

# REVIEW OF THE CROFTERS ETC BUILDING GRANTS AND LOANS SCHEME (CBGLS) 2003

CONSULTATION PAPER

September 2003



SCOTTISH EXECUTIVE

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## **CONSULTATION PAPER**

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This consultation paper has been prepared by the Crofting Branch of the Scottish Executive Environment and Rural Affairs Department (SEERAD). Your views on any aspect of the CBGLS scheme would be very welcome.

### **How to respond**

To help summarise the issues, each section of the consultation document is followed by a question and these are repeated on a tear-out form for responses on page 18. You can respond by:

- Completing the form on our website at [www.scotland.gov.uk/views/views.asp](http://www.scotland.gov.uk/views/views.asp)
- Sending us a completed form by e-mail to [jen.jones@scotland.gsi.gov.uk](mailto:jen.jones@scotland.gsi.gov.uk)
- Writing a letter to us at Pentland House

Comments on these proposals should be sent by **31 December 2003**.

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As usual, copies of replies received will be made available to the public on request, unless respondents indicate that all or part of their response is confidential.

## Foreword by The Deputy Minister for Environment and Rural Development



This year, the new Scottish Executive reaffirmed its support for crofting in The Partnership Agreement. Housing is a key element of crofting infrastructure and the The Crofters etc Building Grants and Loans Scheme, known to all concerned as the CBGLS, has now been available to assist crofters with housing for almost a century. There is no doubt that this assistance has provided a valuable contribution to crofting areas and in particular has worked to stem rural depopulation in some of the most economically fragile and remote parts of the Highlands.

However, crofting, and the needs of crofting communities are changing. It is vital that any form of support keeps pace with change and remains effective. Consequently, this review of the rates and future shape of the CBGLS was announced by Ross Finnie on 28 October 2002, at the Convention of the Highlands and Islands in Oban.

Linked to the scheme review was the announcement by The First Minister, that jobs administering the CBGLS would be re-located from Edinburgh to the crofting counties. The CBGLS was the first area of work identified under the *small units initiative*. Even small numbers of jobs can make a significant economic impact in rural areas and this initiative operates under the general policy of the Scottish Executive of dispersing government jobs throughout the length and breadth of Scotland. It is sensible to consider the review and relocation together so that jobs in the new location, or locations, will be tied to a revitalised and sustainable scheme.

Of course, there are always many competing pressures on government finances and this review offers the opportunity to ensure that public money is well targeted and being spent **effectively** – to achieve the objectives of the scheme, and **efficiently** – to ensure value for money is being achieved. I have therefore asked for a wide-ranging consultation involving many bodies and interests to ensure the review is both comprehensive and robust.

The following paper sets out a range of options and is intended to provoke discussion. The consultation will be open for three months and your views are vital and will be fully considered in shaping new proposals. I look forward to receiving your responses and I would like to take this opportunity to thank you for your participation.

A handwritten signature in black ink, appearing to read 'Allan Wilson', with a stylized flourish at the end.

**Allan Wilson MSP**  
September 2003

### Background to the Review

- 1 The Scottish Executive has a policy of dispersing public sector jobs throughout Scotland. Under this policy the administration of the CBGLS was identified for relocation from Edinburgh under the *small units initiative*. An announcement of the relocation was made on 28 October 2002, at the Convention of the Highlands and Islands in Oban, by The First Minister, Jack McConnell.
- 2 At the same conference The Minister for Environment and Rural Development, Ross Finnie, announced that the rates and the future shape of the scheme were to be reviewed. The re-location and review present an opportunity to ensure that the scheme meets current and future needs of the crofting communities and that relocated jobs are fully sustainable.
- 3 Scheme changes are to be met from within the existing budget, agreed under the Spending Review. This consultation exercise is about how the funding provision can work most effectively to deliver the objectives of the scheme. The current Crofting Reform Bill (in preparation) offers an opportunity for legislative change.

### What is the CBGLS ?

- 4 The scheme dates back to 1911 and is now implemented through the Crofters (Scotland) Act 1993. Its purpose was to assist crofters in the Highlands and Islands of Scotland whose unique tenure means they have neither a tied house, nor ownership of the land on which the house is built. These circumstances resulted in notoriously poor housing.
- 5 A major change came with the 'right to buy' introduced in the Crofters (Scotland) Act 1976. This enabled a crofter to become an owner-occupier of the house site or the entire croft. This was significant, as it gave the option of ownership of the house and land, which could then be offered as security for mortgage lending.
- 6 CBGLS provides for both building new houses and the improvement and extension of existing houses. Only crofters and cottars with a genuine housing (*rather than funding*) need are eligible. Over the last 10 years, more than 1000 new houses have been built and just under 1000 improved. Average annual expenditure over that period has been £3.2 million.

