

Homes Fit for the 21st Century

The Scottish Government's
Strategy and Action Plan for Housing
in the Next Decade: 2011-2020



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SCOTTISH GOVERNMENT

Homes Fit for the 21st Century

**The Scottish Government's
Strategy and Action Plan for Housing
in the Next Decade: 2011-2020**

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Contents

Foreword by Nicola Sturgeon MSP, Deputy First Minister and Cabinet Secretary for Health and Wellbeing, and Alex Neil MSP, Minister for Housing and Communities

Introduction – Our 2020 vision and strategic approach	02
Part 1 – New Supply	06
Part 2 – Choice and Quality	30

Foreword

This policy paper sets out the Scottish Government's vision for housing for the coming decade, drawing on the housing discussion which took place last year.

We make no apology for setting out an ambitious agenda. Scotland needs many more new houses and to significantly enhance the quality and sustainability of our existing housing stock and the surrounding neighbourhoods. The Scottish Parliament has also committed to a set of demanding targets on homelessness, fuel poverty and climate change, which must be met.

We need to find ways to achieve this despite the additional major challenges stemming from the credit crunch and the UK Government's cuts to public spending. That is why we are setting out a radical agenda with profound implications for the way we think about housing, the way we invest, the way we make use of existing housing, and the way we support our people in their housing choices.

Necessity is the mother of invention, and the paper highlights examples of the ideas emerging from across the housing sector and beyond, which will help to deliver our vision.

Housing is about more than simply bricks and mortar. From children needing space to play and learn, to those seeking to buy or rent, to those requiring adaptations to continue living in their homes, housing touches everyone's lives, and in different ways. We believe that everyone should have a safe, warm home which they can afford, and we are committed to ensuring that this becomes a reality.



Nicola Sturgeon MSP
Deputy First Minister &
Cabinet Secretary for
Health and Wellbeing



Alex Neil MSP
Minister for Housing
and Communities

Introduction - Our 2020 vision and strategic approach

1 This document sets out the Scottish Government's housing vision and strategy for the decade to 2020.

2 Housing is a key part of our physical, economic, and social fabric. Getting housing "right" would contribute to our Purpose of sustainable economic growth to enable all of Scotland to flourish. It would also help us achieve the country's full potential through better educational and employment opportunities, healthier lives and a more prosperous and equal society.¹ Accessible, affordable housing and attractive local environments can contribute significantly to our wider aims to tackle poverty and health inequalities and to build confidence and capacity in communities. High quality housing and its surrounding environment helps to give our children the best start in life – for example through play areas where they can develop social skills and improve physical health.

3 For 2020, our vision is for a housing system which provides an affordable home for all. To achieve this we will need a strong recovery in the construction sector and a substantial increase in the number of homes of all types, including housing to meet the needs of disabled people and older people for independent living. We also need to see improvements in the quality of our homes, so that everyone has a warm and comfortable home, whether they own it, part own it, rent it privately, or rent from a social landlord.

¹ Analytical work examining the literature on the importance of housing for health, education and wider well-being can be found at: <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/marketcontextmaterials>.

4 Equally, the system must cater for the variety of needs and demands, offering different tenures and flexible transitions between tenures, helping to enhance economic growth and social mobility, as well as strengthening our communities.

5 Over the decade to 2020, we intend to achieve the four major housing-related targets set by the Scottish Parliament or the Scottish Government:

- by December 2012, all unintentionally homeless households will be entitled to settled accommodation;
- by April 2015, all social landlords must ensure that all their dwellings pass all elements of the Scottish Housing Quality Standard;
- by November 2016, so far as is reasonably practicable, nobody will be living in fuel poverty in Scotland; and
- by December 2020, improved design and greater energy efficiency in housing will have made a contribution to Scotland's commitments to reduce our energy consumption by 12% and our greenhouse gas emissions by 42%.

6 These are challenging objectives given the context of:

- a sharp decline in housing construction that has been felt not only here in Scotland, but across the UK, Europe and North America, and is diminishing the medium-term capacity of the construction sector;
- more restrictive financing of the private housing market, in particular a structural decline in mortgage availability;

- the projected growth and ageing of the population of Scotland, and reduction in the average size of each household;
- the prospect of sustained cuts to the availability of public funding, imposed on Scotland by the UK Government; and
- current and projected increases in energy prices, which place more people at risk of fuel poverty.

The extent and impact of the first four of these factors was considered in a recent publication by the Scottish Government Communities Analytical Services, entitled *The Scottish housing system: selected economic and social trends*².

7 On the other hand, the next ten years will also present opportunities. Through better design and the adoption of new technologies, we can reduce the cost of housing and improve quality. There will also be expansion of the green industries, which can reduce unemployment and benefit the wider economy. In addition, there will be greater devolution of powers to Scotland, in particular borrowing powers, which could fund new investment vehicles.

8 In May 2010 we published *Housing: Fresh Thinking, New Ideas*³, to launch a national housing discussion over the subsequent months. Many organisations and individuals took part in meetings and seminars, made their views known through the discussion website, or sent in written submissions.⁴ All contributions, written or otherwise, have helped to shape the

content of this new strategy for housing and we are very grateful to everyone who took the time to take part. A number of quotes from the discussion are included in this policy paper, but responsibility for the strategy rests with the Scottish Government.



The discussion paper has succeeded in provoking a debate within the sector about the key issues. ” ”

Scottish Federation of Housing Associations

9 The discussion showed a willingness to share ideas and best practice, and a recognition of the need to innovate. If we are to increase housing supply, ensure affordability, provide choice, and improve the places and houses we live in, then we need to continue to pool and stretch our ideas and resources. We see a key role for national representative bodies and organisations, and also for the Scottish Government, to continue this sharing of good practice, and the development of new approaches.

Our strategic approach

10 Given the scale of the challenges, we believe a more radical approach now needs to be adopted for the future of Scottish housing. Our overall strategic approach will therefore incorporate the following essential elements:

² See: <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/marketcontextmaterials/scottishhousingsystem>

³ See: <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/reform/resources/freshthinking>

⁴ A summary of the written responses is available at - <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/reform/resources/responses>

We recognise the vital role of social housing in providing people with an affordable home and a platform for getting on in life; we oppose UK reforms to Housing Benefit and the tenancy system, which will undermine work incentives.

We also recognise the need for Government support for the growing number of people priced out of home ownership, struggling to afford market rents but unable to access social housing.

We will support home ownership in a balanced and sustainable way, including the growth of innovative products such as shared equity and rent-to-buy.

We will make a decisive change in the way we support new developments, using Government funding to lever in the maximum possible investment from other sources. We will support local innovation by encouraging a wide range of pilots to address supply and other challenges.

We will continue the drive for new sources of finance and innovative financial solutions to help build affordable homes for less, including leverage models such as the National Housing Trust.

We will supplement new supply by making better use of existing homes, limiting the right-to-buy, and increasing the use of empty or under-occupied homes.

We will instigate a wholly new approach to managing housing need by providing a range of housing options for families and individuals across all tenures, and ensuring that people get regular, up-to-date information about their options through “housing health checks”.

We will remove unnecessary barriers to investment and will empower local communities and housing organisations to find solutions that meet local needs.

We will develop a Strategy for Sustainable Housing in Scotland to put people at the heart of how we create sustainable communities for the long-term and meet our climate change targets.

We will promote excellence in the design of new housing which contributes to the creation of sustainable places and neighbourhoods which are low carbon and energy efficient, and provide a safe and stimulating environment for young people to grow up in.

We will promote energy efficiency across all tenures, working with partners to boost the green industries in Scotland, and looking to the housing and construction industries to make full use of leading edge technologies.

11 Our detailed action plan is set out in the two parts of this strategy:

- Part 1 sets out ways in which the effective supply of housing across all tenures can be increased; and
- Part 2 sets out the actions we will take to promote flexibility and choice within the housing system, and a range of measures to improve our houses and neighbourhoods, in particular to make them more sustainable.

Part 1

New Supply

Summary

- 1 Scotland needs more homes.** Our population is growing, the average household size continues to fall, and as always there will be some old housing that needs to be demolished and replaced. The overwhelming view of respondents to the housing discussion was to emphasise the importance of new supply to meet the needs of our people.

2 We need to increase supply right across the housing system. We need more homes in each of the established tenures: owner occupation, private rent and social rent. But there are **growing numbers of people whose needs aren't met by any of these established tenures** - people who can't access home ownership and are struggling to afford private rents, yet are unlikely to get a social let. To provide new options for this group, we will require a substantial expansion of mid-range housing products. We will continue to support shared equity, and in particular will expand provision of homes for intermediate rent⁵.

3 Therefore, our first strategic objective is:

To build the new, high quality, affordable homes (including social housing) to meet current need and the demand arising from our growing and ageing population.

New ways of financing housebuilding

4 The challenge is how to achieve this expansion in the difficult economic circumstances that we face. Private sector housebuilding has fallen dramatically as a consequence of the credit crunch. And public funding will also be reduced: the UK Government has made it clear that it will continue to reduce the funds available to the Scottish Government, especially for capital spending. With such significantly restricted finance for housing, **we cannot rely on the traditional methods used to finance new homes.**

5 Homes for intermediate rent are homes which are available at below market rents in that area, but above social rents.

5 We will therefore implement **a radically different and innovative approach.** Across Scotland, we have seen new ideas emerging on how this can be done, from councils, housing associations, developers and investors. A selection of these ideas is highlighted in this document. We welcome them all, and intend to pilot as many new methods as possible. Some require no Government support, while others can proceed only if there is financial or other input from Government. We will assess each proposal on its merits.

6 Examples of this new approach will include:

- allowing housing associations to channel receipts into new build through models in which the Scottish Government's right to reclaim Housing Association Grant is waived;
- encouraging multi-tenure housing developments with developments for private sale or rent cross-subsidising the social rented sector;
- exploring the potential for shared funding of developments, with contributions from land-owners/ developers, housing associations/ co-operatives and central or local Government; and
- widening the sources of funding for investment in affordable housing.

7 The scope for Government investment is limited by the budget made available to us by Westminster, so we must change the way we invest. In future, our policy will be to **invest in ways which lever in far more resources from elsewhere, in order to maximise the supply of affordable homes.** At the same time we

will ensure that the developments we support meet a range of needs across the whole of the country. We will:

- expand and develop the **National Housing Trust** model to deliver a major increase in the number of homes for intermediate rent;
- continue to invest in **shared equity** schemes, especially the New Supply Shared Equity scheme with private sector developers; and
- support development through an **Innovation and Investment Fund**, inviting bids from councils, housing associations and private bodies. In 2011-12 we will invest £50m through this Fund.

8 The Innovation and Investment Fund will be used to support developments of new social housing by councils and housing associations and also to support innovative schemes of any type from both the social sector and private bodies, provided that they increase the provision of affordable housing. **Successful bids will be those which meet priority needs, secure quality, and achieve an optimal return for the Government's investment.** Including the New Supply Shared Equity scheme, the National Housing Trust and the Innovation and Investment Fund, **we aim to deliver 18,000 new affordable homes over the next three years.**

9 A key aspect of innovation will be to find new sources of finance for housing:

- In the housing association sector, we are already seeing the benefits of investment from the European Investment Bank, and we are working with the sector to identify further funding opportunities such as a

Scottish Housing Bond and access to **pension fund** and other institutional investment.

- We will consult on legislation to allow councils to levy **additional council tax from long-term empty homes**, with the additional income to be earmarked for investment in affordable housing.
- In the longer term, we will establish an **Infrastructure Investment Loan Fund** and a **National Housing Investment Bank**, to mobilise all possible sources of funding for housing investment.
- We will also use our new powers to **reform Stamp Duty** to encourage and incentivise new investment in the private rented sector.

Quality and fitness for purpose

10 The increase in supply must not be achieved by compromising on quality. Excellence in design will ensure that the homes that we build today, and the places that we create, will meet the needs of our people and **stand the test of time.**

11 A further key requirement is that we produce enough specialist or adapted housing for older people and disabled people. Later this year we will publish a **national strategy on housing for older people.**

Introduction

12 Increasing the supply of housing across all tenures is key to our ambition to provide housing options for all, particularly given the need to:

- meet housing needs that are currently not being met;
- replace old stock which has reached the end of its usable life;
- allow for geographical mobility; and
- cater for a rise in the number of households.

13 The last of these factors is currently the most significant, because population projections suggest a net increase of over 200,000 households in Scotland over the decade to 2020.⁶ Therefore, without taking account of the backlog of housing need or the impact of demolitions or internal migration, we need to be building in excess of 20,000 homes each year just to accommodate household growth. Those homes will be needed across the board, not just in the owner-occupied, private and social rented sectors, but also in the emerging tenures such as intermediate rent, which will play an increasing role in the future. The work being done by local authorities to develop their local housing strategies plays a vital role in shaping an understanding of what is needed and where.



