



**SCOTTISH GOVERNMENT CONSULTATION:
FIRM FOUNDATIONS:
THE FUTURE OF HOUSING IN SCOTLAND**

**SUBMISSION BY
SCOTTISH ESTATES BUSINESS GROUP**

1. BACKGROUND

SEBG represents a group of progressive land-based estates with significant agricultural and rural business interests. It aims to promote a modern business approach in the management of Scotland's land resource in ways which deliver social, economic and environmental benefits. The Group seeks to secure a sustainable and prosperous future for rural areas.

Estates are proven business models that assist the development of smaller rural businesses, and landowners and estates have a vital role to play in the ongoing and future development and prosperity of Scotland. SEBG is committed to rural economies and its members work hard across Scotland to stimulate enterprise and economic development.

2. SEBG OVERVIEW OF RURAL HOUSING

Members of SEBG currently manage in excess of 3,000 private let properties across Scotland, mostly in rural areas, so the issues of delivering affordable rural housing are ones with which the organisation has much experience. A number of Members are actively engaged in innovative schemes to tackle the increasing shortage of affordable homes to rent or buy which is threatening the sustainability of many of Scotland's rural communities. In principle, the Group welcomes measures by the Scottish Government to address issues of availability of housing.

Recognition by the Consultation of the importance of affordable housing to rural areas is welcome, but there needs to be wider understanding of how the needs of rural communities may differ from those of larger settlements; the most appropriate solutions will be those that address those different needs. For example, it may seem appropriate that new housing should be located on the outskirts of existing settlements and in larger groupings, but very often the real need is for small groups of houses or even single plots in a more rural setting. Whilst the planning system has the facility to respond to such localised need, it is more often the case that there is a planning presumption against small or single developments.

The issue of availability of housing in rural areas is proving itself to be an important issue in the context of the agricultural sector, and is seen by potential new entrants to the sector as a major barrier to entry. The average age of farmers is 58 and rising, yet the problem for many is that they are unable to retire and leave the farmhouse to make way for younger farmers since there is nowhere local for them to retire to. A more

pragmatic approach by planners to small development in the countryside would go a long way to helping free up property for rent or sale in appropriate circumstances, thereby helping to underpin the continued development of a key rural industry and the creation of rural opportunity for young people.

The availability of private affordable housing is and will become increasingly more and more important a factor in retaining existing local tradesmen and their families by allowing them to compete in the property market and in encouraging skilled tradesmen to settle and work in rural areas. These sectors of society are the lifeblood of thriving local communities and it is essential that they be retained to ensure the long term sustainability of rural communities and economies. Rural communities are already struggling from skill shortages, and this problem can be expected to become more acute over time as the property market continues to rise, pricing more and more out of whatever housing may be available. This is one of the biggest threats to sustainable rural communities.

It is against that background that SEBG supports the Government's aim of increasing the supply of housing; with supply dictating price, increases in the rate of house building should at the very least help to damp down the rate of house price inflation seen in recent years across Scotland.

3. RESPONSES TO SELECTED QUESTIONS

Chapter 2: Priorities for Action on Housing Supply

Q1: Do you agree that aiming to increase the rate of new housing supply in Scotland to at least 35,000 a year by the middle of the next decade is a sensible and realistic ambition, and that this will help set a necessary political context for acceleration in housing supply?

So long as supply is constrained and is outstripped by demand, then house prices will continue to rise, with implications for affordability. If Scotland's rural communities are to be sustainable, they must be able to offer a range of accommodation to rent or buy which suits the varying needs and resources of the young, families, and older generations.

The Group supports the Scottish Government's aspiration to increase the rate of house building. However, it is all too easy for local interests to support housing expansion in principle but to object to specific projects as "not appropriate for this area". There needs to be earlier and better engagement with communities from the inception of development projects, their potential benefits explained and community input and ideas considered, and individual schemes adjusted accordingly. Ultimately, it is in the interests of the delivery of the increased rate of house building that plans are able to win approval.