## The Policy Context

- 7 The objectives of the CBGLS are defined as:
  - **To help retain population in the remote areas of the Highlands and Islands of Scotland**
  - **To improve and maintain the quality of crofter housing**
  - **To enable the crofter to live on, and therefore to work, the croft.**
- 8 By offering general support to crofters, the scheme protects some of the most fragile communities and helps meet the problems of housing where the building costs may exceed the subsequent value of the house. It is targeted at the infrastructure of crofting areas – to provide a varied stock of adequate housing.
- 9 The CBGLS is tied to a long-term commitment to the croft. The applicant must be resident, and there must be some croft-based activity. This helps ensure that money spent on the scheme supports local communities and guards against absentee or second home ownership.
- 10 Successive reports and studies\* have concluded that the CBGLS has been a significant factor in retaining population in the Highlands and Islands, and that the scheme achieves high leverage (private: public investment) compared to other funding mechanisms for housing.
- 11 The view of the Land Reform Policy Group (February 1998) was: ‘It is widely accepted that crofting tenure has played a significant role in minimising population loss in remoter areas of the Highlands and Islands, by providing low cost land and housing as a basis for other economic activity: and that it encourages non intensive methods of farming’.
- 12 In addition to CBGLS, several forms of social housing assistance are provided through local authority house improvement grants and Communities Scotland Rural Home Ownership Grant (RHOG). Rather than duplication; ‘...the various schemes which exist to support housing in the crofting areas do tend to complement one another’. This was the conclusion of the Scottish Homes (Shucksmith) report in 1993 and was supported by an examination of the CBGLS by Chapman Hendy Associates for Western Isles Council in 1998.
- 13 Despite past success, the first question for the review must be whether any special form of assistance should continue to be provided exclusively for crofters. There is a limited pool of applicants and at some point the need (particularly with respect to new houses) will be largely satisfied. There is also a question of whether it is fair that other (non-crofter) residents in rural or remote areas should be excluded. A lack of building sites has been identified as a factor impeding development in some remote areas.

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(\* PIEDA – Evaluation of the CBGLS, 1994; Scottish Homes – A Review of Support for Crofter Housing 1993)

- 14 The alternative to the CBGLS could be to combine funding with other housing and development support schemes that did not necessarily recognise crofting as the only criterion for the delivery of this area of rural policy.

### Question 1

Is there a continuing need for a special housing scheme that is available exclusively to crofters?

- 15 The 2001 Housing Act created an enhanced strategic role for local authorities. 'A Policy Framework for Private Housing in Scotland' by the Scottish Executive Housing Improvement Task Force, was published in 2003. Emphasis is given to the requirement for local authorities to produce Local Housing Strategies. **If the CBGLS is to continue as a stand-alone scheme, it is important that it is operated in accordance with the Housing Strategies and in partnership with the local authority and other bodies. Making the scheme more flexible, and capable of being targeted at key local needs, would assist in integration with the Strategies.**

### The Current Scheme

- 16 Spending on the scheme has been in the region of £2.3m to £2.7m per annum for the last few years out of an annual budget of £3.4m.
- 17 The scheme was last modified in 1999. The changes comprised a threshold to eliminate smaller improvement schemes, and a simplified fixed grant for new housing projects. This fixed rate eliminated the need for extensive checking of estimates and work progress and led to significantly less involvement for the technical staff at SEERAD Area Offices. Eligibility was also extended to other applicant groups including younger applicants and council tenants.
- 18 The rates were last increased in 1990. Whilst inflation has led to a 60% erosion in the value of support in terms of building costs, freezing the assistance rates has enabled the numbers of approved applications to be maintained at a lower real intervention cost.

Current levels of assistance are:

	<b>Grant £</b>	<b>Loan £ Up to 40 years @ 7%</b>	<b>Total Assistance Available (max) £</b>
<b>New Housing</b>	11,500	17,500	29,000

	<b>Grant £</b>	<b>Loan £ Up to 20 years @ 7%</b>	<b>Total Assistance Available (max) £</b>
<b>Improvements</b>	2,000	10,500	12,500

**19** The numbers of approvals for the last 3 years were:

	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>
<b>New Houses</b>	191	97	102
<b>House Improvements</b>	42	17	25

**20** A supplementary scheme provides various levels of assistance towards water supply, gas and electricity supply, access road, etc. The total expenditure on this is about £120,000 per annum.

## Possible Changes to the CBGLS

### No Change – with Modest Increase

- 21** The option for least change would be to retain the current structure of the scheme, but with a modest increase in grant. The current level of applications would allow for an increase of around 25% across the board.