We believe that to meet the housing needs of people now and in the future, new houses will need to be built across all tenures.

East Ayrshire Tenants and Residents Federation



The key to facilitating more effective rental and low cost home ownership options is to produce increased supply across the board, rather than to focus solely on one tenure or another.

Joseph Rowntree Foundation

14 Given currently diminished levels of private construction, and significantly restricted availability of finance, increasing supply represents a substantial challenge for the decade ahead. But it is one which everyone with an interest in housing must face up to.

15 The Scottish Government's role is to set the overall framework, to use our resources to maximise the supply of new affordable housing; to support and enable a recovery in the private sector as quickly as possible; and to uphold standards of quality and design needed to build sustainable communities. But delivery of the objectives will of course depend on everyone pulling together. We need housing associations, councils, developers, lenders, private landlords and others to come together to shape the models of supply for the future, by developing innovative models and identifying new sources of finance.

⁶ Several of the facts and figures in this Part are drawn from *The Scottish Housing System: selected economic and social trends*. See: <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/marketcontextmaterials/scottishhousingsystem>

Housebuilding for the private sector

16 The credit crunch, collapse of the wholesale lending market and new capital adequacy rules for lending institutions have dramatically reduced the availability of mortgage finance. This has made it much more difficult, for first time buyers in particular, to obtain loans without large deposits, and this has had knock-on impacts throughout the market. Demand for new-build homes has dropped significantly⁷, with private sector building now at very low levels and widespread job losses and company closures as a consequence.

17 While there are recent signs of a slight increase in mortgage products, the imminent withdrawal of the Special Liquidity Scheme this year⁸, coupled with revised capital adequacy rules for lending institutions, suggests that there is little prospect of a return to the easy availability of 95% or 100% mortgages which fuelled the earlier boom. The Financial Service Authority's (FSA) proposals on responsible lending are also likely to have an impact on lending, both for first time buyers and those looking to remortgage (see paragraph 116).

⁷ There were 11,188 private sector completions in 2009/10 compared to 21,656 in 2007/08. Source: *Housing Statistics for Scotland*. <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuildPrivate>

⁸ The Special Liquidity Scheme was introduced in April 2008 to improve the liquidity position of the banking system, by allowing banks and building societies to swap their high quality mortgage-backed and other securities for UK Treasury Bills for up to three years. Further details can be found at: <http://www.bankofengland.co.uk/markets/sls/sls-information.pdf>



Continuing problems with mortgage lending remain the single biggest threat to the survival of Scotland's home building industry.

Homes for Scotland

18 Nevertheless, the underlying need for homes for our growing population has not diminished, so it is imperative that we take action, within the limits of our powers and financial constraints, to support recovery in the sector. The Scottish Government has a keen interest in a healthy private housebuilding sector, which is a vital industry in the Scottish economy. Private housing supply helps the housing system to function effectively, improves affordability, and reduces the pressure on social lets. A strong housebuilding sector can also work with social landlords to develop mixed tenure communities.

19 There is no silver bullet. Instead, a combination of initiatives and action by a wide range of organisations will be necessary to tackle this critical problem:

- We will continue to engage with lenders, both to encourage new providers into the market and to encourage new forms of mortgage product to meet current needs. We say more about this in Part 2.
- We will work with the private sector to develop new options for first time buyers. We will fund the New Supply Shared Equity with Developers scheme; support the establishment of rent-to-buy schemes; and implement a self-build initiative to maximise investment potential in this sector.

- We will follow through our recent reforms to the planning system to ensure a generous supply of land for housing.
- We will improve the arrangements for the funding of infrastructure.

Shared Equity, Rent-to-Buy and Self-Build

20 Private housebuilders and lenders will need to adapt their long-term business model in response to the fundamental shift in mortgage availability. Some are already developing shared equity and rent-to-buy products which help individuals to access home ownership and these should become much more common in future. Given the current pressures on developers and our ambition to support economic growth, there is a clear rationale for government to encourage these developments, in particular by subsidising shared equity products.



Like some countries in Europe, a more diverse housing market would help. Households could build up to ownership through savings or shared ownership, with a range of transitional or intermediate tenures ... as an alternative to the risky drive to ownership or social renting.??

Grampian Housing Association

21 Independent research confirms that our shared equity schemes within the Low-cost Initiative for First Time Buyers offer an effective means of supporting first time buyers.⁹ We want this option to be widely available to first time buyers including those currently renting in the social sector. We will make shared

equity a permanent feature of housing policy, with continued investment, building particularly on the successful pilot New Supply Shared Equity with Developers scheme. In 2011-12 we will invest £5m in a second phase to subsidise a further 220-250 new properties for shared equity.

22 We will explore alternative funding sources for shared equity, including from councils. Aberdeenshire Council, for example, has put in place its own shared equity scheme, working with developers, which we welcome.

23 House-builders throughout Scotland have also developed rent-to-buy options which allow individuals and households to rent a home whilst also saving the deposit they need to purchase it. Whilst the specifics vary, individuals in such schemes will receive a proportion of the rent they have paid to the house-builder as a contribution to the deposit they need to secure a mortgage.

24 Such schemes are small scale and help to bring existing supply or mothballed sites into active use, rather than facilitating the development of entirely new supply. They do however add to people's housing options in the short to medium term and therefore we welcome this example of private sector innovation. We will work with private sector developers, lenders, and local authorities to develop best practice for rent-to-buy schemes across Scotland and encourage their wider use where appropriate.

⁹ *Evaluation of the Low-Cost Initiative for First Time Buyers* - ODS Consulting, January 2011 <http://www.scotland.gov.uk/Publications/2011/01/18142733/0>

25 In addition, we will look to build on innovations such as the package of tailored solutions being piloted by Cruden Homes, in partnership with the Glasgow and NHS Credit Unions, the Co-operative Bank and Glasgow City Council, to help credit-worthy first time buyers into home ownership in Govan. This initiative provides an excellent example of partnership working, and we will work with Homes for Scotland, credit unions and other organisations to encourage the development of similar approaches more widely across Scotland.

26 Self-build housing also contributes to the supply of new housing, particularly in the more remote parts of rural Scotland. Over the coming decade, we expect growth in this sector, as has happened in many European countries, with people taking advantage of new technologies which make self-build more accessible. We will establish a self-build initiative for Scotland, by developing a package of advice and support for those considering this option. We will also continue to engage with lenders to ensure there are self-build mortgage products available to credit-worthy borrowers, and we have already pressed the UK Government to ensure that any changes in the regulation of the mortgage market do not result in excessive barriers being put in the way of those who wish to build their own home.

27 Councils can play a key role in supporting and enabling self-build, and some may wish to provide loans for self-build, drawing on council tax income from second homes and long-term empty properties.

The planning system

28 In 2007, we set out in Scottish planning policy and in *Firm Foundations*¹⁰ a series of comprehensive reforms to address how the planning system should identify and meet housing need and demand. We will work with planning authorities to ensure that they maintain a generous supply of effective housing land in the right places. In the current economic climate, they may need to take a more flexible and responsive approach to the identification of housing sites¹¹ (without undermining the principles of sustainable placemaking covered later in this paper). Land which was developable before the downturn may have to be reappraised and other sites identified. We will continue to monitor the implementation of our policy, and will actively engage in the development planning process to ensure that plans provide a generous supply of effective housing land.



...land availability remains a huge issue and, increasingly, developers are citing the current economic climate as a reason for not being in a position to provide the percentage of affordable homes requested by local authorities. ””

COSLA/ALACHO

29 Planning conditions and agreements play a major role in securing the delivery of infrastructure and of affordable housing. But they must be realistic, balancing the interests of the developer and the community. We will review and update the regulations and guidance on these, to ensure that they remain fair and

¹⁰ See: <http://www.scotland.gov.uk/Publications/2007/10/30153156/0>

¹¹ The Chief Planner wrote to local authority Heads of Planning on this subject in October 2010. A copy of that letter is available at <http://www.scotland.gov.uk/Publications/2010/08/31132820/7>

effective, and that they support the development of infrastructure without penalising developers. We have also commissioned research to identify alternative methods of applying development charges, and will progress appropriate action after the report is received.¹²



The continued uncertainty surrounding developer contributions has serious long-term detrimental effects on the home building industry. There must be clarity on the total sums involved and a properly consulted upon, simple trigger mechanism, which details the complete list of issues being addressed.

Homes for Scotland

30 In summer 2011 we will issue new guidance for local authorities on the appropriate and effective use of compulsory purchase, to free up blocked land to encourage investment, and to facilitate housing and other projects.

Infrastructure funding

31 While we acknowledge the financial pressures faced by local authorities, we also welcome the initiative shown by those who are already looking at innovative ways to fund infrastructure (including considering their capacity to provide loans). For example, at Heartlands, as part of a major regeneration project on a former colliery site, which includes a business park and a large residential area, West Lothian Council has transferred land to Tesco, with the council deferring the receipt for several years. The deferral will facilitate the funding of a new motorway junction, without which the next phase of the

business park and the major residential expansion would be impossible.

32 This is a clear example of how councils can enable essential infrastructure even in times of scarce public resources. Similarly, the excellent work of the Highland Housing Alliance on land assembly and infrastructure provision, and the use of council tax receipts from second homes and long-term empty properties to fund housing and infrastructure in Argyll and Bute, are further examples of innovation at work.

33 We will continue to investigate the scale of developments with planning permission which have stalled, and to consider alternative options for funding infrastructure. In the medium term we will establish an Infrastructure Investment Loan Fund to provide loans to unblock projects which might not otherwise be able to proceed.

The private rented sector (PRS)

34 We will take steps to generate new growth within the PRS. As noted in Part 2, we will support housing associations which wish to provide market rental homes as well as intermediate and social lets, where necessary through a subsidiary. By 2014, we want to see many more housing associations and co-operatives involved in this way.

35 We will also develop new incentives to improve private rented housing such as innovative arrangements where private landlords lease properties to social landlords.¹³ This approach can be an effective way to increase the supply of affordable housing, while improving

¹³ Leasing agreements of this sort involve private rented landlords engaging social landlords to manage their properties for them.

¹² Publication is expected in March 2011.

standards and security for tenants and providing a secure rental stream for good quality private landlords. We will do as much as we can to help the PRS develop, and where funding is required to stimulate growth in leasing arrangements or other innovative activity, we will consider making new catalyst investment available.



The development of a formal private sector leasing scheme should provide the stable and professional platform necessary to encourage development.

Angus Council

36 In addition, we have called on the UK Government to amend Stamp Duty Land Tax (SDLT) rules so that charges for bulk purchases are based on the applicable rate for each property, rather than for the combined price of all the properties purchased. If the UK Government does not make this change then we will do so once SDLT policy is devolved to the Scottish Parliament, to open the way for more large-scale investment in the private rented sector. We will also redesign the tax to make it fairer.

37 We are committed to enabling the introduction of new approaches in Scotland that can re-invigorate private sector investment in housing. Institutional investors seek long-term, steady returns, and we will work with pension funds and life assurance companies to bring more investment into the private rented sector.

38 One of the existing options for such investment is the system of Real Estate Investment Trusts (REITs). However, the rules governing residential REITs have been made overly complex by the UK Government, with significant entry costs and onerous listing requirements making

it difficult to set one up. If the Scottish Parliament had the power to change these rules we would propose the legislation to do so. In the meantime, we have made the case to the UK Government that they should work with the property industry to look at a restructuring and simplification of residential REITs.

Intermediate renting and the National Housing Trust

39 In recent years we have seen a marked increase in the number of people who are unable either to buy their own home or to secure a social housing let. The average age of unassisted first time buyers has risen to 37, with mortgage deposits now averaging 23%.¹⁴ At the same time new social lets have become more concentrated on the poor, with 63% of new lets now going to people in the poorest 10% of the population.

40 Although it will remain our top priority to support housing options for the poorest, we also recognise the role of government to help address housing issues for those on low to moderate incomes, who might otherwise find themselves without viable choices. An expansion of shared equity provision is part of our response to improve the choices available to this group. In addition, we will support a substantial expansion of intermediate rental properties to complement social rented housing and ease the pressures on it.

¹⁴ See also *The Scottish Housing System*: selected economic and social trends, section 4.1.2. See: <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/marketcontextmaterials/scottishhousingsystem> The average (median) deposit for all (assisted and unassisted) first time buyers in Scotland was 6% in 2000 and increased to 25% in 2009 (latest figure is 23% in Q3 2010). Source: CML/BankSearch Regulated Mortgage Survey; link at <http://www.cml.org.uk/cml/statistics>



It is important that some resources continue to be directed at tenures such as intermediate renting, shared ownership and shared equity, especially when those on low or middle incomes experience limited liquidity within mortgage markets allied to a shortage of active lenders within Scotland, which precludes many from home ownership.

