

SCOTTISH GOVERNMENT RESPONSE TO THE RURAL AFFAIRS AND ENVIRONMENT COMMITTEE'S RURAL HOUSING INQUIRY

1 Addressing the rural housing problem; the Committee's overall approach

The Committee is clear that many more houses need to be build in rural Scotland; in small towns and villages and in the countryside too. This assumption is fundamental to the overall approach taken in this report. (Paragraph 25.)

Scottish Government Response:

The Scottish Government believes that there is a need to increase housing supply of the right type and tenure, in the right places and is committed to help create the conditions needed to support a recovery in future levels of house-building in order to meet long term housing need and demand.

2 Methods of delivering affordable housing

The Committee supports there being a diversity of methods for the delivery of affordable rural housing but considers that the contribution of the private rented sector is currently under-exploited. Individuals should also be supported in pursuing self-build solutions (including the renovation of derelict property). (Paragraph 31.)

Scottish Government Response:

Our Review of the Private Rented Sector, published in March 2009, highlighted the potential for Scotland's private rented sector to play a greater role in Scotland's housing system. The review also showed that the private rented sector is highly significant in many rural areas.

We have specific provisions to increase the supply of affordable housing in rural areas, including the Rural Empty Property Grant and the Rural Homes for Rent pilot. The latter scheme, supported by £5 million over three years from 2008, allows rural landowners and community buy-outs to apply for grants to help them to build affordable houses for rent on their land and thereby help to maintain the long-term viability of rural areas. We expect the scheme to provide 100 new affordable houses for private rent by 2011, at which point it will be assessed.

In the Review we made clear that we want to support existing private landlords who want to expand or maintain their portfolios in order to meet a range of housing needs. Accordingly, we have called on the UK Government to introduce changes to the tax system to support this aim including targeted VAT reductions for certain works, including repairs to crofts and common parts of houses, which would assist private landlords with the costs of repairing empty properties and bringing them quickly back into use.

In order to encourage more institutional investment in new-build stock for private renting, we have asked the UK Government to reconsider the rules relating to residential Real Estate Investment Trusts (REITs). These could provide an effective investment vehicle to expand the supply of privately rented housing, but the current rules make them unattractive to investors and no residential REIT has been established. The Scottish Government has begun to investigate with stakeholders other methods of encouraging institutional investment in the sector, in order to increase supply.

We have also asked the UK Government to consider the impact that Inheritance Tax has on housing supply, particularly in rural areas. We believe that it would be cost effective to provide an exemption from Inheritance Tax where houses are let at affordable rents, in order to encourage owners to increase the supply of affordable private rented housing and to prevent the sale of such housing to pay the tax.

We also have concerns about the effect of the UK Government's policy of determining Local Reference Rents for housing benefit purposes across large geographic areas. Very large Broad Rental Market Areas have been established in rural Scotland, across multiple local authorities. Councils have told us that this is leading to problems of affordability and supply. We believe that the Department of Work and Pensions should give Rent Officers the flexibility to take account of the circumstances of rural Scotland in order to address these problems.

As part of their 'scheme of assistance', local authorities have powers under section 71 of the Housing (Scotland) Act 2006 to provide assistance to people considering self-build or interested in renovating derelict properties. Local authorities are responsible for determining the priorities for their scheme of assistance, which should be laid out in their section 72 'statement of assistance' and contained in their Local Housing Strategy. This strategy should be publicly available.

Our Review of the Private Rented Sector included a volume on bringing empty private sector houses (including those that are not habitable) into use. The volume considers initiatives to address this problem, based on case studies, and is intended to assist those local authorities that have identified a problem with empty houses in their areas and want to encourage their owners to bring them into use, including for affordable rent. Methods include the targeted use of local authority powers to deal with sub-standard houses under the 2006 Act. The study makes a number of recommendations for local authorities and the Scottish Government, which we will consider.

Many areas for policy development in the private rented sector have arisen from our Review and from issues raised by stakeholders. These relate to the improvement of the sector in both rural and urban Scotland, to make it more effective and attractive. One important aspect is the need for better awareness among landlords and tenants of their rights and responsibilities, in relation to landlord registration, the Repairing Standard and other matters. We will be considering how this can best be achieved; for example, by developing a strategic approach to the dissemination of information in the sector. As we stated in the Review, we will be mindful of the particular needs of rural tenants and landlords when considering this. We are already supporting Landlord Accreditation Scotland, which promotes higher standards in the sector, partly by providing training for landlords and agents across Scotland.

The Review found that the private sector tenancy regime appears to be operating satisfactorily. However, we want to support the sustainability of tenancies, by addressing issues that can lead them to break down, such as rent arrears, access to carry out repairs, and getting repairs done. We will investigate the possibility of clarifying possession procedures. We are already working with stakeholders to address the problem of wrongly withheld tenancy deposits.

The Review also includes a Good Practice Resource Pack to assist local authorities in working with the private rented sector. We also want the sector to play a bigger role in housing homeless households, and the Resource Pack includes options for local authorities to work with private landlords to achieve this. We will be bringing forward regulations setting out the circumstances in which local authorities can discharge their homelessness duty by means of a short assured tenancy.

We are consulting on the possibility of including some measures relating to the private rented sector in the forthcoming Housing (Scotland) Bill. These are relatively straightforward and focussed on allowing local authorities to enforce landlord registration more effectively and addressing some problems relating to houses in multiple occupation. We are establishing an expert group to assist us in giving detailed consideration to the more complex policy issues relating to the sector, including those arising from the Review. Some of these issues could be taken forward in primary legislation, and we aim to develop a consensus around proposals that could be taken forward in a possible Private Housing Bill towards the end of 2010, should a legislative opportunity arise. The expert group will also be a forum for discussions on taking forward non-legislative issues arising from the Review.

3 Relieving pressure points: enhanced pressured area status

The Committee invites the Government to consider extending the principle of pressured area status, so as to give councils the potential to apply powers additional to suspending the right to buy in areas where the local housing market is under serious pressure. The underlying consideration should be to give councils the ability to access a toolbox of measures that could be used to maintain and even increase the housing supply in areas under serious pressure. (Paragraph 35.)

If this suggestion is proceeded with, the Government should ensure that the process is sufficiently streamlined to encourage and empower councils to make full use of it. (Paragraph 36.)