(Existing rates are in brackets)

	Grant £	Loan £ Up to 40 years @ 7%	Total Assistance Available (max) £
<b>New Housing</b>	14,375 (11,500)	21,875 (17,500)	36,250 (29,000)

	Grant £	Loan £ Up to 20 years @ 7%	Total Assistance Available (max) £
<b>Improvements</b>	2,500 (2,000)	13,125 (10,500)	15,625 (12,500)

- 22** Existing arrangements have the advantage of proven delivery and being well understood. The provision of loans could be continued, but the interest rates would have to be reviewed as these are currently in excess of commercial rates and up-take of the loans is consequently in decline.
- 23** The main disadvantage with the ‘no change’ option is that simply increasing the rates may result in paying potential applicants more money and would not improve the effectiveness of the scheme. This is known as ‘dead weight’ – increasing the grants may not deliver more benefits.
- 24** **There is also evidence that the current scheme is rather a ‘blunt instrument’. The scheme applies equally throughout the crofting areas of the Highlands and Islands. The same support is therefore offered to the most remote and economically fragile areas, and to locations close to towns with thriving economies.**

- 25 A summary of arguments for and against the existing arrangements – with a modest increase in rates:

FOR	AGAINST
Rules well understood	May increase the ‘dead weight’ – paying more towards projects that would go ahead in any case
Proven delivery	No targeting of grant
Minimal retraining of staff	Limited scope to increase the grant

### End the Provision of New Loans and Increase the Grants

- 26 Ending new loans would enable the £1.2m a year currently lent to be channelled into increased grants. Ending loans would also simplify administration arrangements.
- 27 Loans have been offered since the scheme’s inception. They were an essential element in supporting crofters before ‘the right to buy’ combined with a more liberal climate for mortgages enabled applicants to obtain private loans. There was also a variable element of subsidy in the loan due to an advantageous fixed rate and a long loan period.
- 28 Private loans (or mortgages) are now more readily available, enabling new housing projects assisted under the CBGLS to combine government assistance with private borrowing. This is borne out by a random selection of schemes chosen from the last few years. These showed 50% of new housing projects made use of a private loan. In essence, ending loans would substitute a private lender for the Department for the entire loan element of the project. (For house improvements, the Government loan is the principal element, and only 8% of a sample of recent improvement schemes had an additional private loan.)
- 29 A selection of 25 schemes from the last 2 years showed the **average new house** was funded as follows:

Funding Element	Amount	%
CBGLS Grant	£11,040	18
CBGLS Loan	£13,080	21
Private borrowing	£21,780	35
Private savings	£13,201	21
Own labour	£2,720	5
Total project cost	£61,821	100

- 30** In round figures, the cost of loan administration is £100,000 per annum. Loans absorb more resource to administer than grants. Although both forms of assistance are processed together, additional staff time is spent on checking income and preparing legal documents, debt recovery, and solicitors' fees.
- 31** Government loans do assist crofters with low incomes where a private lender may be less willing to take the risk. However, ending loans would enable grants to increase and fund a higher proportion of the project cost. Although it is not necessarily low earners that fail to keep up with payments, currently 18% of borrowers are in arrears and this is a burden for SEERAD. It should be borne in mind that the Department does not want to encourage inappropriate or 'high-risk' lending.
- 32** Another consideration is that the Department is content to lend on the basis of a bond, but private lenders have so far required the borrower to become an owner-occupier of the house site (rather than a tenant) in order to provide standard security for the loan. If it was felt new loans should now be ended, SEERAD could explore mitigating measures with the main banks.
- 33** On one hand, the provision of loans to crofters may be seen as appropriate special assistance; and to some a loan from The Government may be viewed quite differently from a private loan. On the other hand, the loans are core business for banks and government loans may be seen as an out-dated and unnecessary measure that works against a culture of independence and enterprise.
- 34** A summary of arguments for and against ending new loans:

FOR	AGAINST
Allow grants to increase	May disadvantage low-income applicants (and to guarantee could be costly)
Allow more projects to proceed	Lower leverage of funding
Increase efficiency of administration	Loss of income to the Department as current rates offer a good return
Simplify the scheme	
Encourage independent action	
Cheaper loans currently commercially available	
The scheme would be easier to administer locally	

- 35 The real value of grants has eroded by 60% since the last review of incentives in 1990. Moreover, the scheme is currently under-spent by about £0.8m.
- 36 Combining the under-spend with funds from ending loans would allow for an increase of £1.6m on current grant expenditure. Increased grants would compensate for ending loans, help address the erosion in grant value and provide scope to target the scheme.
- 37 For new housing, scheme changes in 1999 made a fixed contribution to house cost rather than a percentage. The change eliminated much checking of work and approval of estimates. A fixed rate also works in favour of basic need, as less costly projects are effectively assisted at a higher percentage. **The fixed contribution has proved to be a simple and robust basis for financing new house construction.**
- 38 Increased grants (and extended eligibility) are likely to increase uptake. To ensure the budget is not over committed, an approval condition may be required to spend (and claim) the grant within a given financial year. There could be an allowance for exceptions; for example crofters intending to undertake work themselves, providing this was agreed at the outset.
- 39 A summary of arguments for and against increasing the grant rates:

FOR	AGAINST
<p>May stimulate more applications and therefore increase the effectiveness of the scheme</p> <p>Improved package (outright grant) for applicants</p>	<p>Lower leverage of public : private funding</p> <p>Higher grants will increase the costs of the scheme</p> <p>Fewer projects could proceed for a given budget</p> <p>May increase the 'dead weight' – paying more towards projects that would go ahead in any case</p>

## Question 2

Do you think changes should be introduced to end new loans and channel the money saved into grants?