Clyde Valley Housing Association



The growing problem of the excluded middle in the housing market – those who can work but can't buy – does merit some policy focus as it is to be hoped that relieving pressure in the middle of the market would ease the pressure on social housing and housing need.

Joseph Rowntree Foundation

41 We have worked with councils, the Scottish Futures Trust, house builders and lenders to develop the National Housing Trust initiative (NHT) - a ground breaking innovation to generate a major expansion in the provision of homes for intermediate rent across the country. The NHT will deliver increased housing choice for potential tenants on low to moderate incomes, providing homes at below-market rent and offering tenants an opportunity to purchase their home when it is due to be sold. The first phase of procurement is well underway across several local authority areas.

42 The NHT demonstrates how new approaches to affordable housing delivery can be designed to provide maximum value for money at a time when resources are becoming increasingly constrained. Rather than

following the traditional grant-based model of investment, the Government's financial contribution to NHT is in the form of a guarantee, at an estimated average cost of around £2,500 per unit. The first phase is expected to lever in around £100m in additional housing investment for a guarantee cost to Government of only £2m-£3m.

43 The initial phases of the NHT will help kickstart construction on sites which, in the current economic climate, may otherwise remain stalled for some time. The injection of investment in affordable homes delivered through this first phase alone will provide the Scottish construction industry with a much needed boost. 160 jobs are estimated to be supported for every 100 additional new homes built through the NHT.¹⁵

44 Building on the strong response from both local authorities and developers to Phase 1, a second phase of NHT has now been announced for 2011-12. An encouraging number of local authorities have already indicated an intention to participate in a second round of procurement based on the existing model. A further phase will also see the development of variants of NHT designed specifically for the housing association sector, recognising the vital role this sector plays in the delivery of affordable housing across Scotland. Expanding NHT through these routes will help maximise the number of homes that can be delivered, whilst also providing local authorities, housing associations and potential development partners with further opportunities to take part.

¹⁵ This calculation uses the Scottish input-output tables.

Innovation and Investment Fund

45 We remain committed to providing grant funding for new social housing. The traditional method of subsidising new social housing has been the provision of Housing Association Grant, paying roughly two thirds of the cost of each new home. However, the capital funds available to the Scottish Government are set to be severely constrained for at least the next ten years. If we are to build anything like the number of affordable homes that we need, this will need to be done with far less government subsidy per house.



... subsidy levels need to be re-examined to ensure efficiencies. Over-reliance on models to meet limited or niche markets or groups can detract from solving deep-rooted, longer term issues of supply. ” ”

COSLA/ALACHO

46 Recent research by Heriot-Watt and York Universities¹⁶ confirms that there is scope for councils and housing associations to develop with much lower levels of subsidy. The study concluded that, over a 20-year period, local authorities and housing associations have the potential capacity to develop around 5,300 new social homes a year at a common grant rate of 25% and a total cost to Government of around £190m per year.

47 There are many avenues open to housing associations to make grant funding go further, with a similar range of opportunities available to councils who develop new council housing. These include:

- contributions from their own financial resources or borrowing capacity;
- extending financial planning beyond 30 years;
- exploiting innovative sources of private finance including pension funds, bond finance and institutional investment;
- including a proportion of intermediate rent or low-cost home ownership within a predominantly social housing development;
- cross-subsidising development costs with income-generating activities such as the Feed-in Tariff scheme¹⁷;
- making use of joint ventures and special purpose vehicles in order to partner with other bodies and organisations; and
- driving down running costs through efficiency initiatives, such as modern procurement methods¹⁸ and cost benchmarking.

48 Justifiable increases in rents can also help to generate additional funding for development. This was recognised by a number of responses to the discussion. However, respondents also emphasised the importance of affordability, and we are committed to social rents at levels that are affordable for those on low incomes. It is up to individual landlords

¹⁶ See: <http://www.scotland.gov.uk/Publications/2010/11/11115938/0>

¹⁷ Feed in Tariff (FiT) is an environmental programme introduced by the UK Government on 1 April 2010 to promote the widespread uptake of a range of small-scale renewable and low-carbon electricity generation technologies. FiT requires Licensed Electricity Suppliers to pay a generation tariff to small-scale low-carbon generators for electricity generated.

¹⁸ Methods and opportunities for housing organisations to seek efficiency through procurement will be considered in the forthcoming report by Turner & Townsend, commissioned by the Scottish Government.

to strike the best balance between rent levels and meeting the housing needs of the local communities, but rents should not be increased without regard for the importance of affordability for tenants.



We discussed if it was fair to use tenants' rent money to pay for new build housing in terms of the Council's prudential borrowing and loan repayments. There was general support for this in recognition of the number of new homes that are required.

West Dunbartonshire Tenants and Residents Organisation

49 We will introduce a new Innovation and Investment Fund, to provide subsidy for the development of new affordable housing in ways which lever in the maximum possible amount of funding from elsewhere. In future we will award funding to those projects which represent the best quality, mix and value for money, taking into account key criteria such as affordability to tenants and fit with the council's Local Housing Strategy. We will make specific allowance for more expensive developments such as housing in remote rural areas and for those with special needs.

50 Initially, we will operate the Innovation and Investment Fund in three streams: one open to councils, on similar lines to our recent Council House Building incentive schemes; one open to housing associations operated in a similar manner; and a third for innovative schemes, which will be open to all sectors, including the private sector, for all types and tenures of affordable housing. In 2011-12, we will invest around £50m through the Fund, and expect to award at least £20m to councils, at least £20m to housing

associations, and up to £10m to innovative projects by all sectors, including the private sector.

51 Including the New Supply Shared Equity scheme, the National Housing Trust and the Innovation and Investment Fund, we aim to deliver 18,000 new affordable homes over the next three years.

Further initiatives to support new supply

Empty Homes

52 In 2009, we estimated that there were around 25,000 long-term empty dwellings across all tenures. Even bringing a proportion of these back into active use would represent an important contribution to effective new supply.

53 Most empty housing is in the private sector and we are funding an empty homes co-ordinator, managed by Shelter Scotland, to run the Scottish Empty Homes Partnership. This aims to help build capacity within local authorities, in their strategic housing role, to bring private sector empty homes back into use. In partnership with Shelter and members of the Scottish Empty Homes Partnership, we will examine the potential for new investment to return empty homes to use as affordable rented accommodation.

54 Our pilot initiative with North Glasgow Housing Association (see paragraph 57) will bring further empty homes back into use, and we plan to roll this approach out to other landlords too, as part of a Scotland-wide strategy. We would encourage other organisations – both private and public – to consider their own approaches to any empty homes they own.

Council Tax Flexibility

55 In addition, we will consult on legislation to allow councils increased flexibility in the amount of council tax they can charge on long-term empty (LTE) properties. This will encourage owners to bring empty properties back into use, with any additional resources raised as a result of these measures to be invested directly in affordable housing, providing much needed funding for developments, particularly in pressured areas (e.g. Aberdeenshire, Edinburgh, Fife, Highland and Scottish Borders).

56 We estimate that if councils could apply an excess charge on LTE properties, up to £30 million¹⁹ could be raised annually. Along with the additional resources that these funds could lever in, this could make a significant contribution to affordable housing supply - and support jobs in the construction sector and economy more widely. We expect this to play an important role in supporting a wide range of local authority-led initiatives, including: bringing empty properties back into use; supporting self-build; rural housing enablers; innovative land acquisition models; and new affordable housing provision.

The importance of innovation

57 Successful delivery of the new homes that we need will depend on innovation by housing associations, councils and private sector bodies. We are promoting and supporting a wide range of pilots to demonstrate and test new methods. This paper has already mentioned new supply shared equity supported by central or local Government; rent-to-buy schemes;

leasing schemes between social landlords and the private rented sector; and the variants of the National Housing Trust. Among a range of other pilots currently being developed, the following are of particular note:

- Later in 2011 we will launch a pilot for recycling former Housing Association Grant (HAG). A number of housing associations in Glasgow and Edinburgh have already said they would wish to participate. We will waive the right to recover HAG when surplus properties are sold, allowing the associations to reinvest in new supply instead.
- We will also launch a pilot empty homes initiative with North Glasgow Housing Association. The association will refurbish properties in Possilpark and then either sell them to people wishing to move into home ownership or convert them to intermediate rental properties. Again, we will waive the right to recover HAG when the homes are sold or converted.
- We will also waive the HAG repayment requirement from Hillcrest Housing Association, where social houses will be converted to intermediate rental homes to meet local needs in Dundee. The additional rental income will enhance the association's borrowing capacity, allowing it to invest in new social housing.
- The Clyde Valley Group is developing a proposal which will use equity investment and cross-subsidy between different housing tenures, over the medium term, within a Special Purpose Vehicle. The Vehicle will provide a mix of homes, some for social rent by Clyde Valley as well as homes for intermediate and market rent and properties for outright sale. Equity

¹⁹ The calculation of this figure assumes that all councils apply a charge equivalent to double the current rate of council tax.

investment will be required which will be repaid through the sale of some of the properties. The proposal should be suitable to bid for government subsidy.

- The Scottish Borders Council will draw on second homes council tax receipts to fund new developments for social rent by Eildon Housing Association, at Stichill and Newcastleton. To supplement the council's funding package, a small amount of Scottish Government funding has been agreed of around £5,000 per unit. This means that a total Scottish Government contribution of £80,000 will support 16 new affordable homes in areas of high housing need.
- Grampian Housing Association (see page 20) is developing homes for intermediate tenures, without requiring any subsidy.

58 We will work to support these and other pilots, and to roll them out across Scotland once the methods have proven successful.

New sources of funding

59 One way for the sector to minimise its subsidy requirements is to identify more competitive sources of long-term loan finance. We have already secured £70 million in loans to Scottish housing associations from the European Investment Bank. Opportunities for bond investment have also been opened up, as the recent Glen Oaks Housing Association deal illustrates²⁰. The very competitive

rates on which these funds are provided offer alternatives to conventional bank lending. This demonstrates that capital markets can be accessed with relative ease and without great expense by using a housing finance specialist. We are now working with the sector to identify further funding opportunities such as a Scottish Housing Bond, through which a number of Scottish landlords would jointly access bond finance. We are also encouraging the sector to source alternative funding partners as part of the new approach to investment.

60 To assist with the introduction of new funding options and enable private finance to go further we have amended the 20-year lease and standard security rules. The changes we have made mean that housing associations, local authorities and rural housing bodies are now exempt from the 20-year limits when leasing residential property, and they can opt out of the right to pay back long-term borrowing early if that's what they wish to do. Both of these amendments make innovative leasing arrangements and the provision of long-term bond finance and pension fund or institutional investment real options for the sector.

61 Our next aim is to open avenues for large-scale pension fund investment in affordable housing. Social housing offers a long-term, low-risk secure investment, generating a predictable and rising flow of income from well-regulated landlords. This presents an ideal opportunity for pension fund and institutional investors to enter into the social housing sector using index-linked investments or more traditional bond finance.

²⁰ In January 2011, Glen Oaks HA secured £14.3 million through The Housing Finance Corporation's latest bond issue. This is the first time a Scottish housing association has been able to borrow long term funding from the capital markets, taking advantage of changes to the 20 year lease and standard security rules.



Affordable homes without subsidy - Grampian Housing Association

Grampian HA has been providing high quality homes for rent and owner occupation across the Grampian area for 35 years. Having developed a sound understanding of the local market, the association concluded that it was possible to develop a financial model that could fund the building of new housing without additional Scottish Government subsidy.

In November 2009 the association opened its first private finance project in Stoneywood, Aberdeen. The development provides 42 homes, 35 on a shared ownership basis and seven for intermediate rent, two of which are adapted for wheelchair use.

Grampian HA believes that there is potential to fund more housing in this way and cites the following guiding principles:

- recognising the need to develop a profit or equity surplus on the building of the new houses;
- harnessing the real growth in property values over a 20-30 year period through equity release;
- taking a long-term view on viability and return so that short-term revenue deficits are offset against longer term surpluses; and
- recognising the value and role that different housing tenures can take in different people's lives and at different life stages.

62 Our discussions with pension funds, to encourage them to invest in social and affordable housing in Scotland, are progressing well, and by 2013 we expect to establish one or more pilots involving the use of pension fund investment. Initially it is likely that this will be in the form of loans through bonds, but there is also a strong case for equity funding from pensions through special purpose vehicles, and we will continue to pursue this option too.

63 Together with traditional loans, these new approaches will provide a menu of alternative sources of finance, but the competitiveness of all these approaches remains dependent on market fluctuations. A national Housing Investment Bank would provide a further alternative and help protect the flow of funding for affordable housing from any future difficulties with lending markets. We intend to establish a Housing Investment Bank within this decade.

64 The UK Government has committed to give the Scottish Government borrowing powers by 2015, and this will provide new opportunities for supporting capital developments, whether in housing, infrastructure or other projects.