The Committee would also suggest that any such revised procedure should be as flexible as is reasonably possible, to enable councils to tailor pressured area status to suit local circumstances. In particular, the Committee suggests that councils should be able to apply for as many or as few powers available under any revised scheme as they consider appropriate, and to seek such powers in respect of as many communities or districts within the council area as are considered appropriate. (Paragraph 37.)

Scottish Government Response:

Whilst the Scottish Government supports the principle of focused support for those rural areas under the greatest housing pressure, we believe that this would not necessarily be best linked to pressured area designations. These are based on indicators relating solely to the affordable rented sector (primarily the relationship between new lets made and numbers on the waiting list), which may or may not be a good measure of overall pressure in the housing market.

The Scottish Government has published new guidance for local authorities on assessing housing need and demand across all tenures, which will help local authorities and their partners develop a shared evidence base to inform decisions about the policies required in Local Housing Strategies and development plans. This will help local authorities to identify those areas under greatest housing pressure and allow them to tailor their policies and investment priorities accordingly. Assessments will also allow local authorities to improve their understanding of the drivers underpinning the housing market, the balance between supply and demand in different tenures and the interaction between demand for market housing and the need for affordable housing.

Housing Need and Demand Assessments will enable local authorities to develop a long term strategic view of housing need and demand, which will inform both the preparation of their Local Housing Strategies and development plans. Local authorities will have the opportunity within their Local Housing Strategies and associated Strategic Housing Investment Plans to identify where specific activities support and investment should be targeted and ensure that housing land allocations and policies within their development plans support this.

With regard to pressured area status and the suspension of tenants' Right to Buy, the Draft Housing Bill includes proposals to extend the timeframe and scope of pressured area designations and to devolve decision-making powers to councils. Further detail on this can be found in the response to recommendation 19.

4 Changing the rural planning culture

The Committee has concluded that there is an over-cautious planning culture in much of rural Scotland that has effectively entrenched a presumption against development, including housing development in many areas. The Committee agrees with the Scottish Government's view that a cultural change is necessary. (Paragraph 61.)

The Committee notes and commends the recent revision of Scottish Planning Policy 3 which, it is to be hoped, will address perceptions that a presumption against rural development is sanctioned at Governmental level. The Committee notes Government plans to consolidate existing planning guidance and calls upon the Government, as part of that work, to conduct an audit of all aspects of planning guidance (for instance on transport or sustainability) to ensure that Guidance consistently supports appropriate housing development in rural areas, including outside recognised settlements. (Paragraph 62.)

The Committee is partially reassured by witnesses' general agreement that improvements to the planning system will come about through full implementation of the Planning etc (Scotland) 2006 Act, including a more streamlined process and greater stakeholder and community involvement. This will need to be monitored over the coming years. (Paragraph 64.)

Whilst the Committee supports the devolution of decision-taking in planning in principle, it is not clear to us how the planning system would be made bolder or more flexible by a less prescriptive Government approach to policy-making. The balance of evidence considered by the Committee strongly suggests that there is an entrenched, conservative planning culture in at least some rural councils. The Committee seeks clarification from the Government as to how in practice it intends both to discourage restrictive local planning policies and to be less prescriptive centrally. (Paragraph 65.)

Whilst the Committee notes that the intention under the Planning etc. (Scotland) Act 2006 is to ensure that the system is based on robust council plans that zone land effectively, the Committee also considers that a change of planning culture should include a greater willingness to embrace an exceptions policy, allowing small pockets of land (whether within or without existing population centres) to be used for housing where there is a clear local need and the capacity for delivery. A possible mechanism for expediting this approach, whilst continuing to respect the overall integrity of the local plan, would be for the Government to clarify (if necessary by legislation) that, where a council departs from the local plan to permit an affordable housing development in an area granted pressured area status, this is not in itself grounds for judicial review. (Paragraph 66.)

Scottish Government Response:

Planning culture

The Scottish Government agrees that, in parts of rural Scotland, planning authorities need to take a more positive approach to meeting housing need and demand, including opportunities for sensitive and small scale developments outwith existing settlements.

SPP3 and consolidated SPP

The Scottish Government welcomes the Committee's commendation of the revised Scottish Planning Policy 3: Planning for Homes (SPP 3).

Scottish Planning Policy (SPP) makes clear that development plans should allocate a generous supply of housing land, based on an assessment of housing need and demand for the area. All planning authorities should draw up a settlement strategy as part of the development plan. These are likely to be very different for remote rural areas compared with urban areas. Overall, SPP encourages a more supportive attitude towards development in rural areas. Its aim is to have prosperous and sustainable communities.

SPP makes it clear that the requirement for development plans to allocate a generous supply of land to meet housing requirements, including affordable housing, applies equally to urban and rural areas. In more accessible and densely populated rural areas most development should be in or adjacent to settlements. In less populated areas, small scale housing and other developments which support diversification and other opportunities for sustainable economic growth while respecting and protecting the natural and cultural heritage should be supported.

Despite this established policy context, some planning authorities have chosen a more restrictive approach.

Decisions on settlement strategy and development proposals are largely for the planning authority, in consultation with local communities and key stakeholders. But the Scottish Government will continue to stress the potential economic, social and environmental benefits of taking a more positive approach to development in rural areas. As we continue to deliver planning reform and help planning authorities shape the new generation of development plans and the new development management system, Government planning officials will ensure there is no doubt about government policy on this matter.

As the Committee is aware, the Scottish Government has issued a draft SPP for consultation. This is not a review of established policy. Existing policy is being rationalised and expressed in more concise terms, providing clarity and greater certainty of intended outcomes. The approach to planning for housing in rural areas has been maintained.

In finalising SPP following the public consultation, we will not be undertaking a formal audit as recommended by the Committee, but the Scottish Government will ensure that the policy supports housing development in rural areas.

Following publication of the SPP, it is the Scottish Government's intention, over time, to review the entire series of Planning Advice Notes to ensure that these are consistent with SPP and represent a coherent and focussed source of good practice advice.

Devolution of decision making and ensuring more positive approaches locally

The Committee's support for the Scottish Government's desire to have a more proportionate involvement in the planning system is welcomed. Such an approach is consistent with the Scottish Government's new relationship with local government, based on shared goals and mutual trust and respect.