### Apply Geographic Targeting to the Scheme

- 40 Targeting is designed to increase effectiveness. This is measured by the delivery of the scheme's objectives:
- **To help retain population in the remote areas of the Highlands and Islands of Scotland**
  - **To improve and maintain the quality of crofter housing**
  - **To enable the crofter to live on, and therefore to work, the croft.**
- 41 Geographic targeting of the scheme could make a significant improvement to effectiveness by directing resource to where it will really make a difference. A key objective is helping to retain population in remote and fragile economic areas. At the present time the same assistance is provided to both most remote islands and suburban locations where the economy is thriving. A linked factor is that one rate of grant does not take into account variations in building costs which tend to be higher in the most remote areas.
- 42 Three levels of grants could be defined. One approach would be to set a standard rate, applicable to the majority of areas, and then define special zones of both higher and lower priority.
- 43 The priority zones could be agreed on the following principles:
- **A partnership approach between interested bodies**
  - **The priority zones would be temporary and subject to periodic review**
  - **Zones of high priority would have to be balanced by similar zones of low priority to ensure the principle of targeting was maintained and the budget not exceeded.**
- 44 The Local Authority Housing Strategies and existing designations such as economically-fragile areas would be used to help decide on priorities. This would help integrate the CBGLS with other policy mechanisms. The Urban and Rural Classification of Scottish Households considers both population and drive times and this would assist in addressing the issue of remoteness. The fragility of the local economy and risk of population loss would be key criteria.

45 An example of how this approach might work would be:

Zone	Examples of Criteria	Target % of applications
<b>Standard</b>	All very remote rural areas* – more than a 60-min. drive time of a town with 10k population. ‘Fragile Areas’*	50
<b>High Priority</b>	Smaller islands, possibly some initiative at the Edge Areas (latE*), special project areas	25
<b>Low Priority</b>	Accessible and less remote rural areas.* Places where economic growth assures no risk of population loss. Areas outside the ‘Fragile Areas’ definition	25

\*Appendix 2 shows some of these areas that could be used by the partnership to help decide on the priority zones.

46 The above approach would allow for a flexible response to changing circumstances. It would present the opportunity to be proactive in areas most in need and in special project areas such as community partnerships.

47 Developing three categories of intervention would provide the basis for targeting of funding for new housing:

Description	Grant Rate	Grant £
High Priority	Rate + c.70%	<b>20,000</b>
Standard	Rate + c.40%	<b>16,000</b>
Low Priority	Existing Rate	<b>11,500</b>

48 In the high priority areas, this grant would amount to approximately 33% of the average cost of a new house.

49 A summary of arguments for and against geographic targeting of the scheme:

FOR	AGAINST
Partnership-working and integration with other bodies	Difficulty in defining areas
Increased effectiveness of the scheme	Some may consider it unfair
Special assistance where most needed in critical locations	Greater complexity
Flexibility for special projects	Add to administrative costs
Higher grants – where building costs are higher	

**Question 3**

**Do you support the principle of geographic targeting to enable more grant to be paid in the more remote and fragile areas?**

## Increase House Improvement Grant

- 50 From 1999, a threshold of £8,000 was introduced to eliminate many small improvements (such as new porches). These were expensive to administer and did not really contribute to retaining rural population. This resulted in a dramatic decrease in applications and at the present time only around 20 improvement schemes are being approved annually. The main reason for the low application rate is likely to be the current modest grant of £2,000 and the high interest rate (7%) on the loan.
- 51 One option would be to bring house improvement assistance to an end. The local authorities provide grants towards improving the basic amenities and structure of houses (but not for extensions to accommodate families) and the existing CBGLS is of limited appeal. Ending the improvement element of CBGLS would simplify the scheme and make more money available for new houses of a high standard.
- 52 An alternative would be for a substantial increase in support for improvements. Significant projects to redevelop or rehabilitate low-standard housing would improve the crofting infrastructure and contribute to retaining population in rural areas. The current emphasis on new housing overlooks some of the special benefits of improvements as a method of raising accommodation standards:
- **Avoiding dereliction**
  - **Preserving traditional house types**
  - **Assisting older residents who may be less willing to move**
  - **Making use of existing buildings and thereby preserving in-bye crofting land from development**
  - **Avoiding de-crofting new house sites**
  - **Extending existing houses for new young families**
  - **Greater local economic benefits, as improvement retains a higher proportion of spending in the local economy than new building.**
- 53 As with house-building projects, effectiveness could be improved by the differential rates of intervention according to priority zones. Improvement grants could be increased to the same as new housing to give a **maximum** of:

Description	Grant Rate	Grant £
High Priority	40%	<b>20,000</b>
Standard	30%	<b>16,000</b>
Low Priority	20%	<b>11,500</b>

- 54 To concentrate resources on more substantial projects the minimum project cost of eligible works could be increased from £8,000 to £10,000. This would ensure that improvement projects made a worthwhile contribution to the crofter housing stock.
- 55 The following table shows how the proposed new rates for house improvements could be applied. Different percentage rates would be used according to priority area. (The percentages are comparable with the intervention rates for new housing based on the average cost of a new house.) The first column shows sample project costs.