Building sustainable places and neighbourhoods

65 Delivering quality homes and neighbourhoods supports long-term economic prosperity. The quality of our everyday environment is determined not just by the individual buildings that we occupy, but by the spaces and streets that link them together. The success or failure of housing developments often depends on whether a neighbourhood feels like a "place" rather than simply a collection of roads and buildings.

Compact, well-designed and well-connected neighbourhoods can provide opportunities for healthy, sustainable lifestyles, where we can access our daily amenities and contribute positively to a vibrant and active community.

66 The principles of placemaking are set out in our design policy documents *Designing Places*²¹ and *Designing Streets*²². *Designing Streets* represents a fundamental shift in approach, away from car-based layouts towards more connected and sustainable street patterns. This shift has the potential to deliver benefits for health, carbon reduction, local and regional economies and social capital as well as providing a positive sense of place and attractive environments. To support the creation of good places, we will engage with and support local authorities and industry on key issues such as the *Designing Streets* policy and the creation of sustainable communities through a broad place-making agenda. In addition, from 2011, we will introduce a new category for innovation in the annual Saltire Society Housing Design Awards, to recognise and promote new thinking in design.

67 As we know from past experience, compromising on quality can lead to future failures and the high cost of correcting defects in design, construction or layout. We must create places which will stand the test of time and provide attractive and successful neighbourhoods for generations to come. Programmes such as the Scottish Sustainable Communities Initiative (SSCI) and last year's Housing Expo in Inverness have

21 See: <http://www.scotland.gov.uk/Topics/Built-Environment/planning/National-Planning-Policy/Designing>

22 See: <http://www.scotland.gov.uk/Publications/2010/03/22120652/0>

provided good examples of new and regenerated development (see page 23). Much of the new housing and neighbourhood design in the Urban Regeneration Companies (URCs) demonstrates the value of investing in quality places.

More energy efficient new housing

68 Over half a million new dwellings could be constructed between now and 2050, making up 20% of all homes in 2050. These homes need to be as energy efficient and low carbon as practical. Our strategy for progressive enhancements of energy standards in Scottish building regulations is based on the *Sullivan Report* (2007)²³. New standards came into force in October 2010, and new homes need to be more energy efficient and emit around 70% less carbon dioxide than those built to the standards that existed in 1990. We will carry out technical reviews and further research on the cost of improving standards, as further enhancements are proposed for both 2013 and 2016.

69 More innovative approaches and solutions are now emerging. Techniques for achieving highly efficient or carbon-neutral homes were well demonstrated at Scotland's Housing Expo which emphasised a way forward based jointly on master planning, lifestyle, passive energy techniques, and new building technology, pointing the way to improvements in quality without increases in life-time costs. In addition, many housing associations and house-builders are already beginning to explore the use of the more advanced construction approaches, materials and

technologies which will deliver significant environmental benefits. Such approaches will become more widespread over the coming years, delivering benefits for individuals and businesses, and helping to realise our ambitions to tackle climate change. We will carry out an evaluation of Scotland's Housing Expo, in order to extract maximum value and learning from the project, including an investigation into the potential for a further housing expo in the future.



Tenants should be involved in consultations on the input and design of homes. It will be important that the homes fall in line with the Climate Change (Scotland) Act 2009. The homes should be fit for the 21st century and beyond. Homes should have a lifespan of more than 60 years.

Edinburgh Tenants Federation

Regeneration

70 We will continue to support our Urban Regeneration Companies, with priority investment in the Clyde Gateway, given its importance to the delivery of a successful Commonwealth Games. And we have established a £50m JESSICA (Joint European Support for Sustainable Investment in City Areas) Holding Fund in Scotland. The Holding Fund has been jointly financed by the Scottish Government and the European Commission and will provide repayable investment to revenue generating projects within eligible areas. The JESSICA fund is expected to lever in significant co-financing from both public and private partners.

²³ See: <http://www.scotland.gov.uk/Topics/Built-Environment/Building/Building-standards/publications/sullivan>

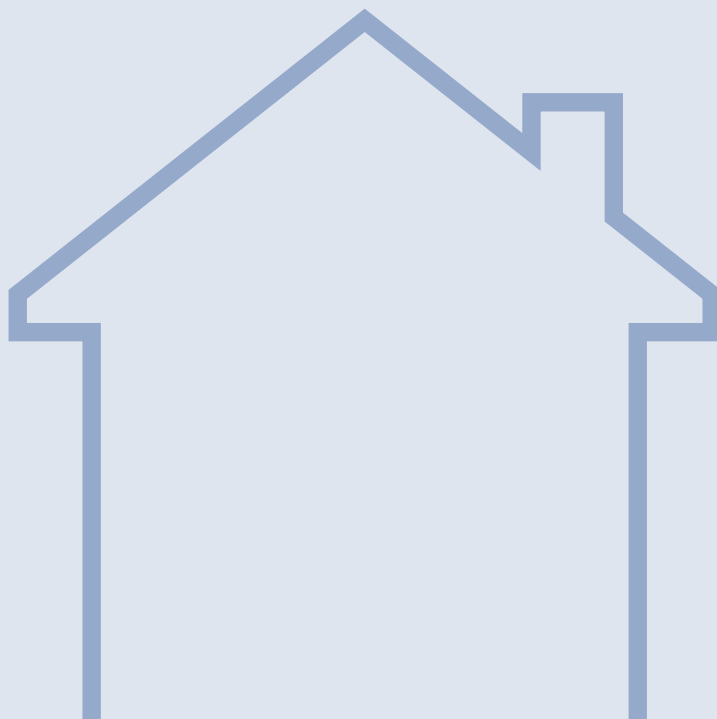


Scotland's Housing Expo - Inverness

Scotland's Housing Expo, which took place in August 2010, was the first event of its kind in the UK. Based on a successful Finnish model, the event showcased over 50 architect-designed homes, set in four unique zones featuring innovative construction and cutting edge sustainable systems.

The master plan for the Milton of Leys site on the edge of Inverness breaks the mould of the cul-de-sac sprawl of the typical housing estate. The streets of the Expo site are a focus of activity – well used and pleasant spaces which suit 21st century living where many people will be working from home, where health and fitness are integral and the varying needs of families are taken into account.

The Expo has been a notable success in raising awareness of innovative housing design and encouraging new thinking around construction techniques, supply chains, low energy design and layouts. The houses on display have demonstrated the effectiveness of passive energy measures (high thermal mass, form and orientation), with predicted annual heating costs as low as £73 for a 2 bedroom semi-detached house.



71 We are working with the Commonwealth Games Organising Committee and Glasgow City Council to deliver a high quality sustainable neighbourhood in the East End of Glasgow - initially to provide the Commonwealth Games Athletes Village, but subsequently to become an exemplar new community of 300 homes for social rent, 100 for intermediate tenure and 300 houses for sale. This development will bring about the transformation of one of the most deprived areas of Glasgow.

72 With Glasgow Housing Association and Glasgow City Council, we will support the transformational regeneration of key areas of the city, building on the experience of successful partnerships between public and private sectors such as the Crown Street Regeneration project in New Gorbals. Working with the private sector, the Transformational Regeneration Areas partnership will seek to maximise the value that can be realised through an integrated and long-term approach to development and regeneration, and will aim to deliver high quality neighbourhoods together with opportunities for economic and community development.

73 Funding regeneration in the future will be challenging, and we will need to make some tough choices. We are keen to hear about new ideas and approaches, and we will shortly be launching a national discussion about regeneration policy. This will generate debate and innovation and help inform the future direction of regeneration initiatives.

Independent living

74 We want to ensure that older people and disabled people can live independently in their homes safely and securely, and

lead fulfilling lives, with the same sort of opportunities as everyone else.

75 A focus on individual needs matters but targets can still be helpful locally. Glasgow City Council, for example, has adopted a target for 10% of all new build homes to be fully accessible. We will encourage all local authorities to set similar local targets, based against the assessment of need and demand in their area, and to ensure through their Local Housing Strategies that sufficient fully accessible properties are built to allow disabled people more freedom and choice over where they want to live.

76 It is unacceptable that one in five disabled people or people with long-term health problems who require an adapted house lives in a house that is “not at all” or “not very suitable” to their needs.²⁴

77 In 2007, revisions to Scottish building regulations introduced a range of measures to improve accessibility and ease of use in new homes. As the building regulations apply to all new domestic buildings, across both public and private sectors and all tenures, this will significantly increase the rate at which housing is delivered that is both more immediately accessible and better suited to adaptation to address the varying needs of householders. In this respect, Scottish building regulations are considered the most demanding in the UK.

78 Even in these challenging financial times we must do more to ensure that everyone can live in accommodation that meets their basic physical needs, and to prepare for the demographic challenges ahead.

24 See: Scottish House Condition Survey - <http://www.shcs.gov.uk>

79 That is why we are introducing a new Change Fund (of £70m in the first year, within the NHS budget), to promote a shift in the balance of care for older people from institutional to community settings. This is a powerful signal of our intention to encourage Community Planning Partnerships to make the most effective use of combined resources for the care and support of older people. We expect the role of housing-related services to be considered carefully when Partnerships decide how to make best use of the new Change Fund. Extra care housing, sheltered housing, housing support, care and repair and housing adaptations can play a vital role in helping to sustain independent living, and can reduce the risk of avoidable hospital admissions or delayed discharge.

“
The group agreed that spend in relation to housing could provide a big saving in community care. [In the case study discussed] a disabled woman would not need 35 hours of care if her house was adapted for her to live independently.”

“
The Scottish Government should explore the centralisation of budgets in relation to housing, social work and community care so that spending can be co-ordinated to ensure the best result for the disabled person and the most effective use of funds.”

Housing Discussion seminars hosted by Capability Scotland

80 We will also build quickly on the foundations laid in our *Wider Planning for an Ageing Population* report²⁵. In addition

25 See: <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/access/ROOPH/wpfaapreportmarch10>

to taking forward the many practical measures recommended in the report, we will:

- publish a national strategy on housing for older people in 2011;
- develop a national register of accessible housing for disabled people;
- simplify arrangements for the public and housing providers to access funding for adaptations;
- ensure the needs of disabled people and older people are better reflected within national and local planning and housing investment processes; and
- build on the introduction of the new Change Fund and work with local authorities and the NHS to ensure that the housing, health and social care needs of individuals are addressed more holistically..

81 In ten years time we expect to see a Scotland where:

- the proportion of housing which is accessible for disabled people has increased significantly, giving more choice about where to live;
- every older person and disabled person can easily get adaptations made to their homes when they need it, without being subjected to excessive waiting times;
- every older person and disabled person has the opportunity of a housing “health check” at key stages of their lives, offering good personalised advice on the housing options and opportunities available and practical help with securing appropriate services or, if necessary, moving to more appropriate accommodation; and

- anyone who needs support to maintain independent living receives it, so that Scotland is recognised as a world leader in integrating telecare alongside more traditional housing support, care

and repair and home care services, which will remain vital in easing social isolation as well as offering practical support.

Actions

We will make **shared equity** a permanent feature of housing policy, with continued investment, building particularly on the New Supply Shared Equity with Developers scheme. In 2011-12 we will invest £5m in a second phase to subsidise a further 220-250 new properties for shared equity. We will explore alternative funding sources for shared equity, including from councils.

We will work with private sector developers, lenders and local authorities to develop **best practice for rent-to-buy schemes** across Scotland.

In addition, we will look to build on innovations such as the package of **tailored solutions to support home ownership** which is being piloted in the Govan regeneration area, working with Homes for Scotland, credit unions and other organisations to encourage the development of similar approaches more widely across Scotland.

We will establish a **self-build initiative for Scotland**, by developing a package of advice and support for those considering this option. We will also continue to engage with lenders to ensure there are self-build mortgage products available.

We will work with planning authorities to ensure that they maintain a **generous supply of effective housing land** in the right places. We will continue to monitor

the implementation of our policy, and will actively engage in the development planning process to ensure that plans provide a generous supply of effective housing land.

We will review and update the regulations and guidance on **planning conditions and agreements**, to ensure that they remain fair and effective, and that they support the development of infrastructure without penalising developers. We have also commissioned research to identify alternative methods of applying development charges, and will progress appropriate action after the report is received.

In summer 2011 we will issue new guidance for local authorities on the appropriate and effective use of **compulsory purchase**, to free up blocked land to encourage investment, and to facilitate housing and other projects.

We will continue to investigate the scale of developments with planning permission which have stalled, and to consider alternative options for funding infrastructure. In the medium term we will establish an **Infrastructure Investment Loan Fund** to provide loans to unblock projects which might not otherwise be able to proceed.

We will support **housing associations which wish to provide market rental homes** as well as intermediate and social lets. By 2014, we want to see many more housing associations and co-operatives involved in this way.