The Committee may wish to note that there are a number of factors which mean planning authorities must have proper regard to the Scottish Government's priorities for the planning system:

- the National Planning Framework and SPP will be material considerations in many planning decisions, and planning authorities are expected to properly reflect them both in development plans;
- under the 2006 Planning Act, development plans must be reviewed at least every five years. More up to date plans will better reflect local housing need and demand, and will

allow planning authorities to be more responsive to changes in need and demand when deciding upon individual applications; and

- whilst more proportionate, there will remain a significant Scottish Government involvement in the planning system. Scottish Government planning officials are already working more closely with every planning authority, further developing relationships with each to help them deliver planning reform and culture change. In particular, officials are working with planning authorities to help them quickly bring forward a new generation of development plans that are concise, clear, map-based documents which properly reflect national priorities in a way which is appropriate to local circumstances. Consolidation of SPP will give a much clearer steer to planning authorities on the Scottish Government's key priorities for the planning system.

Each local authority's Single Outcome Agreement sets out how both the authority and the Scottish Government will work to improve national outcomes in a way that reflects local circumstances and priorities. Whilst, by their very nature, Single Outcome Agreements are about local approaches and local priorities, each is anchored in the Scottish Government's national outcomes and its indicators and targets. Of particular note are the following national indicators and targets:

- increase the rate of new house building; and
- all unintentionally homeless households will be entitled to settled accommodation by 2012.

Whilst the Single Outcome Agreements set out how these national indicators and targets will be addressed locally, it is clear that the former of these in particular has a very direct relationship with local planning decisions.

Exceptions to the plan

Planning applications are to be determined in accordance with the development plan, unless material considerations indicate otherwise. This was the case prior to the recent changes introduced under the 2006 Planning Act, and it will remain the case. We wish to see map-based development plans which are clear about what will be allowed, and where, with the amount of detailed policy and context significantly reduced. But this does not imply a rigid approach to development proposals. Most significant new development will continue to take place within settlements and allocated sites, but both current Scottish Planning Policies and the consolidated draft SPP make it clear that plans should support appropriate development outwith settlements and allocated sites. Not all development proposals can be anticipated, not all community needs can be known, at the time that the plan is prepared. It is therefore important that planning authorities take a welcoming and pragmatic approach to suitable development proposals which benefit local communities, even if these emerge outwith the development planning process.

Pressured Area status

It will be for planning authorities to consider the detailed policy required to enable an approach which is receptive to meeting rural housing need, including in locations where pressured area status has been granted (information on pressured area designations and how the changes made to the housing and planning delivery framework will help local authorities identify those areas under greatest housing pressure and allow them to tailor their policies and investment priorities accordingly can be found in the response to recommendation 3). It is for planning authorities to consider what considerations are material to particular applications, and the weight to be afforded to these. The Scottish Government takes the view that a particular need for local

housing (and pressured area status may tend to support the view that such a need exists) can certainly be material to many housing proposals outwith settlements. The Scottish Government does not consider that legislation on this matter is appropriate. The Scottish Government does not have the power to prescribe what may be challenged by judicial review, and the result of any such challenge is a matter for the courts.

5 Recruitment and retention of planners

The Committee notes with concern that there appears to be a Scotland-wide shortage of suitably qualified professionals in planning departments and that this might hinder the full benefits of the Planning etc (Scotland) Act 2006 being realised. The current downturn might be expected to partially ease the pressure on departments' time and allow planning departments a degree of "breathing space", but may also create problems of its own, such as reduced departmental income from fees. Whilst the Committee notes that action is apparently being taken at Ministerial level, details on what steps Ministers propose to take are currently lacking and we would appreciate further clarification from the Government as to what is being done to recruit and retain planners at Government and, crucially, council level. (Paragraph 69.)

Scottish Government Response:

The problem at the moment does not appear to be so much about supply of graduates, but more about a gap in terms of experienced staff in the public sector. More significantly, there is also a problem with getting people to settle in rural areas, particularly for the remoter authorities. This is where grow-your-own approaches are proving to be particularly useful and effective

In regards to recruitment, the Scottish Government intends to recruit a number of graduates to the Directorate for the Built Environment and will shortly begin the process for this. However, the Scottish Government is aware of impacts from the current economic climate resulting in a lack of recruitment in some areas at a local level. As stated in the letter of 17 November 2008 referred to by the Committee at paragraph 63, the local government finance settlement provided record levels of funding to local authorities, and that as with other service areas, there is no specific budget allocation for the delivery of the planning service. However, CoSLA made a commitment in Delivering Planning Reform to ensure that the planning service is given sufficient priority and resources, including identifying whether measures are required to recruit and retain staff. The Scottish Government is assisting with this by working to raise the profile of planning within councils, engaging with Chief Executives and elected members on the planning reform agenda.

In regards to retention, the Scottish Government is considering options for a scheme of staff development. This will allow staff at different stages of their career to work in different public and private sector organisations via a programme of placements and exchanges. This will develop individuals professional skills, knowledge and experience that will benefit their future career progression. The Scottish Government will work with the relevant organisations, including Heads of Planning Scotland, the Royal Town Planning Institute, the Improvement Service and private sector and agency representatives, to consider how the options can be implemented and maintained in the longer term.

The Planning Development Programme has been running since 2006 providing significant investment in skills development, which can support retention, including in rural authorities. However, retention is often a problem where structures offer no career progression and where there are issues with morale and salaries, which are wider local government issues that impact as much on planning as on other sections.

6 Zoning more land for housing

The Committee would encourage councils to zone more land for housing, if councils consider that they can do so without detriment to other important land-use priorities. It is unclear whether zoning more land would, in itself, make any more than a marginal difference to house prices, but it should be seen as a necessary first step in the change in planning culture that the Committee considers is needed. (Paragraph 72.)

Scottish Government Response:

The Scottish Government would join with the Committee in encouraging councils to allocate a generous supply of land in their development plans to meet identified housing requirements across all tenures, including affordable housing. This is a key objective of SPP, and applies as equally to rural as to urban authorities. A more generous supply should arise out of:

- authorities basing their plans on a more robust assessment of housing needs;
- looking at a range of future population scenarios including those based on high migration levels;
- acknowledging the national objective for population growth;
- a realistic assessment of the likelihood of sites with planning permission or already allocated in plans actually coming forward;
- any objectives local councils have to grow their economy or increase their population; and
- an acknowledgement by authorities that as well as meeting future needs they need to address any backlog of unmet needs that has grown up over previous years.