Project Cost £	Low Priority (20%)		Standard (30%)		High Priority (40%)	
	£ Grant	£ Owner	£ Grant	£ Owner	£ Grant	£ Owner
<10,000	0		0		0	
15,000	3,000	12,000	4,500	10,500	6,000	9,000
20,000	4,000	16,000	6,000	14,000	8,000	12,000
25,000	5,000	20,000	7,500	17,500	10,000	15,000
30,000	6,000	24,000	9,000	21,000	12,000	18,000
35,000	7,000	28,000	10,500	24,500	14,000	21,000
40,000	8,000	32,000	12,000	28,000	16,000	24,000
45,000	9,000	36,000	13,500	31,500	18,000	27,000
50,000	10,000	40,000	15,000	35,000	20,000	30,000
60,000	11,500	48,500	16,000	44,000	20,000	40,000
65,000	11,500	53,500	16,000	49,000	20,000	45,000

- 56 This proposal would involve more work for local SEERAD technical staff as estimates for improvement works would have to be obtained and assessed.

57 A summary of arguments for and against **increased** and **targeted** house improvement grant:

FOR	AGAINST
Secure special benefits of house renovation and improvement	Make less money available for new building
Increased effectiveness of the scheme	Some may consider targeting unfair
Special assistance where most needed	Improvements introduce greater scheme complexity and more work for local staff
Flexibility for special projects	

#### Question 4

Are you in favour of increasing house improvement grants?

**Combined Funding for Water and Roads**

- 58 Separate consideration of water and roads is an anomaly that has its origins in a previous scheme. The present expenditure on these elements is only £120k together with some administrative cost. In the last 5 years an average of 40 roads and 65 water projects were approved. Most of these were carried out as part of a wider CBGLS project.
- 59 Water and roads could be considered as part of the eligible work for both new housing and improvement projects. For new housing, the fixed grant rate does not identify items of expenditure and this would allow an applicant to include these items if necessary. This would help ensure that assistance was channelled towards more substantial projects.
- 60 A summary of arguments for and against combining water and roads into the main CBGLS scheme:

FOR	AGAINST
Greater flexibility for applicants	Separate projects for water and roads could not attract grant
Administration saving	
Funding combined with CBGLS	

**Question 5**

**Do you support the incorporation of the Water and Roads Grant with the main CBGLS?**

## Eligibility for the CBGLS

61 In considering eligibility, it has to be borne in mind that the overall budget for the scheme is to remain the same. If grants are increased for both new houses and house improvement it is likely that up take will be greater. At an average cost of £17,000 the number of projects (new housing or improvement at the same rate) that could be assisted would be 200 pa. This can be compared to a current up-take of about 100 new houses and 20 improvements. However, **widening eligibility could contribute to the scheme objectives, especially in some less populated areas, whilst maintaining the focus on crofting activity.**

### (i) Owner-occupiers

62 CBGLS currently stipulates that owner-occupiers are only eligible if they acquired their crofts within the last 7 years. It is evident that other owner-occupiers are equally capable of contributing towards the objectives of the scheme; for example people who have inherited a run-down croft and are eager to restore it and settle.

63 By including owner-occupiers there is a risk of the scheme being over subscribed. At present there are 3,567 owner-occupied crofts. A proportion of those who acquired their crofts within the last 7 years are already eligible and applicants would have to meet all the other requirements of the scheme in terms of residence and need. If the changes resulted in a significant upturn in demand a cash limit could be imposed together with a grant condition to determine the year of spending (para 38).

64 A summary of arguments for and against including all owner-occupiers of crofts in the scheme.

FOR	AGAINST
Increase effectiveness by extending the pool of potential applicants	Risk of the scheme becoming oversubscribed
Including crofters who could contribute to the scheme objectives	

### Question 6

Are you in favour of extending eligibility of CBGLS to all owner-occupiers of crofts?