We will help the **private rented sector** develop, and where funding is required to stimulate growth in leasing arrangements or other innovative activity, we will consider making new catalyst investment available.

Once **Stamp Duty Land Tax** policy is devolved to the Scottish Parliament, we will change the rules about tax on bulk purchases, to open the way for more large-scale investment in the private rented sector. We will also redesign the tax to make it fairer.

We will work with pension funds and life assurance companies to bring more **investment into the private rented sector**.

We will support a **substantial expansion of intermediate rental properties** to complement social rented housing and ease the pressures on it.

We will expand the **National Housing Trust** through further phases, to help maximise the number of homes that can be delivered.

We will introduce a new **Innovation and Investment Fund**, to provide subsidy for the development of new affordable housing in ways which lever in the maximum possible amount of funding from elsewhere. In 2011-12, we will invest around £50m through the Fund, and expect to award at least £20m to councils, at least £20m to housing associations, and up to £10m to innovative projects by all sectors, including the private sector.

Including the New Supply Shared Equity scheme, the National Housing Trust and the Innovation and Investment Fund, **we aim to deliver 18,000 new affordable homes over the next three years**.

In partnership with Shelter Scotland and members of the Scottish Empty Homes Partnership, we will examine the potential for **new investment to return empty homes to use** as affordable rented accommodation.

We will consult on legislation to allow councils increased flexibility in the amount of **council tax** they can charge on **long-term empty properties**.

In 2011 we will launch a **pilot for recycling former Housing Association Grant** with a number of housing associations in Glasgow and Edinburgh.

We will launch a **pilot empty homes initiative** with North Glasgow Housing Association.

We will also waive the HAG repayment requirement from Hillcrest Housing Association, where **social houses will be converted to intermediate rental homes** to meet local needs in Dundee.

We will work to support these and other pilots, and to roll them out across Scotland once the methods have proven successful.

We are now working with the sector to identify further funding opportunities such as a **Scottish Housing Bond**, through which a number of Scottish landlords would jointly access bond finance. We are also encouraging the sector to source alternative funding partners as part of the new approach to investment.

Our next aim is to open avenues for **large-scale pension fund investment in affordable housing**. By 2013 we expect to establish one or more pilots involving the use of pension fund investment.

We intend to establish a **Housing Investment Bank** within this decade.

To support the creation of good places, we will **engage with and support local authorities and industry** on key issues such as the *Designing Streets* policy and the creation of sustainable communities through a broad place-making agenda.

From 2011, we will introduce a new category for innovation in the annual Saltire Society Housing Design Awards, to **recognise and promote new thinking in design**.

We will carry out **technical reviews and further research** on the cost of improving requirements for energy efficiency in the building standards for new housing.

We will carry out an **evaluation of Scotland's Housing Expo**, in order to extract maximum value and learning from the project, including an investigation into the potential for a further housing expo in the future.

We will continue to support our **Urban Regeneration Companies**, with priority investment in the Clyde Gateway, given its importance to the delivery of a successful Commonwealth Games. We are working with the Commonwealth Games Organising Committee and Glasgow City Council to deliver a high quality sustainable neighbourhood in the East End of Glasgow.

With Glasgow Housing Association and Glasgow City Council, we will support the **transformational regeneration** of key areas of the city.

We will shortly be launching a **national discussion about regeneration policy**.

We will also build quickly on the foundations laid in our **Wider Planning for an Ageing Population** report. In addition to taking forward the many practical measures recommended in the report, we will:

- publish a **national strategy on housing for older people** in 2011;
- develop a **national register of accessible housing** for disabled people;
- simplify arrangements for the public and housing providers to access **funding for adaptations**;
- ensure the needs of disabled people and older people are better reflected within **national and local planning** and housing investment processes;
- build on the introduction of the new **£70m Change Fund** and work with local authorities and the NHS to ensure that the housing, health and social care needs of individuals are addressed more holistically.

Part 2

Choice and Quality

Summary

82 In addition to boosting supply, there is much more that can be done to enhance choice and quality within the housing system. We will adopt a **tenure neutral** approach, seeking sustainable choices for all rather than encouraging one particular tenure, and promoting mixed tenure communities.

- 83** Scotland needs a **diverse housing system**. We will act to support sustainable home ownership, to strengthen the private rented sector, and to boost intermediate tenures. We will also continue to support social housing and to invest in expanding it. Our second strategic objective is:

To maximise the sustainable housing options available across all tenures, including for people living on lower incomes, and to significantly improve the quality of the existing housing stock and the places we create.

Sustainable housing

- 84** We will develop a **Strategy for Sustainable Housing in Scotland** to put people at the heart of how we create sustainable communities for the long-term and meet our climate change objectives.

Social housing

- 85** Social housing is a vital part of the system, providing **secure affordable housing** for those who need it most. We will establish a **Scottish Social Housing Charter**, which will set the outcomes that social landlords should be aiming to achieve for their tenants, for homeless people and for other customers. The Charter will also focus the work of the new Scottish Housing Regulator. We will shortly be publishing a discussion document about the Charter.

- 86** We reject the new approach emerging in England, where the UK Government will no longer invest in new social housing.

- 87** Similarly, **we oppose aspects of the benefit reforms** being pursued by the UK Government, especially restrictions to Housing Benefit which will reduce choice. Regrettably, until policy on Housing

Benefit and other benefits is devolved to Scotland, these changes will apply here.

- 88** The excessive discounts still available to tenants with the pre-2002 "preserved" right-to-buy are unjustifiable. We will consult on ways to **reform the preserved right-to-buy, to make it fair** for both tenant and landlord.

- 89** Social landlords are already working to achieve the Scottish Housing Quality Standard (SHQS) for all their homes by 2015. After discussion with landlords and others, **we will introduce a new social housing standard** in 2012, requiring higher levels of energy efficiency by 2020.

Owner occupation, intermediate tenures and private renting

- 90** Mortgages are key to the recovery and stability of the owner occupied sector. We have called on the UK Government and the Financial Services Authority to support **lending to credit-worthy buyers**. We will also work with new and existing lenders to encourage more flexible mortgage arrangements in Scotland.

- 91** We will seek improvements in the **quality of existing housing**, requiring action from owners, as well as social and private landlords.

- 92** We will widen tenure options, through an **expansion of shared equity and intermediate renting**, to enhance choice and social mobility.

- 93** We will work with the PRS Strategy Group to create a development strategy aimed at **growing and improving the private rented sector**, supported by a more focussed regulatory system.

Advice and information

- 94 With wider options comes a greater need for information, to help people make housing choices that are right for them. There is much more that can be done to make better use of existing housing stock, simply by **giving people better information and advice** about the options open to them.
- 95 Councils and their partners are already developing the “**Housing Options**” approach, whereby those at risk of homelessness or on housing lists are given expert advice on the choices open to them, to enable their housing needs to be resolved.
- 96 We will expand the Housing Options approach to provide “**housing health checks**” for more people, especially social tenants who feel that their home no longer suits them. Landlords should enable tenants to review their options to move within or beyond the social housing sector. But the **choice to move will remain with the tenant**.

Social landlords

- 97 We will give **greater flexibility to social landlords** to meet needs and to build strong communities. We will consult on

changes to legislation to remove constraints on housing associations and councils: making it easier for them to provide shared equity and intermediate rent properties alongside social homes; adjusting aspects of the tenancy rules such as succession rights; and enabling landlords to adapt their allocations policies to best meet local needs.

- 98 But priority must still be given to **unintentionally homeless applicants**, who from December 2012 will have the right to settled accommodation. And we will act on the recommendations of the Cross Sector Supported Accommodation Working Group, to provide better support for groups at particular risk of homelessness, including young people.

Energy efficiency

- 99 We will **promote energy efficiency across all tenures**. This will involve working with partners to boost the green industries in Scotland and ensuring that UK-wide and Scottish Government funding schemes are effectively targeted to meet our targets on fuel poverty (by 2016) and energy consumption and carbon emissions (by 2020). We will work with landlords to take advantage of opportunities under the Feed-in Tariff and Green Deal schemes.

Introduction

100 We will adopt a tenure neutral approach, seeking sustainable and affordable options for all across the range of tenures, rather than promoting any one tenure for its own sake. We want to create a fairer and more stable housing system that gives people a wider range of sustainable choices, irrespective of their income levels: a choice of comfortable, warm and affordable homes that cater for different needs; different tenure options including for ownership and rent; and the ability to move between tenures as circumstances change.

101 For many in Scotland, however, especially those on lower incomes, an attractive set of housing options is not yet on offer. The pressure on the housing system is evident in many ways:

- In many council areas, demand for social housing far outstrips the availability of new lets, with around 140,000 households on housing lists across Scotland.²⁶
- There is even greater pressure on homes suitable for older people and for disabled people, with the number of pensioner households requiring an adaptation expected to increase from 66,300 (2008) to 88,000 by 2023 and 106,000 by 2033.²⁷
- There is a lack of good quality private rented accommodation in many parts of Scotland - 86% of Private Rented Sector (PRS) properties in Scotland have some disrepair.²⁸

- Because of the fundamental shift in the mortgage market, many who wish to are unable to become home owners. The number of first time buyers has fallen from 38,600 in 2006 to 17,900 in 2009.²⁹
- In March 2010, there were 10,815 households in temporary accommodation.³⁰

102 The best way to improve choice is to increase the supply of housing, and our action plan to achieve this is set out in Part 1. However, there is also much that can be done within the existing stock. This Part sets out our vision for a housing system that responds to people's needs and offers a wide range of sustainable and quality choices.

103 This Part also describes how landlords and householders can be helped to invest in the quality of existing homes, particularly their energy efficiency. Investing in the quality of our homes and neighbourhoods will provide long-term benefits and more sustainable communities.

Sustainable Housing

104 Sustainability is about much more than promoting energy efficiency and tackling climate change - though these issues are key. Creating sustainable, high quality homes and places means ensuring that a wide range of social, economic and environmental issues are reflected in our policies for housing and the built environment. High quality, energy efficient homes must sit within communities that are socially and economically sustainable in the long-term.

26 See: <http://www.scotland.gov.uk/News/Releases/2010/12/21095640>

27 See: <http://www.scotland.gov.uk/Publications/2010/07/20125707/0>

28 See SHCS Annual Report 2009. <http://www.scotland.gov.uk/Publications/2010/11/23125350/0>

29 See: <http://www.cml.org.uk/cml/media/fact>

30 See: <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/RefTables>

105 We will publish a report on the Scottish Sustainable Communities Initiative highlighting good practice in the design and development of sustainable places. Building on this, we will develop a Strategy for Sustainable Housing in Scotland in 2012. This will bring together our policies - on climate change, energy efficiency, fuel poverty and planning and the built environment - that contribute to the development of sustainable housing and communities. In preparing our strategy we will work with stakeholders and draw on a range of resources seeking to maximise funding opportunities from the EU and the UK Government.

Social Housing

106 For many generations, and for many people, councils and housing associations have provided good quality, secure homes at an affordable rent.³¹ Tenants have been provided with the stability they need to contribute to their local communities.

107 A secure tenancy at an affordable rent should remain the core offer for new and existing social tenants. The reward for finding employment should not be higher rents or insecurity in tenure, but a higher standard of living and a wider range of affordable housing options.

108 We therefore reject the approach taken in England, where there will be no Government funding to build new homes for social tenancies, and new stock will be available on shorter-term tenancies at a higher cost. This will penalise

successful tenants and weaken communities, and it is contrary to our vision for housing. We will continue to invest in new social housing and to prioritise affordability.

109 Whilst agreeing the need to encourage people to move from welfare to work, we also oppose the UK Government's planned reforms to Housing Benefit. Although many details of their proposals are yet to be made clear, the initial proposals are unfair and will narrow tenants' choices. It is neither fair nor effective, during a prolonged economic downturn, to deduct 10% of Housing Benefit from social tenants who are long-term unemployed and claim Job Seekers Allowance. The likely consequences of these plans will be higher rent arrears and more evictions, rather than improved employment prospects.

110 It is also counter-productive to penalise families and individuals for under-occupying social homes if there is no smaller accommodation for them to move into. We will uphold the principle of the Scottish Secure Tenancy. Downsizing incentive schemes will continue to be at tenants' discretion rather than enforced, as many respondents to the housing discussion emphasised.



Tenants rejected any notion of compulsory moves for tenants who were “under occupying” a home - tenants should always be able to stay in their home if they wished. They also noted that too often there were no suitable smaller homes in their neighbourhood. ”

Central Scotland Tenants Event

³¹ There were 596,000 households in Social Housing as at 31 March 2010
Source: Housing Statistics for Scotland <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/KeyInfoTables>

111 To strengthen the social housing sector, we have already acted to remove the right-to-buy (RTB) for new homes and new tenants, and we will take action to further restrict the RTB. While the RTB has provided new options for households over the last 30 years, the costs of this policy will now fall on future generations. The transfer of hundreds of thousands of properties out of the social housing sector has decreased our social housing stock, and placed increasing pressures on councils and housing associations. It has also had a profound and detrimental effect on some communities, with less desirable areas now even more marginalised. At the same time, many of those who exercised their right-to-buy have struggled to meet the costs of home ownership.