The Group suggests that new housing targets should be allocated at regional and local level to ensure that adequate priority is given to meeting the needs of rural areas which although a small proportion of the total are critical for the survival of rural communities. This should surely be a key function of the Development Plan process.

Chapter 2: Priorities for Action on Housing Supply

Q4: Even when land has planning permission there are still blockages that prevent new housing being built. What additional arrangements would, or could, accelerate development on land with planning permissions to help ensure that future housing supply targets are met?

What is also needed is more joined up thinking between the planning system and the providers of infrastructure such as water, power services and transport, along with measures to address the availability or cost of new provision of infrastructure. Whilst zoning for housing may be developed at a local level on the basis of local need, it will have little chance of success if suppliers such as Scottish Water are unable to finance, at the right time, the provision of the infrastructure which is required to support it. Realistically, landowners are unlikely to be prepared to offer land for sale to a development which faces the prospect of a delay for a year or two before sewerage works can be upgraded, since the market is likely to support a better return for the sale of the land when the development is finally able to go ahead and deliver its return to the builder.

The Local Plan preparation process should be linked in a more meaningful way with Scottish Water's upgrade and extension programme to ensure that zoning of development land within a new Local Plan coincides with delivery of upgraded services.

For some developments, the developer is looked to for the funding of necessary infrastructure, but if applied to smaller projects of perhaps a handful of units – very often what is needed in rural areas - the cost of the development can be made uneconomic if infrastructure costs are included, since lack of volume renders unit price prohibitive.

Chapter 3: Assistance for First Time Buyers

Q9: How can the private house-building sector play a bigger role in providing, without public subsidy, increased provision of affordable starter homes?

The concept of affordability and mechanisms for delivery of affordable housing needs to be reviewed. One-off subsidies to first time buyers only assist the first owner of the property. Subsequent sales are at market value and the benefit of affordability is lost to the next generation of purchasers.

A more pragmatic approach is needed by the planning system towards the mix of developments which are proposed for rural areas. Very often the economics of a project to deliver affordable housing can only be made to work if approval is given at the same time for a number of units for disposal on the open market, in order to “balance the books”. For rural areas, which may require the provision of perhaps only a handful of units, the 25% affordable rule may render the development economically unviable since the developer has less scope to recover the costs of the development from the units to be sold in the open market.

Landowners are sometimes prepared to make land available at below market prices, and sometimes even for free if the circumstances are right, but such projects often flounder when faced by planning restrictions which inhibit the development's viability.

One measure which could go a long way to support the provision of rural housing in Scotland - and not just starter homes - is the acceptance by the planning system of the concept of “rural exception sites”, whereby consent may be granted for housing development, more usually only one or two units, on sites not zoned for housing in the Local Plan but for which a specific need can be demonstrated. The scheme had already delivered a significant number of houses in rural areas south of the border, and whilst SPP15 allows planning authorities the scope to apply them, only a few Councils have adopted this approach to as a way of helping to resolve rural housing issues. Section 75 agreements could be used to safeguard local communities from any adverse impact from the exception site and reassure that the project delivered a practical solution to an acknowledged local housing problem.

Chapter 4: the Private Rented Sector

Q10: What issues do you consider should be taken into account when considering the increased use of private sector lets to house low-income and homeless households?

The private rented sector is able to play an important role in the provision of housing for those on low incomes. It is not so restricted as the public sector in its allocation of properties to tenants, and has more freedom to direct available properties to local households in need or those possessing skills which are in short supply in the local community. However, the key factor for the landlord is the assurance that the rent will be paid. This ceases to be an issue in those cases where housing benefit may be paid directly to the landlord, but might be of more concern when any necessary financial support is channelled directly to the tenant. If rent payment could be guaranteed, then the private sector might feel more confident in releasing property for let.

Sight should not be lost of the fact that the letting of property is a commercial operation for private landlords. Nevertheless, and particularly in rural areas, many choose to include in their mix of properties for let an element of affordable housing to ensure the maintenance of an adequate local skills base as well as to support the local community.