Planning policy in rural areas should be concerned with enabling growing rural communities to expand, as well as sustaining fragile and, in some cases, dispersed communities. The Scottish Government agrees that in some rural areas new housing outwith existing settlements may have a part to play in economic regeneration and environmental renewal.

SPP supports a level of rural housing development, stating that the requirements for development plans to allocate a generous supply of land to meet housing requirements applies equally to rural and urban areas, and that planning authorities should support more opportunities for small scale housing development in all rural areas (paragraph 72 of the SPP).

7 Section 75 agreements between councils and developers

Although the Committee has received representations from developers and others that council-developer agreements on affordable housing are sometimes seen as a potential obstacle to housing development, we nonetheless strongly support such agreements. (Paragraph 85.)

The Committee also supports commuted sums in principle and recognises that they may be of particular use for rural developments. We support councils having flexibility to spend any money raised as they see fit, having regard to local needs, provided the ultimate aim is to deliver affordable housing. However the Committee would caution councils against over-relying on commuted sums in discussions with developers rather than seeking alternative and more direct methods of securing affordable housing wherever possible. The Government may wish to consider whether further guidance is necessary on these points. (Paragraph 86.)

In addition, in order to maintain confidence in commuted sums as an effective method for the delivery of affordable housing, the Committee considers that there needs to be much greater transparency and clarity as to what sums are raised at council level, and how they are spent. The Committee in principle supports the setting up of a register of commuted sums but seeks clarification from the Government as to what is being proposed and within what timescale. (Paragraph 87.)

Scottish Government Response:

With regard to the Committee's support for the setting up of a register of commuted sums, the committee may wish to note that under schedule 2 of The Town and Country Planning (Development Management Procedure) (Scotland) Regulations 2008, planning authorities are required to maintain a register of applications for planning permission. The regulations specify that among other information, the register is to include: *'a summary of the terms of any planning obligation entered into under section 75 in relation to the grant of planning permission for the proposed development'*. This would include a record of any commuted sum(s) agreed under s75 and the purpose for which such sums are agreed.

The Scottish Government agrees with the Committee that it is important that Councils have clear policies on how to use commuted sums. While anecdotal evidence suggests that in the past there has been a lack of monitoring of such funds, we are aware that Councils are increasingly adopting policies to achieve this. It is our understanding that where such policies have been implemented they have been highly effective in ensuring that commuted sums are used for the purpose they were originally sought.

While there are no plans to revise the references to developer contributions in PAN 74, the Committee are of course aware that the guidance on the use of planning agreements (Circular 12/1996) is currently being revised. A public consultation was recently undertaken on a revised draft Circular and the responses to the consultation are currently being analysed. We intend to publish the analysis in the summer and to produce the revised Circular in autumn this year.

The Scottish Government is aware that, given the current financial situation, requiring developers to provide commuted sums 'up-front' can place considerable pressure on funding streams. The revised Circular includes guidance to planning authorities that where possible they should consider deferred or staged payments to be made once the development is completed and the units sold. In doing so, the guidance mirrors good practice currently adopted by many Councils. We are also aware that most planning authorities are entering, or are willing to enter, into discussion with developers to re-negotiate the terms of planning agreements already agreed.

The Planning etc (Scotland) Act 2006 includes provisions that will introduce procedures for developers to request that planning agreements be modified or discharged should circumstances change. The provisions allow for an appeal to be made to Scottish Ministers where a dispute cannot be resolved. Regulations to implement these provisions are currently being drafted and we intend to consult on the draft Regulations later this year.

8 Affordable housing as a separate use class

The Committee notes that councils already have the option to allocate land for affordable housing in their policies, and that this may be useful in some limited circumstances. However we are not persuaded that having affordable housing as a formal, separate use class in council plans would be of significant help in delivering affordable housing on the ground, and note councils' suspicions that its use may, if anything, cause them some practical difficulties. (Paragraph 95.)

Scottish Government Response:

We concur with the Committee Report that having affordable housing as a separate use class would not be of significant help. Research on 'Allocation of Land for Affordable Housing through the Planning System' was published in November 2006 which concluded in recommendation 13 that *'The option of an affordable housing use class should not be considered further. It appears to offer no significant advantages over separate allocations and raises many other potential difficulties'*.

9 Ensuring that appropriate land is zoned for housing

The Committee invites the Government to clarify what steps it proposes to take in implementing the Planning etc. 2006 Act to embed good practice in the preparation of local plans, so that appropriate land is zoned for housing. (Paragraph 103.)

The Committee also suggests that it would be good practice for councils to carry out regular audits of land zoned for housing to ascertain whether it continues to be appropriately designated (or was inappropriately designated in the first place), and, if not, to re-designate it. This should be done independently of, and (the Committee would suggest) more frequently than, the process of revising local plans. Such an audit should usually not take account of whether the landowner would be disposed to release land for development. (Paragraph 104.)

More generally, such audits would be a good opportunity for councils to consult the local community and stakeholders in housing to take stock of how well the plan is working, whether progress towards housing goals is being made, and whether any revisions need to be made to the plan. The Committee therefore asks the Government whether implementing the 2006 Act will include encouraging or requiring councils to carry out regular audits of existing plans. (Paragraph 105.)

Scottish Government Response:

The Scottish Government agrees that it is essential that sufficient housing sites are not only allocated in development plans, but are also “effective” (i.e. free from constraints and available for construction). Our policy aims to ensure that planned housing is actually built and that authorities maintain 5 years’ worth of supply of effective housing land at all times.

The reformed development planning system will be key in ensuring that an ongoing supply of enough appropriate housing land is maintained. The new legal requirement to replace plans every 5 years is one way of ensuring that plans remain up-to-date. If sufficient land is not coming forward, this can be addressed in these reviews.

As part of the preparation of the plan, councils are required to monitor the impact of the policies and proposals of the existing plan as well as the changing characteristics of the plan area, and express this in a monitoring statement. We would expect these statements to include an analysis of how far established housing sites had in fact been built out.