[Some areas] are places no one wants to live – everyone is out of work and many people have problems in the same neighbourhood – this was caused by right to buy.

Participant in a session organised by HUG – Action for Mental Health Group in Highlands

112 The discounts of up to 70% under the “preserved” (pre-2002) right-to-buy scheme are unjustifiable. They leave social landlords out of pocket, leading to pressures on rents for remaining tenants and an eroded asset base. Under current legislation, some 230,000 tenants still have the preserved right. A study by the University of York³² has shown that these discounts are excessive in comparison with the lesser discount under the “modernised” RTB. We will consult on ways to remove the excessive features of the preserved right-to-buy.

³² UK Housing Review, 2006/2007

113 We are committed to ensuring that all social housing properties meet the Scottish Housing Quality Standard (SHQS) by April 2015. Social landlords have made steady progress towards the SHQS so that homes are free from serious disrepair, warmer and more energy efficient, healthier and more secure for residents. This progress needs to be maintained, and we will shortly publish guidance to help landlords target their implementation of SHQS investment activity effectively. This guidance, developed after consultations with landlords and the Scottish Housing Regulator, will provide opportunities for landlords to save up to £1 billion from their budgeted costs.

Sustainable Home Ownership

114 Home ownership is the largest tenure in Scotland today and remains the aspiration of the majority. A strong and sustainable home ownership sector supports stable communities and reduces pressure on affordable housing, as well as aiding the house-building and home improvement industries. Our aim to increase choice and options for all therefore includes supporting sustainable home ownership.³³

115 However, the home ownership sector currently faces considerable challenges, mainly because there has been a major and long-term decline in the availability and accessibility of mortgages. The impact of the credit crunch has left many unable to access home ownership or to move home. Low interest rates may also mask future affordability issues.

³³ The Home Owner and Debtor Protection (Scotland) Act 2010 introduced the strongest legislative protection anywhere in the UK for those at risk of repossession. See: http://www.oqps.gov.uk/legislation/acts/acts2010/asp_20100006_en_1

116 Regulation of lending is currently reserved to Westminster. While there is clearly a case for stronger regulation of mortgage lending and more sustainable practices, it is essential that the UK Government develops policies which enable the mortgage sector and the housebuilding sector to recover, and that the Financial Services Authority (FSA) ensures that its regulation is proportionate and balanced. We have called on the FSA³⁴ to ensure that its forthcoming proposals on responsible lending strike the right balance, outlawing irresponsible practice without preventing credit-worthy buyers from getting a mortgage, or trapping existing homeowners into unsustainable and unsuitable products.



We believe that future funding remains the key challenge facing the mortgage lending and related industries. Without an adequate supply of funding, many responsible consumers will be unable to meet their housing aspirations... ”

Council of Mortgage Lenders

117 We will encourage new funders to enter the mortgage market in the coming years, but in the meantime we will develop new approaches to lending so that people's needs can be met.

118 We will work with house-builders, lenders (including credit unions) and the UK Government to help identify effective new forms of mortgage product which can provide funds for responsible first time buyers without putting the banks at risk through sub-prime lending. New forms of mortgage indemnity schemes

are beginning to emerge for new-build properties and, depending on developments in the wider lending environment, could become more widely available within the next 2 years. We will work with the Council of Mortgage Lenders and Homes for Scotland to explore the extent to which the Scottish Government can support the development of these initiatives, and to address the barriers to their wider use.

119 At the same time, we will encourage measures that improve the quality of existing homes. Our drive to achieve this could be enhanced if the UK Government agrees to our request that refurbishments to homes should attract VAT at only 5%.

120 Home owners (and private landlords) have an important role to play in maintaining the quality of both their own properties and, by extension, the surrounding place. We will ensure that property owners are aware of those responsibilities and receive appropriate support in fulfilling them, by continuing to encourage local authorities to make use of their powers to assist owners in looking after their properties, including enforcement action where necessary. For some owners, equity release will be an appropriate mechanism to fund such improvements.

121 As more people make use of the Home Report system when moving house, the level of knowledge of condition and energy efficiency of privately owned properties will also be increased, helping people to make better decisions about the quality of their homes.³⁵

³⁴ A copy of the Housing Minister's letter to the FSA can be accessed here: <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/BuyingSelling/lettertoFSA>

³⁵ For more information on Home Reports, see: <http://www.scotland.gov.uk/homereport>

122 The maintenance of common parts of private dwellings and open space on housing estates are important issues. Well designed and maintained open space can increase well-being, although it remains important to secure value for money when open space is maintained. We support consumer choice in relation to land maintenance on private housing estates.³⁶ With regard to common parts of residential buildings and related land, we are also supportive of the consumer focused aims of the Property Factors (Scotland) Bill, and will implement the provisions in this Bill if passed by Parliament.

Expanding the intermediate tenures

123 We set out in Part 1 the need for intermediate tenures such as shared equity and intermediate rent to provide options for those unable to access home ownership or social housing. A substantial expansion in these tenures will also be essential to provide choice and flexibility for families and individuals.

124 Shared equity provides a means for people to access owner occupation, and for many it will be a route to outright ownership. Intermediate rent may also be a transitional tenure, allowing people to save for a deposit. For others it may be a long-term solution providing quality rented accommodation at a price they can afford.

The private rented sector

125 The private rented sector (PRS) already accounts for 10% of all housing in Scotland, thus making a significant contribution to meeting housing need. It

offers a good alternative to social housing or home ownership for many people, particularly those who value its flexibility. We will work with the PRS Strategy Group to create a development strategy aimed at growing and improving the private rented sector.



A [private rented] sector which enjoyed a higher reputation and offered greater stability - to tenants as well as investors - would be in a stronger position.”

Shelter Scotland

126 We will create a more focused regulatory system for the PRS targeted at those areas and landlords who give tenants a poor deal and tarnish the image of the sector. We are already taking action through our Private Rented Housing Bill and our review of the landlord registration system will lead to further improvements.

127 Private rented tenants will be particularly hard hit by the UK Government's initial changes to Housing Benefit, which threaten our aim of increasing affordable choices for families and our efforts to reduce homelessness. This year, changes in Housing Benefit are being introduced which will hit around 55,000 Scottish tenants,³⁷ restricting household income and increasing their risk of homelessness. Poorer tenants will be priced out of the more expensive areas, leading to greater social divisions and jeopardising the creation of mixed communities. Restrictions in benefit for claimants of Job Seekers Allowance, and for single people between the ages of 25 and 35, are likely to be particularly damaging in Scotland. We will therefore

³⁶ A consultation on consumers dismissing and replacing land maintenance companies will be launched shortly.

³⁷ See *Housing Benefit changes: Scottish Impact Assessment* at <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/marketcontextmaterials/hbchangesscottishimpact/>

continue to oppose these measures and demand that control over Housing Benefit policy in Scotland be transferred to the Scottish Parliament, enabling us to take a different and more progressive approach to meet the needs of our people.

improve options for social tenants but lead to more sustainable tenancies, benefitting landlords too. CHRs which offer choice-based lettings should become the norm across Scotland as we move forward.

- 128** For the private and socially rented sectors, a focus on quality must consider services by landlords as well as the fabric of the building. Our new approach to regulation of the social sector is set out at paragraph 148. We also want to see a thriving PRS which provides flexibility and choice for tenants and offers good standards of stock and management quality. To improve landlords' and tenants' knowledge of their rights and responsibilities, our Private Rented Housing Bill will require private landlords to give tenants an information pack, or an equivalent set of documents, at the start of every tenancy.



We are ... demonstrating through our pathfinder choice-based letting system, that our customers appreciate being able to express interest in particular properties. Research has shown that those who were successful in obtaining a property were more likely to be satisfied with their home and neighbourhood and more likely to sustain their tenancy.

Glasgow Housing Association

Choice and Options

- 129** The expansion of intermediate rental properties and our focus on the quality of the private rented sector are part of our overall drive to provide a range of housing choices for people.
- 130** We have already taken several steps to improve information about housing choices, ranging from introducing Home Reports for those considering house purchase, to encouraging social landlords to introduce common housing registers (CHR) for those seeking social housing. A CHR in each local authority area remains an essential starting point for improving fairness and access for tenants. The evidence also shows that choice-based letting schemes, where applicants choose which vacant properties they wish to bid for, not only

- 131** Similarly, it is vital that those facing homelessness or the risk of becoming homeless have information about the choices available to them. We will consult on how housing support, required under our Housing (Scotland) Act 2010, can best be provided by councils and their partners. We are committed to achieving the statutory target that from December 2012 onwards, all unintentionally homeless will be entitled to settled accommodation.

Housing Options

- 132** A key part of our work with councils to ensure progress towards the 2012 target has been the development of the Housing Options approach, which has so far been mainly targeted at preventing homelessness and responding to those who present as homeless (see page 39). People in this position are given expert assistance to assess their situation, to understand the choices open to them, and to resolve their housing needs, in many cases before the point of crisis is reached.

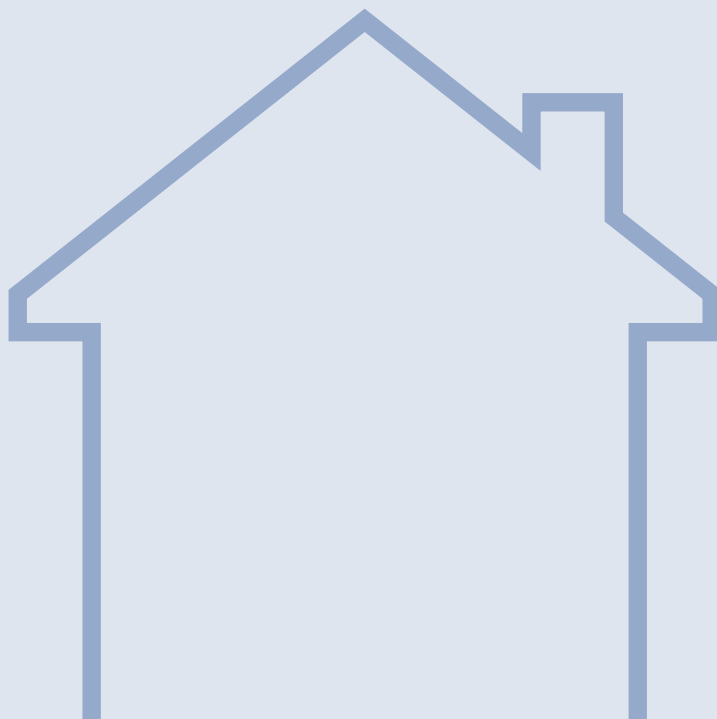


Prevention of Homelessness - North Ayrshire Council

North Ayrshire Council (NAC) was facing a challenge in terms of homelessness with increasing numbers of households applying as homeless, high levels of repeat homelessness and having to make extensive use of bed and breakfast accommodation.

The council reviewed its practice to ensure that the entire service looked at the prevention of homelessness first and identified the housing options available for people that could lead to more sustainable outcomes. NAC continued its rent deposit guarantee service, developed its tenancy support service (with a particular focus on preventing homelessness among young people), and enhanced its outreach service.

This has led to decreasing homelessness applications and reduced repeat homelessness rates. The council is no longer having to rely on bed and breakfast accommodation and is reducing its use of temporary accommodation. It is also able to do faster homelessness assessments and give a better service to homeless households.



133 To help local authorities and their partners develop this approach we launched a £500,000 Housing Options enabling fund in June 2010. All 32 local authorities are taking a collaborative and innovative approach, working together through five “hubs”, committed to preventing homelessness and improving choice.



I have been on lists for years and all I get is a letter once a year saying ‘do you still want to be on our list?’ Nothing ever comes up. ”

Participant in a session organised by HUG – Action for Mental Health Group in Highlands

134 The initial successes of the Housing Options initiative demonstrate that much more can be done to improve the use of existing stock, simply by ensuring that people have proper, realistic advice about the options open to them. This applies to those facing crises such as the prospect of homelessness, but it also applies to people at various stages of life as their housing needs change and develop. We now want to see a step change in the provision of information and advice through Housing Options approaches, or “housing health checks”, building on the work already underway. Advice and support will be made available not only to those at risk of homelessness, but to people on housing lists and to long-term tenants who want to look at their options.

135 Through the five hubs, we will work with councils, housing associations, the private rented sector, the wider voluntary sector and advice agencies to ensure that people facing different housing needs are able to:

- access information and expert advice;
- discuss the different options available to them for housing; and
- be fully informed of the widest range of choices before they face a housing crisis.