**(ii) Means Testing**

- 65 CBGLS will soon be unique in making grant for housing support available irrespective of the applicant's means. In the context of providing assistance to owners to improve the condition of their homes, the Housing (Scotland) Act 2001 introduced means testing as a basis for paying local authority improvement and repair grants, and this is to be implemented from October 2003.
- 66 The Scottish Executive's Housing Improvement Task Force has carried out a review of policy on the condition of housing in the private sector (Stewardship and Responsibility, March 2003). It proposes a broader scheme of assistance than exists at present and recommends that the amount of any subsidy to an owner-occupier should reflect the financial circumstances of the owner (or the disabled person where the subsidy is for disabled adaptations) and their spouse or partner. Similarly, the Rural Home Ownership Grant (RHOG) operated by Communities Scotland, is based on earnings. Means testing of the CBGLS would be another way of targeting assistance. It would ensure that grants were only paid to those in need.
- 67 Means testing could help reduce the funding allocated to projects that would go ahead regardless of grant. If the scheme became over-subscribed, means testing would be a way of setting priorities. However, it would be difficult to quantify how much would be saved and setting the threshold may be problematic.
- 68 In practice, current experience indicates that means testing would not eliminate many applicants as the average earnings of crofters who applied to the scheme for loans was £17,500 (based on the declared income of a random selection of 25 schemes from the last 2 years).
- 69 The principal argument against means testing is that the CBGLS grant has never been a social housing scheme as such, rather one aimed at the infrastructure of crofting areas and the crofting way of life. In other words the scheme is intended to promote investment in the housing stock – rather than crofters themselves.
- 70 Some further arguments against means testing are:
- **High administrative costs**
  - **Social stigma associated with obtaining the grant**
  - **Encouragement of 'devious' applications that show low incomes**
  - **The poverty trap – where increased earnings result in lost benefit**
  - **Unfair to prudent families**
  - **CBGLS is complementary to other schemes (such as the RHOG) – that do assist poorer families**
  - **Fixed grants effectively assist small projects at a higher percentage rate than more lavish ones.**

**71** Assessing means is relatively straightforward where applicants are employees but generally more problematic where applicants are self employed or have several sources of income. This is often the case with crofters.

**72** A summary of arguments for and against means testing:

FOR	AGAINST
Grants only paid to those in need	CBGLS is intended to improve crofting infrastructure rather than be a social housing scheme
Consistency with other housing policy measures	Difficulty in assessing means and high administrative costs
	Fixed grants already work in favour of basic need

### Question 7

Do you think CBGLS should be means tested?

### **Detailed Administrative Changes**

#### **(i) Payment of fewer instalments**

- 73** At present there are up to five instalments on a new housing project. For a rapid build time, as is the case with timber frame kit houses, these could be reduced to three. Exceptions could be allowed in cases where crofters intend to do much of the work themselves.

#### **(ii) Grant conditions**

- 74** Under current rules, grant must be repaid together with interest at 12.5% if grant conditions are breached within 20 years for new houses and 5 years for improvements.
- 75** Whilst it is desirable to have disincentives (para 9) for recipients moving on, etc. the interest rate is now outdated and should be revised. The 20-year time period is also rather long – especially considering that the croft based activity is now not necessarily agricultural. On the other hand, if house improvements are to be increased to the same level as new houses the 5 years is perhaps too short a period.
- 76** Changes are therefore proposed to revise the interest rate for reclaims and to change the time period for conditions to apply to 15 years for new housing and 10 years for improvements.

### **Question 8**

**Do you agree with the ideas for changes to the administration of the scheme?**

## Re-Location to the Crofting Counties

77 Delivery of the CBGLS currently comprises:

- **A centralised administration function – carried out by nine full-time administrators located in Edinburgh**
- **A field function – carried out through nine local SEERAD area offices by technical and administration staff**
- **A policy and supervisory function carried out in Edinburgh**

78 Re-locating the Edinburgh element to the crofting counties would involve six to ten full-time administrative posts and a supervisory post. A policy function would remain in Edinburgh. The precise staff requirement will depend on the detail of the revised scheme.

79 At the present time, staff at the SEERAD area offices have limited involvement in the scheme. Their role was much reduced through changes to the scheme since 1999 and now comprises certifying payments, confirmation of project completion and occasional technical reports. There would be an enhanced technical role if the option for house improvements is adopted.

The options for relocation are:

### **Option 1: Relocation of an Administrative Office**

80 A separate central administrative office would be retained. The administration could be undertaken remotely at a location anywhere in the crofting counties. Local contact would continue to be provided by SEERAD offices. Good transport communications would not be essential for the location, as electronic communication facilitates remote working. If this option were chosen, a shortlist of locations would be drawn up for consideration in consultation with key bodies under the *small units* initiative relocation policy. This would be undertaken once this review has determined the shape of the future scheme and resources required.

### **Option 2: Use of Local SEERAD Offices**

81 The field function and administration would both be carried out locally. This option would make use of the existing SEERAD office structure and support. Both the technical function and administrative function would take place in the local office. The scheme administration would be divided between three or four local offices, taking account of the number of schemes in the area. One of the offices would take the lead role and provide an overview of the scheme and guard against inconsistency of operation.