Q13: What other options should we consider for increasing the supply of private rented housing for low income and homeless households?

Estates traditionally provided houses for their estate workers but a changing pattern of rural employment and rising property ownership have meant that in recent years many rural estate properties have become available for rent and have been offered to local people, often at below market rents. The growth in rental of estate properties is such that now estates in Scotland are large scale providers of affordable housing.

Some estates have recently been looking to take support for their local communities one stage further and have been investigating ideas which would allow them to deliver new housing in rural areas, but the inability to channel the necessary public sector support directly to private landlords rather than through RSLs has proved to be a stumbling block.

For example, one SEBG Member has been investigating for some time the development of a shared equity scheme of new housing provision. A model was developed to provide rural housing for people in local employment, who had a family connection in the area or could contribute to sustaining the local rural economy. The project aimed to

support rather than compete with RSLs in providing low cost home ownership. Once planning permission was granted and the values of houses confirmed, purchasers would be able to buy up to 75% of the property and receive full title to the house along with full home ownership responsibility. The Estate would retain the remaining percentage. On subsequent sales the Estate would retain its share ensuring that a similar discount would be made available to the next occupant. A right of pre-emption, through planning agreements between the local planning authority and Estate, would also be used to ensure that when the occupant chose to sell, the Estate would have first right of refusal to buy the house, so that the house would not be lost from the “affordable” market.

However, despite the land for the project being made available by the Estate free of charge, it has so far proved impossible to create a workable model in the absence of the availability of public sector funding for a model involving the private sector rather than a registered social landlord. SEBG would suggest that a more pragmatic approach should be taken to access by the private sector to public funding to support innovative schemes designed to deliver new housing in rural areas, in order to allow the implementation of schemes such as that outlined above.

Q15: What other schemes or incentives might help us to recycle empty properties more effectively?

The Rural Empty Properties Grants available through Communities Scotland have proven to be useful in encouraging private landlords to bring derelict properties back into use for long term residential lets but the scheme lacks adequate funding.

Many private landlords in remote rural areas are struggling to meet the requirements of the Private Water Supplies Regulations 2006. If affordable rent levels are to be maintained, adequate funding needs to be offered to meet the cost of upgrading an existing supply.

There would be much merit in the development of schemes to facilitate the improvement of derelict rural properties or the adaptation of farm buildings for rent as affordable housing. One option might be to offer grant to offset the VAT element of the cost of renovation of rural derelict buildings on condition they were subsequently let as affordable housing to meet local need. Landowners, for example, might be prepared to improve or convert properties for housing, sometimes at below market rents, but the costs of upgrading some properties may be rendered unfeasible by the application of VAT at 17% on top of necessary building costs. Another alternative would be a more pragmatic approach to be taken by planning authorities to applications for consent to develop rural properties or for change of use consents.

Chapter 6: Innovation and Choice in Social Housing

Q16: Do you agree that we should exempt new build social housing from the Right to Buy

SEBG fully supports the Scottish Government’s proposal to exempt new social housing units from the RTB. The agricultural sector has seen at first hand the impact that a pre-emptive Right to Buy, introduced in the 2003 Agricultural Holdings Act, has had on the confidence of owners to let land to tenants. The result has been a steady decline in the letting of land and difficulties faced by prospective new entrants in getting into farming.

Instead, alternative methods such as contract or share farming are increasingly being deployed for land management rather than the use of tenancy agreements – to such an extent that the industry is now carrying out, on behalf of the Scottish Government, a consultation on how best a healthy agricultural let sector can be reinvigorated and barriers to entry addressed.

The RTB must act as a similar disincentive for RSLs when considering the most effective application of limited resources. The Group believes that removal of the RTB in agricultural tenancies would go a long way to bolster confidence in letting, and feel such a measure re RTB for new build social housing would apply equally to the confidence of RSLs to invest in the development of new units for let.

Q24: Do you think that subsidies for development should be provided to bodies other than registered social landlords?

See response to Question 13.

SEBG
25th January 2008