136 Households should be free to consider not just the tenures they are most aware of, but also opportunities that are available in other tenures. For example, some household needs are best met in the private rented sector rather than the social rented sector, particularly for those who live fairly mobile lives or need to be near specific education, employment or training opportunities. However, the decision to move out of social housing will not be imposed; our aim is to give people more choice.



Shelter Scotland welcomes the wider use of “housing options” approaches as a way of assessing an individual or family’s needs and considering the range of housing options and tenures available to them. ”

Shelter Scotland

137 We are also supporting other initiatives by social landlords to improve choice and mobility for their tenants, or to free up social lets.

- We will continue to invest in the Open Market Shared Equity scheme, which in future will be targeted at social tenants and also at other priority groups such as members of the armed forces and veterans.
- Many landlords offer incentive schemes to encourage social tenants who no longer need a large home to move to a smaller one.

- Others are working to make it easier for tenants to access mutual exchange schemes, to allow them to move within the social housing sector, within or beyond the local authority area. In future, the majority of social landlords should offer, or be part of, a house swap or exchange service.

138 On the other hand, we will not pursue the idea of a Scotland-wide common housing register. Responses to the consultation argued that there were easier ways to achieve flexibility and choice across local authority boundaries. Indeed, some of the Housing Options hubs are already looking to develop their own co-ordinated approaches, to better match people with houses, including across authority boundaries.

Supported Accommodation

139 Some of those at risk of homelessness, particularly young people but also women fleeing domestic violence and some armed forces veterans, may require supported accommodation to provide a range of services to improve health and wellbeing, including employment support. A consistent, national approach to the development of supported accommodation for those at risk of homelessness is long overdue and that is why we set up the Cross Sector Supported Accommodation Working Group, whose report is expected shortly.

140 The Group will make recommendations around provision of supported accommodation, funding models and developing approaches to employability, and we will urgently consider and act on their recommendations.

New opportunities for social landlords

141 As landlords for a wide range of tenants, housing associations and councils are the front line for affordable housing provision. We will give them more flexibility to deliver housing services in ways which best suit their communities.

142 Our vision is that housing associations across Scotland will have the option to provide a wider range of housing and related services for their communities, which could include provision of intermediate or private rented housing, or homes for sale. Several housing associations have already developed new approaches, for example by setting up subsidiaries to own or manage properties for shared equity, intermediate rent or private rent (see page 42). However, many have found the requirements bureaucratic and unwieldy. In summer 2011 we will consult on changing legislation to make it easier for social landlords to diversify their activities.³⁸ The Scottish Housing Regulator and the Office of the Scottish Charity Regulator will also issue joint guidance to make clear where restrictions apply to charitable housing associations, and where they do not.

³⁸ To achieve this it will be necessary to allow social landlords to take income into account in determining allocations. This will have virtually no effect on lets to social housing, which are based on other need factors and in practice are overwhelmingly targeted towards the poorest. But it will allow landlords to tailor intermediate or market rental provision to those able to afford them.

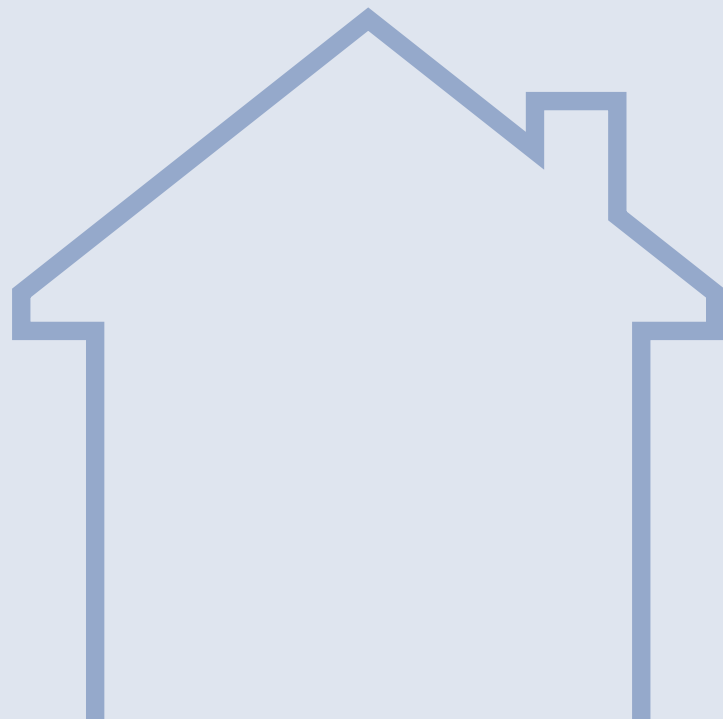


Diversification – Dunedin Canmore Group, Edinburgh

Recognising the changing demands for affordable housing, the Dunedin Canmore Group undertook a customer profiling assessment, in order to tailor services to meet current customer needs. Reduced mortgage availability has increased the number of people looking for good quality rented housing, and there remains a continued demand for shared ownership and shared equity products.

To address this, the Group increased its investment in intermediate rented housing through its subsidiary. People who would have been first time buyers in the housing market have now been given the opportunity to rent.

The Group's approach has proven very popular, with 210 intermediate rent properties developed or under development. The new tenants have been able to rent a home from an established landlord at a competitive price in the market place. This creates more choice for people in housing need in Edinburgh and gives Dunedin Canmore Group a broader base and better mix of tenancies and owners in the community, while at the same time protecting the affordability of the social rented stock that they have.



143 While there was strong support during the Housing Discussion for retaining long-term secure tenancies, there was also recognition by many respondents that a wider range of tenancy options could facilitate choice and growth, particularly by removing the restrictions on social landlords providing properties for intermediate rent.

“
We would not be in favour of any initiative that reduces our tenancy rights and the tenancy rights of future tenants and feel strongly that the terms and conditions of the Scottish Secure Tenancy must apply to all social rented housing in the future.”

West Dunbartonshire Tenants and Residents Organisation

“
The Scottish Government may wish to review the limited tenancy periods currently available under short assured tenancy provisions to encourage renters to pursue housing in the intermediate rental market, facilitate tenancy sustainment and promote security of tenure.”

Scottish Federation of Housing Associations

144 Some respondents also highlighted particular parts of the current tenancy regime that could be interpreted as unfair, in particular the automatic succession rights that can see a home pass to a family member rather than to someone else in greater need. Others called for a new look at allocations rules to ensure that landlords are able to judge the match between an applicant and a community as well as a house.

“
We would propose that where the person who wishes to succeed to the tenancy is a family member or carer then the law should be changed to add a requirement that they have been resident at the property for a defined period.”

South Lanarkshire Council

“
We would like to see the debate about housing needs going back to first principles, to: consider how housing allocations should work in different types of communities; and find better ways of balancing individual need and community need, particularly in areas that already have the highest levels of deprivation.”

Glasgow and West of Scotland Forum of Housing Associations /Employers in Voluntary Housing

145 Therefore, in summer 2011, we will also consult on other changes to legislation which would give local authorities and housing associations more flexibility:

- by minimising the legislative constraints on landlords' allocations policies, giving them the responsibility to determine their own approach to meeting need, but retaining the requirement to provide settled accommodation for the unintentionally homeless;
- to limit succession rights, for example where succession would result in a home being underoccupied;
- to widen the tenancies available for intermediate rented housing; and
- to widen the circumstances in which Short Scottish Secure Tenancies (SSST) can be used, to cover for example:

- i. applicants who are housed temporarily in overcrowded accommodation, while they await the availability of more suitable housing;
- ii. tenants in properties with adaptations which they do not need, until someone with specific needs requires the property;
- iii. tenants with a history of anti-social behaviour but not covered by the specific terms of the current legislation; and possibly also
- iv. all new social housing tenancies, as an initial tenancy during which landlords and tenants can make sure that the housing is most suited to the tenant's needs and sustainable for the longer term.

146 In the meantime, alongside this document we will shortly publish an Allocations Guide for social landlords, making clear the flexibilities that they already have.

147 We will continue to work with social landlords and others to identify, share, and see how best to apply innovation and good practice in housing management, through our learning networks.³⁹

148 We will shortly be publishing a discussion document about the Scottish Social Housing Charter. The Charter will set the outcomes – or results – that landlords should be aiming to achieve for their tenants, for homeless people and for other customers. It will not specify the processes, actions or expenditure that landlords should use to achieve those outcomes; those will be business decisions for the landlords themselves in

the light of local circumstances and customer priorities.

149 The Charter will help to focus landlords' activities on what is important to their customers and it will provide the framework within which the new independent Scottish Housing Regulator will assess and report on landlords' performance. The Regulator's report will enable tenants, other customers and landlords themselves, to identify where services could be improved. Subject to the approval of Parliament, the first Charter will come into force in April 2012.⁴⁰

Strengthening our communities

150 UK Government changes to the benefit system will impact on the incomes of large numbers of people. Housing Benefit levels will be affected from April 2011 and the consequences are particularly significant for younger single people and those who are long-term unemployed. The impact will be greatest for those communities where large numbers of people receive benefits. The choices for those individuals and their landlords will be reduced, and whole areas could become poorer and less economically and socially sustainable.

151 Energy prices have also risen sharply and that can leave some poorer households with stark choices around how warm to keep their home and how much of their income to spend on rent, food and energy.

152 Against this background, there is a challenge to reduce geographic inequalities and make all of Scotland's cities, towns, villages and

³⁹ See: <http://www.scotland.gov.uk/Topics/Built-Environment/regeneration/pir/learningnetworks>

⁴⁰ For further information on the Charter, see <http://housingcharter.scotland.gov.uk/>

neighbourhoods attractive places to live, work and invest in. Housing policies contribute directly to this goal, for example by promoting mixed-tenure developments to support sustainable mixed communities.



I am much more interested in building communities. I don't want to see areas with huge council / social housing and small private housing estates. I would rather have a good mixture... where communities are strengthened and enabled. ʹʹ

Marilyne Kubath, Housing Discussion Website

153 We are promoting strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others. As a means to achieving this, in 2009 we joined with COSLA in publishing *Promoting Positive Outcomes*,⁴¹ a new framework for addressing antisocial behaviour through more prevention, better partnership working, enhanced community engagement and improved communication. Housing associations, tenants groups and other community groups are now involved in implementing the framework, for example through the Participatory Budgeting Pilots in Fife (see page 46), South Lanarkshire, North Lanarkshire, Shetland and Stirling.

154 Support for our most deprived communities will continue through investing in regeneration, including supporting the vital community work of housing associations through Wider Role funding, which helps tackle poverty and disadvantage in our neighbourhoods. We are also supporting the role communities themselves play in regeneration through

our community engagement, capacity building and asset-ownership policies.

155 Research shows that there are also complex links between housing and other areas of life. Poor quality and insecure housing tenure can result in very negative outcomes for household members, including children and young people, which makes it harder to ensure that they have the best start in life and are ready to succeed. *The Early Years Framework*, published jointly by Scottish Government and COSLA in December 2008, provides the strategic focus for policies to deliver that outcome. It recognises that children and their families do not live in isolation, but are members of communities. Creating strong and resilient communities that can provide young children and their parents with a supportive framework will include the provision of an adequate supply of quality housing.

156 It is also clear that delivering improved outcomes for our youngest children is not just about the provision of a warm and secure place to stay, important though that is. Housing officers and others who provide services for adults have a key role to play in breaking the cycles of poverty, inequality and poor outcomes, by recognising and promoting the needs of children too. There are a number of examples around Scotland of this close working between housing officials and other professionals. For example, the NHS Lothian Family Nurse Partnership test site in Edinburgh provides support to first time teenage mothers and their partners, from an early stage of the pregnancy. Part of this support is provided by housing officers, who are able to plan ahead for the housing needs of the family.

41 See: <http://www.scotland.gov.uk/Publications/2009/03/18112243/0>



“Community Gains” - Fife

In autumn 2009 the Scottish Government and COSLA established a Participatory Budgeting Pilot exercise across five Community Planning Partnership areas as part of the community empowerment agenda.

In Fife, the aim of the Community Gains project is to encourage and empower the community of Glenrothes to identify and deliver priority services that will enhance the safety and wellbeing of individuals in the areas in which they live.

Community Gains involved local projects bidding for a share of £30,000. More than 100 people came together at an event in August 2010 to hear about, and then vote on, the range of projects that the twelve bidding groups had put together. Each of the groups had three minutes to present their project to the audience, followed by one minute “speed dating” slots to convince voters that their project deserved support. Voting resulted in financial backing for eight of the twelve projects, with the others receiving support to seek alternative funding.

The successful projects ranged from the provision of notice boards to building an off-road bicycle track; from a sensory garden to community well-being. The groups now have until April 2011 to initiate their projects, and will be supported in this by council officers and partner agencies.