## Discussion

- 82** A key factor is the degree to which the scheme is to be delivered locally. There is a view that current arrangements do not involve local staff sufficiently to enable them to keep up-to-date with the scheme and deliver informed advice. However, **it is clear that applicants value the ability to call into a local office for an ‘over the counter’ discussion.** The local knowledge of area staff (largely due to previous levels of involvement), is also valued by administrators. Applicants have regular contact with the SEERAD office for other matters and as a result staff accumulate a good understanding of the local scene.
- 83** **Option one** would continue with a central administration. However, if various changes to the scheme are implemented, particularly the increased emphasis on house improvement, the local offices will have an enhanced role. This will work in favour of local delivery.
- 84** **Option two** would combine all the administration and technical aspects and this would ensure an informed service to local applicants by staff dealing with local schemes.
- 85** Whichever option is chosen, it would be sensible to examine local working arrangements to link with other activity in the sector. It may be that more use could be made of local authority building inspectors, local agents of Communities Scotland and possibly private expertise. Linking with other bodies may help to co-ordinate activity in the housing sector.
- 86** The administration of loans would be more of a challenge for local offices and declaring financial details in a small community may be difficult.
- 87** If option one is adopted, **the location of the administrative office** would be decided by a number of criteria. These are likely to include:
- **In the old crofting counties**
  - **In the main crofting areas**
  - **In fragile economic or regeneration areas**
  - **Suitable staff and recruitment pool**
  - **Suitable office space and IT connections**
  - **Evidence of local need and potential positive impact**
  - **Special considerations, such as recent closures or fragility of the economy.**

**88** A summary of arguments concerning the relocation options:

Option	FOR	AGAINST
1 Relocate separate admin. office	<p>Benefit of new jobs in the one (remote) chosen location in accordance with relocation policy</p> <p>Consistency of approach</p>	<p>Little local contact or use of local knowledge</p> <p>Office costs</p>
2 Local Offices of SEERAD	<p>Local delivery to applicants 'over the counter'</p> <p>Benefit to several remote locations</p> <p>Make use of existing offices</p> <p>Make use of existing supervisory staff</p>	<p>Possible inconsistency of approach</p> <p>Issues of partiality may arise in small communities</p> <p>Modest relocation impact</p> <p>May be difficult to ensure cross-checking by different staff</p>

**Question 9**

What is your preference for the relocation of the CBGLS administration?

## Appendix 1

### RESPONSE FORM

#### REVIEW OF THE CROFTERS ETC BUILDING GRANTS AND LOANS SCHEME (CBGLS) 2003

Please fill in the form below to record your views. After each section there is a space for comments and further thoughts; include other options if you would like them considered. Please continue in the space at the end if you have more to say on a particular question. Other views (in addition to the questions) would also be welcome. Please continue on a separate sheet if necessary.

**Please send all responses by 31 December 2003 to:**

**Jennifer Jones  
CBGLS Review  
Mail point 1D  
SEERAD  
Pentland House  
47 Robb's Loan  
Edinburgh  
EH14 1TY**

**Or e-mail to [jen.jones@scotland.gsi.gov.uk](mailto:jen.jones@scotland.gsi.gov.uk)**

**The form is available at [www.scotland.gov.uk/views/views.asp](http://www.scotland.gov.uk/views/views.asp) to be completed on line or down loaded**

Q No	QUESTION	OPTIONS: please indicate your opinion by ticking the option you prefer	Tick one	
1	<b>Is there a continuing need for a special housing scheme that is available exclusively to crofters?</b>	A – CBGLS is continued  B – CBGLS is merged with other housing support schemes	A	B

Reasons / comments:

Q No	QUESTION	OPTIONS: please indicate your opinion by ticking the option you prefer	Tick one	
2	<b>Do you think changes should be introduced to end new loans and channel the money saved into grants?</b>	A – Changes to end loans and increase the rates of grant  B – No change but a modest increase in grants and continue with loans	A	B
Reasons / comments:				
3	<b>Do you support the principle of geographic targeting to enable more grant to be paid in the more remote and fragile areas?</b>	A – Zones for different rates of grant  B – All grant should be the same	A	B
Reasons / comments:				
4	<b>Are you in favour of increasing house improvement grants?</b>	A – House improvement increased to the same as new housing  B – House improvement ended and all funds put into new housing grant	A	B
Reasons / comments:				
5	<b>Do you support the incorporation of the Water and Roads Grant with the main CBGLS?</b>	A – Incorporate the water and roads into the CBGLS  B – Continue with a separate grant	A	B
Reasons / comments:				

Q No	QUESTION	OPTIONS: please indicate your opinion by ticking the option you prefer	Tick one	
6	<b>Are you in favour of extending eligibilty of CBGLS to all owner-occupiers of crofts?</b>	A – Eligibility extended to all owner-occupiers  B – Owner-occupiers not eligible (other than those that bought within 7 years)	A	B
Reasons / comments:				
7	<b>Do you think CBGLS should be means tested ?</b>	A – No means testing  B – Means testing	A	B
Reasons / comments:				
8	<b>Do you agree with the ideas for changes to the administration of the scheme?</b>	(1) – Payment of fewer instalments  (2) – Changes to grant conditions	Yes	No
Reasons / comments:				