We expect development plans to be much better focussed on the delivery of their proposals than has sometimes been the case in the past. Another new requirement is for all plans to be accompanied by action programmes. These will set out exactly what needs to be done, by whom and by when to bring each of the plan’s proposals to fruition. Action programmes must be reviewed at least every two years.

But the Scottish Government also recognises that the new legislation needs to be accompanied by a change in culture and practice among planning authorities and their partner organisations if plans are to become more realistic and outcome focussed. Part of this is about the form and content of the plans themselves, and part is about the ways in which plans are prepared. We therefore propose to establish a number of development planning forums where Scottish Government officials and local authority planners can come together on a regular basis to discuss issues of common concern and share good practice

The Committee’s suggestion of regular audits of housing land is in fact already the established practice for monitoring housing land. Guidance on how to carry out Housing Land Audits was published in August 2008. The purpose of the Audits is identified as being to demonstrate the

availability of land to meet the identified housing land requirements. The guidance aims to promote a consistent and transparent approach, while recognising that the frequency and method of the audit process may vary between urban and rural areas. The audits look at least 7 years ahead and allow adjustments to be made to the housing land supply (e.g. through the review of the development plan) in response to the issues identified.

10 Availability of privately-owned land for housing development

The Committee has found that the lack of zoned land being made available for affordable development is one of the biggest difficulties facing the rural housing market. (Paragraph 108.)

Scottish Government Response:

The Scottish Government agrees that it is the development of land rather than its allocation in a development plan that has the main impact on local communities. Local authorities should consider whether development can be achieved on particular sites within the required timeframe, i.e. whether they are 'effective'. The guidance on Housing Land Audits recognises that ownership may itself be a constraint to a site's development, and therefore the existence of an unwilling landowner may cause a site to be deemed ineffective. Therefore authorities should not assume that sites that they have allocated in development plans will necessarily come forward, even if there is a market demand and there are no infrastructure constraints. Because the willingness of the landowner to develop the land is a justifiable consideration for planning authorities to take into account, landowners should, where possible, be involved and consulted in the preparation of the plan.

Once a site is allocated in a development plan, any unwillingness on the side of the landowner to sell or develop it is likely to emerge through the housing land audit or development plan monitoring processes or through the review of the development plan action programme.

11 De-zoning undeveloped land

The Committee recommends that Scottish Government guidance on planning for affordable housing includes an assurance that councils have the right to de-zone land previously zoned for housing where it would be in the community interest to do so. The Committee expects that such guidance would make clear that landowners and other interested parties would have the right to object to any proposal to use the power for this reason. (Paragraph 128.)

Scottish Government Response:

The Scottish Government agrees with the Committee's analysis that there is no legal barrier to authorities deallocating sites that have failed to come forward for development when they come to review their development plan. If there is really little prospect of the site being developed this could be a sensible action to take. Maintaining an allocation that has little prospect of implementation could give a false impression of future change to local communities.

We do not currently make these points in our published planning policy relating to housing, but we will look at opportunities to do so as part of the consolidation of Scottish Planning Policy (SPP).

12 Compulsory purchase

Whilst there are differences of opinion as to the point at which it becomes appropriate to use the power, the Committee is agreed that compulsory purchase powers are under-used at present in rural Scotland as a means of bringing land for affordable housing into circulation. (Paragraph 134.)

The Committee considers that, at the very least, councils should use compulsory purchase to protect habitable housing for which there would be local demand from falling into disrepair. Unless there are clear mitigating circumstances, it is entirely unacceptable that landowners should allow this to happen. (Paragraph 135.)

Another situation where compulsory purchase would appear appropriate would be where a parcel of land zoned for housing that is of minimal agricultural or other use is lying undeveloped within an area of high demand, a proposal for development that would be of community benefit is on the table, and that development is endangered by the landowner's unreasonable refusal to consent to it. (Paragraph 136.)

The Government may wish to consider preparing guidance on the appropriate use of compulsory purchase powers as part of its project to consolidate planning policies. (Paragraph 137.)

The Committee also asks the Scottish Government to examine whether the legislation and practice surrounding compulsory purchase has become too bureaucratic. In particular, the Government may wish to consider whether the process could be streamlined to enable a quicker process in cases of urgency or in those communities where pressured area status has been granted. The Committee notes that legislation may be required to streamline compulsory purchase powers. (Paragraph 138.)

Scottish Government Response:

There are no plans to include guidance on compulsory purchase processes in the consolidated Scottish Planning Policy (SPP). However Planning Advice Note 74 Affordable Housing provides advice on the matter. It says that local authorities should consider using compulsory purchase powers to support the delivery of social rented housing.

In addition an internal review of compulsory purchase order (CPO) processes was completed and consideration is being given to how best to take that forward.

With regards to legislation surrounding compulsory purchase, the Minister for Transport, Infrastructure and Climate Change stated that the Scottish Government has no current plans to review this in response to an oral PQ on 28 May 2009.

13 The 20 year rule on residential leases

The Committee invites the Scottish Government to consider whether the 20 year rule on residential leases acts against the provision of affordable private rented rural housing and, if so, whether there would be scope to reform it. Revision of the 20 year rule may also help the social rented sector and this too merits further Government consideration. (Paragraphs 140 and 141.)

Scottish Government Response:

We note the Committee's comments about the impact of section 8 of the Land Tenure Reform (Scotland) Act 1974 - the 20 year lease rule. We have asked the Scottish Law Commission to consider including a number of issues arising from the 20 year rule as part of its review of legislation on heritable securities within its Eighth Programme of Law Reform for 2010 onwards. We understand that the Commission's work programme will be finalised towards the end of 2009.

14 Land held by Government bodies and agencies

The Committee commends the Forestry Commission's initiative under the National Forest Land Scheme and calls on other Non-Departmental Public Bodies and Government agencies with substantial holdings of public land to follow suit. (Paragraph 146.)

The Committee notes and welcomes the work of the Government's Housing Supply Team in investigating the use of public sector land for housing. The Committee suggests that a useful outcome of this work would be for the Government to publish an audit of public sector land, including an assessment of each parcel's potential availability and appropriateness for affordable housing development. (Paragraph 147.)