Energy Efficiency

157 Climate Change is one of the most serious challenges we face, and housing must play its part in facing up to that challenge. The targets set out in the Climate Change (Scotland) Act 2009 require a 42% reduction in Scotland's greenhouse gas emissions by 2020, and housing is currently responsible for around a quarter of our emissions. In addition, our energy efficiency target requires a 12% reduction in our total final energy consumption by 2020. Our approach to improving energy efficiency standards for new housing was set out in Part 1. Improvements to the existing stock will also play a vital role in the achievement of housing's contribution to the overall target.

158 Guidance is being prepared jointly by the Scottish Government and COSLA to provide advice to local councils on how to address climate change in their Local Housing Strategies. This will help them meet the duties they have as public bodies under the Climate Change (Scotland) Act 2009 and will set out the financial and other resources available to assist them.

159 Our measures to address energy efficiency are also central to our commitment to ensure that by November 2016, so far as is reasonably practicable, nobody is living in fuel poverty in Scotland. In 2009, nearly a third of households were facing fuel poverty.⁴² The three principal factors which contribute to this problem are fuel prices; incomes; and the energy efficiency of housing. The last of these is the factor

the Scottish Government can influence most, and we are providing support to tackle fuel poverty through the energy assistance package and the home insulation scheme.

Improvements to existing housing

160 We will continue to invest in good levels of insulation and energy efficient heating systems. This will help people reduce fuel bills, help tackle climate change, and encourage economic growth through increased opportunities for the emerging green industries. We have made real progress already, with 55% of houses now rated as having a "good" energy efficiency standard and just 3% rated as "poor".⁴³



High quality insulation and effective, efficient heating systems will greatly assist in achieving quality homes. Creative design need not be expensive but needs to be visionary and at the same time practical. ””

East Kilbride and District Housing Association

161 Together with home owners and landlords, we will pursue the strategy and goals set out in our Energy Efficiency Action Plan⁴⁴ (October, 2010) and our Report on Proposals and Policies (RPP) required by the Climate Change (Scotland) Act. The draft RPP⁴⁵ (November 2010) highlights a range of proposals and policies for reducing emissions from our homes and communities. These include: smart metering and better billing, the energy company obligations, fuel poverty and insulation programmes

42 Approximately 33% of households were estimated to be spending more than 10% of their income on fuel. Source - Scottish House Condition Survey 2009 - <http://www.shcs.gov.uk>

43 Scottish House Condition Survey 2009 - <http://www.shcs.gov.uk>

44 See: <http://www.scotland.gov.uk/Publications/2010/10/07142301/0>

45 See: <http://www.scotland.gov.uk/Publications/2010/11/18104445/0>

and changes to building standards, together with a range of supporting and enabling measures. Our Strategy for Sustainable Housing in Scotland will set out in more detail how we will take this forward. The RPP explains that a range of energy efficiency measures will need to be installed in many of Scotland's homes by 2020. Milestones include:

- every home to have loft and cavity wall insulation, where this is cost-effective and technically feasible, plus draught-proofing measures such as pipe lagging;
- every home heated with gas central heating to have a highly efficient boiler with appropriate controls; and
- at least 100,000 homes to have adopted some form of individual or community renewable heat technology for space and/or water heating.

162 We will extend our area-based Home Insulation Scheme, offering energy advice and free or low-cost insulation measures, to a further 200,000 homes in 2011-12, in addition to the 500,000 houses already covered. And we will continue to work with private landlords to encourage them to take up the wide range of incentive schemes for energy efficiency measures. These include tax breaks under the Landlord's Energy Saving Allowance, interest-free business loans and a boiler scrappage scheme.

163 Our Energy Assistance Package (EAP) focuses on energy efficiency improvements for the fuel poor. The EAP can provide energy efficiency advice: basic insulation measures that are wholly or partially funded by energy suppliers; more expensive measures such as replacement boilers and central heating systems; and advanced measures such as solid wall

insulation and air source heat pumps for hard-to-treat homes. The EAP and area-based Home Insulation Scheme will continue in 2011/12 and will develop a more integrated approach to addressing energy efficiency and fuel poverty.⁴⁶

Getting our fair share from UK-wide schemes

164 Under the current devolution settlement, improving the quality of our homes also depends crucially on policy measures to be implemented in Westminster and delivered through the energy companies. These policies are subject to major change post-2012 and we must both influence and respond to these revised policies.

165 For example, the UK Government is supporting home energy efficiency improvements by developing a Green Deal Finance scheme. Although the details are not yet clear, our expectation is that under this scheme households will receive energy efficiency measures from participating providers and will pay back the costs over time through the savings they make on their energy bills. This presents substantial opportunities and challenges to our housing sector and major choices for individual tenants and homeowners.

166 We will work with energy companies and engage actively with the UK Government to influence the design of these schemes to ensure that Scotland, our economy and our social and affordable housing sectors, are able to benefit fully from these measures.

⁴⁶ The public can access help through the Home Energy Scotland helpline (0800 512 012), which offers information on all Scottish Government home energy initiatives and help and expert advice on how to save energy and money in the home.

Community and small-scale renewables

167 Small-scale renewables and micro-generation have a part to play in reducing reliance on electricity generation from fossil fuels (see page 50). At the UK level, the framework for funding such installations began a new phase in April 2010 with the introduction of Feed-in Tariffs, whereby owners of micro-generation equipment receive payments for the energy they generate. It is vital that we take advantage of the business opportunities provided by this scheme, given the potential for the up-front costs to be recovered in relatively few years. The Renewable Heat Incentive (RHI) will provide further opportunities when it is introduced by the UK Government later this year.

168 We are working with the Scottish Federation of Housing Associations to scope out the potential for a programme of retrofitting or installing renewable energy products in their members' housing stock, generating future savings and income through the Feed-in Tariff scheme. We are also investigating the most efficient way of supporting this activity including attracting appropriate loan funding.

Regulatory powers

169 It is vital that we see improvements to energy efficiency in privately owned homes, and we will continue to support and encourage home owners and private landlords to take up energy efficiency measures, including through energy company obligations and tax breaks. Under the Climate Change (Scotland) Act the Scottish Ministers are also empowered to make regulations to require action by private owners, and we will set out our approach to this by the end of March 2011.

Requirements for social landlords

170 Achievement of the SHQS by 2015 will be an important first step in reducing emissions in the social housing sector, but we need to go further. We need social landlords to lead the way in energy efficiency, retrofitting of renewables, fitting efficient heating systems and accessing sources of funding.



Current SHQS is no longer fit for purpose and should be amended to reflect climate change legislation, and provide support for landlords not able to achieve the standard. ”

Glasgow City Council

171 Following consultation with social landlords and other stakeholders, we will introduce a further regulated standard to require better energy efficiency by 2020. We will work with landlords to define the new standard and how it will be monitored, and the degree of flexibility required for hard-to-treat properties. We will define the new standard and issue supporting guidance in 2012, to enable landlords to plan effectively for implementation by 2020. Financial sustainability will be a key consideration. To minimise the financial implications for landlords, we will help them to access existing and new funding from the Scottish Government, UK Government and energy companies. In addition, we are currently working with a number of local authorities to investigate the feasibility of large scale contracts for retrofitting solar photovoltaic panels in their social housing stock; and what role the JESSICA⁴⁷ investment model could play in helping to finance this activity.

⁴⁷ See paragraph 70



Retrofitting - Dumfries and Galloway Housing Partnership (DGHP)

DGHP is a housing association with 10,200 homes, approximately 20% of the housing stock in the region.

In 2010 DGHP installed 53m² of photovoltaic panels on the rear pitched roofs of eight pre-World War One houses at Municipal Terrace, Dumfries.

Income from the Feed-in Tariff will be used by the association for further investment in its housing stock. The photovoltaic panels will produce carbon free electricity.

The fitting of the panels is part of a wider refurbishment scheme that improves the house overall energy rating from F to an estimated A, with consequent reductions in lighting, heating & hot water costs for tenants and in excess of 80% savings of carbon dioxide emissions.

DGHP has successfully entered this project for a number of awards. The lessons learned from this project are informing the Scottish Government's work to support a wider programme of retrofit of renewables by housing associations.

172 Furthermore, we will continue to work with the sector to identify, share, and see how best to apply innovation and good practice in creating quality, energy

efficient homes and sustainable, well designed places, through our learning networks.⁴⁸

48 For further information see:
<http://www.scotland.gov.uk/Topics/Built-Environment/regeneration/pir/learningnetworks>

Actions

We will publish a report on the **Scottish Sustainable Communities Initiative** highlighting good practice in the design and development of sustainable places.

We will develop a **Strategy for Sustainable Housing in Scotland** in 2012. This will bring together our policies - on climate change, energy efficiency, fuel poverty and planning and the built environment - that contribute to the development of sustainable housing and communities.

We will continue to invest in **new social housing** and to prioritise affordability.

We will consult on ways to **remove the excessive features of the preserved right-to-buy**.

We will shortly publish guidance to help landlords **target their implementation of SHQS investment** activity effectively, highlighting the opportunities for landlords to save up to £1 billion from their budgeted costs.

We will work with house-builders, lenders (including credit unions) and the UK Government to help identify effective **new forms of mortgage product** which can provide funds for responsible first time buyers without putting the banks at risk through sub-prime lending.

We will work with the Council of Mortgage Lenders and Homes for Scotland to explore the extent to which the Scottish Government can support the development of **mortgage indemnity schemes**, and to address the barriers to their wider use.

We will ensure that **property owners are aware of their responsibilities** for the quality of their properties, and that they receive appropriate support in fulfilling them.

We will work with the PRS Strategy Group to create a **development strategy** aimed at growing and improving the **private rented sector**.

We will create a more focused **regulatory system for the private rented sector** targeted at those areas and landlords who give tenants a poor deal and tarnish the image of the sector.

We will continue to demand that control over **Housing Benefit** policy in Scotland be transferred to the Scottish Parliament, enabling us to take a different and more progressive approach to meet the needs of our people.

We will consult on how **housing support**, required under our Housing (Scotland) Act 2010, can best be provided by councils and their partners.

Through the five hubs, we will work with councils, housing associations, the private rented sector, the wider voluntary sector and advice agencies to ensure that people facing different housing needs are able to access information and expert advice, discuss the different options available to them for housing; and be **fully informed of the widest range of choices** before they face a housing crisis.

We will continue to invest in the **Open Market Shared Equity** scheme, which in future will be targeted at social tenants and also at other priority groups such as members of the armed forces and veterans.

We will give housing associations and councils more **flexibility to deliver housing services** in ways which best suit their communities.

In summer 2011 we will consult on changing legislation to make it much easier for social landlords to **diversify their**

activities. We will also consult on other changes to legislation which would give local authorities and housing associations more flexibility:

- by minimising the legislative constraints on landlords' allocations policies, giving them the responsibility to determine their own **approach to meeting need**, but retaining the requirement to provide settled accommodation for the unintentionally homeless;
- to limit **succession rights**, for example where succession would result in a home being underoccupied;
- to widen the tenancies available for **intermediate rented housing**; and
- to widen the **circumstances in which Short Scottish Secure Tenancies (SSST)** can be used.

We will shortly publish a discussion document about the **Scottish Social Housing Charter**. The Charter will set the outcomes – or results – that landlords should be aiming to achieve for their tenants, for homeless people and for other customers.

Support for our most deprived communities will continue through investing in regeneration, including supporting the vital community work of housing associations through **Wider Role** funding.

We will continue to invest in good levels of **insulation and energy efficient heating systems**.

We will pursue the strategy and goals set out in our **Energy Efficiency Action Plan and our Report on Proposals and Policies (RPP)**.

The **Energy Assistance Package and area based Home Insulation Scheme** will continue in 2011/12 and will develop a more integrated approach to addressing energy efficiency and fuel poverty. The Home Insulation Scheme will offer energy advice and free or low cost insulation measures to a further 200,000 homes.

We will work with energy companies and engage actively with the UK Government to influence the design of **UK-wide energy efficiency schemes**, to ensure that Scotland, our economy and our social and affordable housing sectors, are able to benefit fully from these measures.

We are working with the Scottish Federation of Housing Associations to scope out the potential for a programme of **retrofitting or installing renewable energy products** in their members' housing stock.

We will continue to support and encourage home owners and private landlords to **take up energy efficiency measures**, including through energy company obligations and tax breaks. Under the Climate Change (Scotland) Act, the Scottish Ministers are also empowered to make regulations to require action by private owners, and we will set out our approach to this by the end of March 2011.

Following consultation with social landlords and other stakeholders, we will introduce a **further regulated standard** to require better energy efficiency in the social housing sector by 2020. We will work with landlords to define the new standard and how it will be monitored, and the degree of flexibility required for hard-to-treat properties. We will define the new standard and issue supporting guidance in 2012.



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