Q No	QUESTION	OPTIONS: please indicate your opinion by ticking the option you prefer	Tick one	
9	<b>What is your preference for the relocation of the CBGLS administration</b>	A <b>A separate administration office</b> at one location in the crofting counties  B <b>Local offices</b> of SEERAD that combine delivery of administration with the technical function	A	B
Reasons / comments:				
If option A is preferred, do you have suggestions for the office location? Please refer to the criteria at paragraph 87.				
Location		Reasons		

Do you have further comments or anything you want to say about the consultation paper or the CBGLS scheme?

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.....

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.....please continue on a separate sheet if you wish.

Do you wish this response to remain confidential?      Yes       No

Your Name (please print) .....

Address: .....

E-mail ..... Telephone Number .....

Occupation/Interest

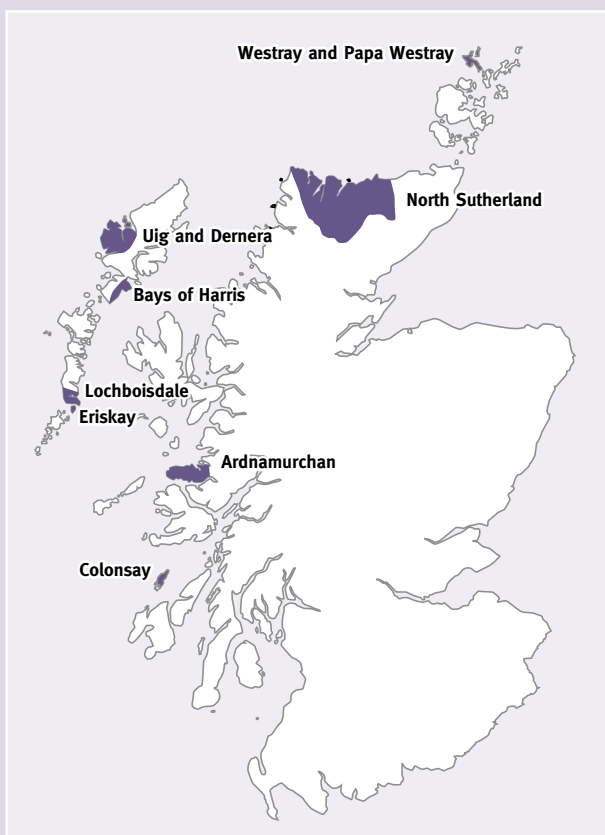
Crofter tenant       Owner-occupier       Crofting landlord

Other land owner       Other (please specify)

## Appendix 2

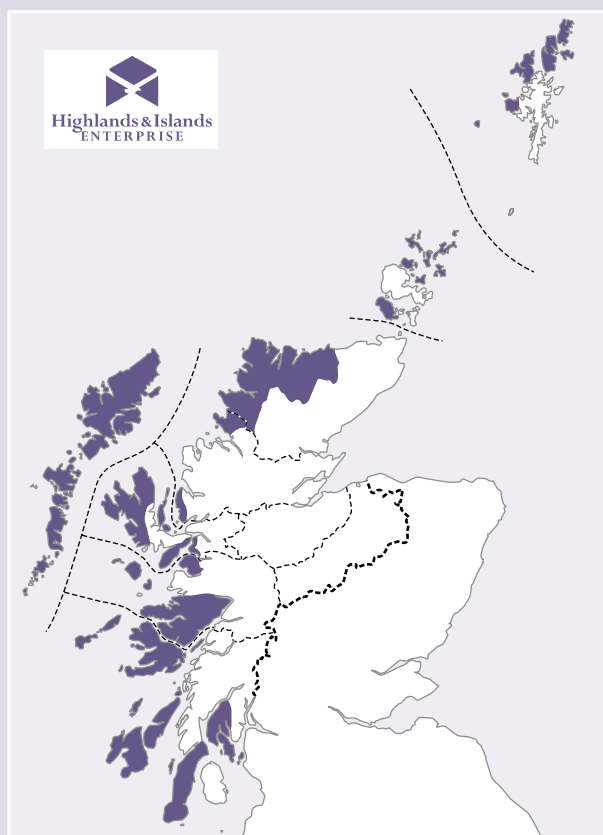
### EXISTING DESIGNATIONS

These could be used to help define priorities through a partnership approach.



#### Initiative at the Edge (IatE) Areas

A partnership agreement for communities in remote areas.



#### Fragile Areas

Disadvantaged areas of the Highlands and Islands Enterprise Region defined on the basis of 12 geographic, demographic and economic criteria.

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