Scottish Government Response:

The Scottish Government welcomes the Forestry Commission's approach to the disposal of land under the National Forest Land Scheme. Under this initiative land is sold at market value for affordable housing, where the local authority has designated land for this purpose. It is at the local level that an assessment of the potential availability and appropriateness of land for affordable housing is best undertaken. Scottish Government bodies also dispose of land subject to affordable housing requirements.

At present, when public sector land becomes surplus, public sector bodies can put details of the site on the Scottish Government website for surplus public sector land (<http://www.scottishproperty.gov.uk/>) and individuals and developers can, in discussion with the local planners, form their own appreciation of its suitability for housing development.

For a number of reasons we do not agree that it would be appropriate to publish an audit of all public sector land. These include that:

- the resource involved would be enormous and, as property is sold and acquired, it would require ongoing resource to maintain it;
- an assessment of the potential availability and appropriateness for affordable housing development is better undertaken at a local level. By offering comment on this, Scottish Ministers could potentially set up an undesirable conflict with the local planning authorities, who make such decisions; and
- any list which gave information on land which may become available in the future could be subject to change as priorities and plans are reviewed and revised. However, by having indicated that something may become available in the future, an expectation is made which may lead private bodies to invest in what may prove ultimately to be wasted work.

The Scottish Government, through the Housing Supply Task Force and a number of other engagements, has been actively exploring ways in which relevant agencies can increase or maintain supply. One of the ways which we believe we can help is by looking at surplus public sector land and the contribution it can make to increase the supply of affordable housing. There are some very good examples of surplus public sector land being used for affordable housing and we would like to ensure that this is continued. We recognise the significance of the leadership provided by local affordable housing policies in achieving this. Therefore, as is also noted in the response to 15(i), the Minister for Housing and Communities wrote to all Councils and a number of other public agencies in April to confirm that, in areas where such policies apply, Ministers will in future have a presumption that the local percentage for affordable housing should apply for all surplus public sector land. In other words, where a local authority has a policy

which, for example, calls for 25% affordable housing, we will presume that 25% of houses on all surplus public sector land will be affordable. Since some Councils and some territorial Health Boards tend to be the largest holders of surplus public sector land, this approach will have most significance for them. Our focus is on sites becoming surplus in the medium/long term where benefits to housing programmes can be delivered. Officials are currently meeting with those Councils who have pressured markets in their area to discuss how they and other public agencies, dispose of land and monitor and evaluate disposal for affordable housing.

Officials are also currently investigating whether "Deferred Receipt Mechanisms" such as Development under Licence, Development Agreements and Long Lease initiatives etc, could be used more extensively at this time to unlock residential projects on publicly owned land that are currently not being marketed or where development has stalled because of a lack of finance. Initial work, including a successful conference on this issue on the 23 June held in conjunction with the Association of Chief Estate Surveyors and Homes for Scotland, has uncovered enthusiasm among practitioners to network on best practice and for those who have not used these mechanisms in the past to learn from others. The Scottish Government will ensure that there is appropriate awareness of the options regarding disposal techniques among public sector land holders in order to help contribute to supply.

15 (i) Building up local land banks for affordable housing

The Committee would support councils adopting as best practice a process whereby any council land or property identified as redundant in its current use is automatically considered first for housing purposes. (Paragraph 150.)

The Committee notes that the model of partnership working pursued by the Highland Housing Alliance has been demonstrably effective and suggests that the Scottish Government promote this as good practice in other parts of the country. (Paragraph 156.)

The Committee notes that the Government is already committed to providing some extra support for housing during current difficulties through increased funding under the Affordable Housing Investment Programme. Whilst the Committee recognises the Scottish Government's immediate priority, under current economic circumstances, should be to support the construction of new housing, the Committee invites the Government, as part of its longer-term housing strategy, to allocate funds for short-term land banking to bodies equivalent to the HHA in other parts of rural Scotland. (Paragraph 158.)

The Committee also invites the Government to consider housing associations' observations that the present regulatory approach inhibits them from banking land and to consider whether a different and more liberal approach is required in response to changed market conditions. (Paragraph 159.)

Scottish Government Response:

Surplus land

The Scottish Government supports the current arrangements relating to Council discretion in, and direct responsibility for, the disposal of their land, subject to the processes for selling at below market value, as being consistent with its Concordat with local authorities.

However, the Minister for Housing and Communities wrote to all Councils and some other public agencies, e.g., NHS Boards on 9 April noting his expectation that local affordable housing policies would be supported where surplus land is being transferred. Officials are following up this letter by meeting selected Councils and public sector agencies, some with rural land holdings, to assess how the Affordable Housing Policy is being monitored on public sector sites. It should be stressed that these meetings are:

- focusing on pressured markets (not all of Scotland);
- do not re-visit any deals where the Health Board is already anticipating a receipt of a certain size and has this built into its Financial Plans. It is firmly focused on the medium / long term;
- exploring with those particular Councils who have pressured markets, how they and other public agencies dispose of land and deal with affordable housing; and
- encourage more public sector bodies, especially in the pressured market areas, to use existing flexibilities to dispose of sites for housing at less than "best consideration" where there is a clear public benefit.

Highland Housing Alliance and Highland Revolving Landbank Fund

The recent review of the Highland Housing Alliance and Highland Revolving Landbank Fund identified a number of critical success factors for both mechanisms in the Highland context. We suggest that any Council thinking of developing similar mechanisms refers to these. There is good evidence that the landbanking fund is a useful model for local authorities to consider adopting. Scottish Government is currently considering the merits of helping to actively disseminate information on landbanking including the messages derived from the Landbank Fund model in other parts of Scotland.

Access to developable land

The success of the Highland Housing Alliance and specifically the use of the revolving land fund is recognised and welcomed. The evaluation of the land fund pointed to a number of critical success factors. Local authorities are encouraged through their Strategic Housing Investment Plans to explore ways in which access to developable land can be enhanced where this is a constraint. The Scottish Government already provides funding for land acquisition for specific projects, including in rural areas, through its Affordable Housing Investment Programme. Local authorities can also take forward further innovative ideas, but any Scottish Government contribution to these would need to be considered in light of the specific proposition, the available resources, and the national and local priorities at the time.

