in any case, particularly in respect of those involved in new development.
- Housing associations, it would appear, are being encouraged to leverage their assets to reduce the level of public subsidy. In terms of additional private finance, whilst a strong asset base in the balance sheet is important as security cover, this in many ways is a secondary consideration with the most important consideration being whether the housing association can generate an adequate cash flow to service and repay the borrowing. In the main, cash flow will be generated from the rental income which the housing association receives and, therefore, lenders will be looking at the growth assumptions in terms of rental income. With there being no consistent rent policy in Scotland, we would suggest that this perhaps needs to be examined in respect of new-build social housing.
- This approach is also likely to result in a greater need for cross subsidy with basic social housing assets being used for development activities or higher risk activities by subsidiaries of housing associations. With approximately 70% of housing associations in Scotland having charitable status, we would suggest that the attitude of the Office of the Scottish Charity Regulator will have a big part to play.

Encouraging more housing for mid-market rent

51. We would support the proposed move to subsidise those housing associations who are building new houses for mid market rent. In addition, it would seem logical that any subsidy should be awarded on a similar competitive basis to that awarded for new social housing. The same considerations, in terms of being able to raise private finance, will apply to assist in building houses for mid market rent. In addition, the terms of the tenancy agreement and market demand for mid market rent will be important factors in determining the level of private finance which can be raised.

Development of affordable housing for rent by parties other than social landlords

52. In principle, we have no objection to landlords other than local authorities or housing associations regulated by Communities Scotland being allowed to develop new houses for social rent and receiving public subsidy, subject to there being adequate protection for public funds and for tenants. In the absence, however, of a regulatory regime along the lines to which housing associations are currently subject, it is unlikely that such landlords will be able to raise private finance at the same advantageous rates as housing associations. This together with the difference between market and social rents may make it less financially

viable for such landlords to raise private finance. It is unlikely that private organisations would accept such regulation.

Improving quality of existing housing

53. Arms Length Management Organisations (ALMOs) are a recent innovation in England and Wales and we would suggest that further evidence needs to be gathered before they are introduced in Scotland. While we have little doubt that by bringing a more focussed approach ALMOs can bring about improvements in both the quality and efficiency of housing management, it is hard to see in the absence of debt write off how they can bring about the investment in the housing stock which is brought about by either full or partial transfers to a housing association.

54. In addition, providing an ALMO with Government financial support where debt levels constrain their ability to deliver improvements will simply increase the cost to the public purse and in addition increase further debt levels. We would suggest that local authorities who find themselves in the position of not being able to improve the quality of their housing stock should be promoting full or partial transfers. It has been proved that where the political will and desire exists that tenants can be convinced of the case for doing so and business cases can be developed which allow the receiving housing association to both undertake new development and substantial investment in the existing housing stock.

Tenants – protecting and promoting interests

55. We fully accept that a regulatory function for the social housing sector must have a duty to protect the interests of tenants and also public investment in the sector. However, it is disappointing that the role of the regulatory function in relation to supporting increased private investment in the sector is largely ignored in the discussion paper, particularly at a time when the Scottish Government is looking to reduce the level of public subsidy and drive efficiencies in the sector and increased private investment will be required to increase social housing supply. As a result, increased risk profiles will come from pressures on housing associations to diversify and become more efficient. It is interesting to contrast the position with that in England and Wales where the Housing Minister, in her announcement on 15 October 2007 on the new regulatory regime which will apply there, stated that:

"It is vital that the new regulatory arrangements command the confidence of lenders in order to support increased new social housing."

56. Regulation of housing associations in Scotland has supported a committed investment by lenders of £2.6 billion in the sector. The existence of regulation has been, and remains, the key element in the risk/return equation for lenders that allows funding to be widely available at rates well below those prevailing for commercial lending. In the absence of regulation, or with diminished regulation, the likelihood is that lenders would continue to fund housing associations, but this would take place at very significantly higher rates and with individual access to funds being subject to more critical appraisal by lenders.

57. While regulation in itself does not eliminate risk, and the Government itself does not underwrite the housing association sector, it does limit risk by establishing and maintaining minimum standards of governance, financial management and other aspects of performance. Regulation also provides the regulator with tools to intervene in housing associations which fall short of recognised standards. The effectiveness of regulation is directly related to pricing and the availability of lending in respect of both new and existing borrowing.

58. The majority of lenders involved in lending to the social housing sector in Scotland operate on a UK-wide basis. Therefore, when lending propositions are being considered regulatory standards are important, and these are contrasted with what exists in England and Wales. It is fair to say that there is an increasing concern that in Scotland lenders are not seeing sufficient evidence of supervision by the regulator.

59. Baseline inspections have not been completed as yet for all housing associations and while the discussion paper refers to these being completed for local authority landlords it does not say if this will also apply in case of housing associations. The absence of baseline inspections in the case of some housing associations may cause issues for lenders. In addition, the proposed regulatory assessment statements are still being developed and we have seen no output to date from these.

60. We are aware that Communities Scotland is to produce shortly a guide on how they regulate the housing association sector in Scotland. While this will undoubtedly help, from a lender perspective what is required from the regulator sooner rather than later is indicators of how the regulator views the housing association in certain key areas and as a consequence their level of engagement with it. This could be done simply by using "a traffic light system" to highlight a high, medium or low level of engagement by the regulator with the housing association, as is currently provided by the Housing Corporation..

61. We note that the proposals contained in the paper for modernising regulation cannot be implemented immediately as some aspects will require primary legislation. It would be preferable for any new regulator with independence from Government to be established by statute as a public corporation as such status would be preferable to either non-departmental public body or executive agency status.

62. It would be helpful if the model to be adopted in England and Wales was to be followed in this regard and there should be a new domain-wide regulator for the social housing sector. This would provide an orderly transition from the existing arrangements. This is vital in light of current capital market and housing market uncertainty and increased development risks facing housing associations. We believe that an independent regulator drawing on Communities Scotland experience would have more experience than say, an organisation such as Audit Scotland, of regulating the private sector and of finance and governance issues rather than simply service outputs.

63. While we support much of what is contained in the Crerar review, it has in our view ignored the unique position in which housing associations find themselves. Their funding does not solely come from the public sector and they are engaged in business activities as landlords and increasingly as developers. These activities carry their own financial risks and involve substantial investment of private finance. They are, therefore, operating in an increasingly commercial environment and issues around the governance and management (and financial management) of the sector require specific focus by the regulator if lender and capital market confidence is to be maintained. Crerar is silent on the issues of governance, management and finance but instead concentrates on outputs. Issues of governance and management are, in our view, equally important as problems in this area can often be an early warning sign of more serious issues with financial management. Given the unique position of housing associations we would prefer the new regulator to be a separate organisation constituted as outlined in 61. above

64. Lenders would wish to be closely involved in the transition from Communities Scotland to the new regulator and it will be vitally important that the "eye is not taken off the ball" during the transition period.

Further contact

65. This response has been prepared by the CML in conjunction with its members. Any comments or enquiries should, in the first place, be directed to:

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