Regulatory Approach

There are no regulatory barriers to Registered Social Landlords (RSLs) becoming involved in land banking. RSLs do require Section 66 approval from the Regulator in certain specific circumstances, e.g., if they wish to grant security over land or property to support a loan. Our information from the Regulator is that this process is rarely a problem. RSLs do have the ability to use cash reserves to acquire land it is their responsibility to ensure that they employ robust treasury management processes and have an acceptable degree of risk in relation to their liquidity when doing so.

15 (ii) Council tax and second or holiday homes

The Committee notes that the majority of rural councils apply a reduced discount on second homes, using the funds to help support affordable housing policies. The Committee notes that some councils would welcome a greater discretion to vary the council tax rate for second or holiday homes, including to above the standard rate for owner-occupied housing, and invites the Scottish Government to extend councils' discretion in this way, in all or part of their council area. (Paragraph 165.)

Scottish Government Response:

Under current arrangements local authorities have the flexibility to vary the discount applied to second homes and long-term empty (LTE) properties by between 10 and 50% in all or part of their areas. While most councils have reduced the discount on second homes, none have chosen to vary the discount further within their areas.

The Scottish Government is committed to continuing taxation of second homes within the context of the introduction of a local income tax. The Scottish Government made clear in the consultation document 'A Fairer Local Tax for Scotland' the expectation that local authorities would play a role in determining how much tax owners of second homes in their areas would pay, based on their knowledge of local circumstances.

The Scottish Government is currently developing policy on taxation of second homes and considering the ability of councils to vary taxation levels, including above current levels, taking account of the positive consultation responses on this issue. This will be subject to proposals to introduce a fairer Local Tax, which will be brought forward early in the next Parliamentary session.

In addition, Ministers are currently considering the implications of amendments to the Climate Change (Scotland) Bill which have been supported by Committee at Stage Two. These propose discounts to Council Tax to incentivise council taxpayers to undertake energy efficiency measures for their homes. The Scottish Government, in considering these amendments, will take into account any implications for the operation of the current discount flexibility for second homes and LTE properties.

Whilst the Scottish Government has already indicated its support for a targeted approach by allowing variation of the discount within local authority areas, we believe that this would not necessarily be best restricted to pressured areas, either as currently determined or under an "enhanced pressured area" approach as outlined by the Committee. Pressured area designations are based on indicators relating solely to the affordable rented sector, which may or may not be a good measure of overall pressure in the wider housing market. The Scottish Government has recently introduced new guidance for local authorities on assessing housing need and demand, across all tenures. This assessment will inform the preparation of local authorities Local Housing Strategies and will provide a good evidence base on which local authorities can determine policy decisions over whether and how to vary any future taxation levels for second homes.

16 Housing Association Grant

The Committee asks the Government to investigate the widespread concern that the assumptions behind proposed changes to Housing Association Grant take insufficient note of the extra burden imposed on rural social rented housing providers (particularly in relation to assumed rental income). (Paragraph 187.)

The Committee also asks the Government to bear in mind that any attempts to drive efficiencies into HAG should take account of the social element of rural housing providers' work. In this connection, the Committee urges the Government to proceed with extreme caution if it decides to take forward its current tentative proposals to designate "lead developers" for major social housing projects. This approach might yield positive results in an urban context, where economies of scale are easier to achieve, but there is a risk that an over-dogmatic pursuit of the approach in rural areas could lead to a decline in the influence of local housing associations, with a corresponding risk that local communities' views will not be properly heard. Assurances also need to be given that greater use of bulk procurement arrangements will not squeeze out small-scale local contractors. (Paragraph 188.)

Scottish Government Response:

HAG assumptions

The introduction of new Housing Association Grant (HAG) assumptions in May 2008 was aimed at supporting the delivery of the maximum number of houses in line with identified needs. These assumptions reflected the private borrowing capacity in the Registered Social Landlord (RSL) sector at that time. Further changes to HAG assumptions were introduced in February 2009 to reflect the more difficult borrowing climate for RSLs and resulted in a reduction in the amount of private borrowing RSLs had to raise.

It is up to individual RSLs to put together acceptable funding submissions (including securing the necessary private finance) to enable new development to go ahead. However, the Scottish Government continues to recognise that the economies of scale which apply to larger Housing Associations with larger numbers of houses do not always apply to smaller rural RSLs. The standard HAG assumptions allow more grant for smaller Housing Associations. We continue to recognise that the cost of development can vary from place to place. Where it can be objectively justified through detailed appraisal, we are prepared to be flexible when considering higher costs for infrastructure or construction in remote/rural areas.

A small number of rural Housing Associations have reported difficulties when working to the standard HAG appraisal assumptions and the notional rent assumptions deployed in our appraisal process, which are higher in some cases than the rents being charged locally. We do not propose any further adjustment to these assumptions, but will continue to work with RSLs to identify local solutions to the particular difficulties that they identify.

Ultimately, we all have a responsibility to ensure public money is used in the most efficient and effective fashion. By containing the amount of subsidy required to build a new house, we are able to deliver more units.

We will continue to work closely with any RSL that still questions its ability to develop within the grant regime available in order to fully understand and where possible, address their concerns. We have already written to the Scottish Federation of Housing Associations (SFHA) inviting them to nominate representatives to a working group on construction and development costs and will set this up as soon as possible.

Investment reform

Since the launch of the consultation document last December, plans for Investment Reform have been adapted in the light of the changing economic circumstances and the responses to the consultation. In his speech to the SFHA conference on 5 June, the Minister for Housing and Communities confirmed that the Government would be pursuing a more flexible approach in pursuit of the objectives of Investment Reform. The details of the new approach were set out in a published Scottish Government statement on 25 June (this is available at Annex A).

The requirement to improve the efficiency of RSL activity (including procurement) remains. While rigid regional development structures and complex competition arrangements may not be appropriate, there is a requirement to establish a standard for development performance across Scotland.

We also believe there should be scope to award 3-year programme agreements to selected developers within the RSL sector. Accordingly, we will work with COSLA and SFHA to develop methods for future 3-year allocations to those developers best able to make use of a longer-term budget. In return, these RSLs should be able to demonstrate how they will deliver improved value for money over the period of the 3-year funding package.

Effectiveness in the provision of housing requires a keen awareness of the needs of the communities being served, whether urban or rural. While certain economies of scale may not be available to those RSLs serving Scotland's remote and rural communities, appropriate community engagement remains critical to the successful planning and completion of even the smallest of housing developments.

Where a small RSL can demonstrate efficiency and a successful track record, they will be able to receive subsidy and develop at their own hand – size should not be a bar to this. Alternatively, some smaller RSLs (whether urban or rural) may wish to investigate the potential for some form of procurement relationship with another Association to ensure our public subsidy achieves the best possible result for the public purse and the communities being served. As set out in the 25 June statement, the Government will be inviting representatives of the Scottish Federation of Housing Associations (SFHA), the Housing Association sector and the Association of Local Authority Chief Housing Officers (ALACHO) to join a working group to consider the achievements of existing groups and partnerships with a view to identifying good practice.

17 Smaller scale funding initiatives for affordable housing

The Committee welcomes the Government's review of existing schemes to assist landowners and prospective rural homeowners. Government information demonstrating low or patchy take-up indicates that such an approach is long overdue. The review must result in a rational system that provides landowners with clear incentives to bring empty property back into circulation and encourages individuals to renovate or self-build property. As much administrative "clutter" should be removed as is consistent with recognising the diverse forms of tenancy and ownership existing in rural Scotland, including the distinct nature of crofting tenure. (Paragraph 199.)

The Committee seeks clarity from the Government as to how it proposes to publicise any such revised schemes once the review is complete. (Paragraph 200.)

The Committee calls for the reinstatement of the loan element in croft house assistance, recognising that the pre-existing method appeared to be cost-effective and that alternative sources of credit may no longer be readily available. We also call for the grant element to be increased to reflect inflation within the building industry over recent years. (Paragraph 201.)

The Committee warmly welcomes the Rural Homes for Rent Scheme, which came into being in the early stage of the inquiry, but asks the Government to ensure, in rolling the scheme out, that lessons are learned from the deeply disappointing take-up thus far of existing schemes such as the Rural Empty Property Grant. (Paragraph 202.)

Scottish Government Response:

In taking forward the review of rural housing grants, we have recognised the importance of providing clear incentives to bring empty property back into circulation, encouraging individuals to renovate or self-build property and of minimising administrative clutter. Proposals are now being developed for an improved and enhanced suite of grants. Announcements on the proposed changes will be made later this year.

The Scottish Government recognises that housing is a key issue in crofting communities and is vital to retaining and increasing the population of our remote rural areas. Accordingly, we are consulting in the Crofting Reform Bill on provisions that would enable crofters to borrow using their tenancy as security for a loan. However, we are not attracted to the reintroduction of a loan element to the Croft House Grant Scheme as we consider that the private sector is better equipped to provide financial products. Crofters should be able to access commercial loans without the need to decroft, and officials have been working with lending agencies to that end. Proposals on the future of the Croft House Grant Scheme will be announced later this year, as set out above.

The Scottish Government welcomes the Committee's support for the introduction of the Rural Homes for Rent pilot and can confirm that this initiative has received strong interest. We will take full account of the lessons learned from other relevant schemes in moving forward.

18 Council housing

The Committee welcomes the Scottish Government's announcement that £50m is to be made available to councils to increase their stock of council housing. (Paragraph 206.)

Scottish Government Response:

The Scottish Government welcomes the Committee's support for our council house building programme. We have allocated just over £26m funding to help 17 local authorities build over 1300 new houses. We have also written recently to all local authorities inviting them to apply for the second round of funding, to be allocated by the end of the year.

19 Pressurised area status

The Committee considers that pressured area status can be a valuable tool in helping to secure affordable rented housing, particularly in rural communities where housing pressures are especially strong. Whilst the Committee notes a perception that the application process can be unduly lengthy and cumbersome, the Committee also recognises that some councils have successfully made an application on more than one occasion, which suggests that this view is not universally shared. The Committee recommends that the Government review the application process for pressured area status in order to investigate whether it can be streamlined. This review should include inviting views from councils on how the process could be improved so that those that have thus far made little or no use of the status will have a clear opportunity to justify and explain their position. (Paragraph 217.)

The Committee recommends that the outcome of any such review should include the publication of best practice guidance on making applications for pressured area status. (Paragraph 218.)

The Committee invites the Scottish Government to investigate the concern expressed in evidence that some registered social landlords may have a perverse incentive not to press for pressured area status because receipts from sales can be used to help fund improvements to existing stock to meet the tolerable standard. (Paragraph 219.)

Scottish Government Response:

Impact of Right to Buy (RTB)

There are relatively few sales of Registered Social Landlord (RSL) housing under the RTB, especially in rural areas. Most RSLs are exempt from the RTB, either because they are a registered charity within the meaning set out under in the relevant statute or because they are caught by the 2012 suspension. A minority of RSL tenants will also be caught by the Pressured Area Designation although some of these would have been already exempt. In general, only those housing association tenants whose house was transferred from either Scottish Homes or a local authority, retain their RTB.

More generally, we believe the concerns expressed here about the wider impact of RTB on the availability of affordable housing in rural communities will decline in importance because of the proposed reforms to the RTB, which the report has mentioned. We wish to safeguard social housing in all areas for present and future generations by exempting new supply social housing from the RTB. We are currently consulting on this proposal in the Draft Housing Bill. The Bill will be presented to Parliament early next year. We also seeking views on wider reform of RTB, but have yet to develop and draft the necessary legislation where this is required. These include:

- ending RTB for new tenants;
- extend the existing 5 -year Pressured Area Designations to 10 –Years;
- provide guidance to non-charitable RSLs applying for extension 2012 RTB suspension; and
- issue revised guidance to Social Landlords to widen the scope to waive continuous occupation requirement for qualification of RTB.

The Draft Housing Bill includes proposals to extend the timeframe and scope of pressured-area designations and to devolve the decision-making process to councils. These reforms should make it more worthwhile for a council to apply for such a designation. We are mindful that pressured area designations result in the suspension of tenants' RTB and that such designations therefore require to be robustly evidenced. Ministers have specifically asked for views on the best way to implement devolved decision-making and await responses from councils and other stakeholders on this and other questions.

Guidance and support

A revised and streamlined guidance document is available on the Scottish Government's website [<http://www.scotland.gov.uk/Topics/Built-Environment/Housing/16342/rtb/guidance>]. In addition, best practice support is available from Scottish Government officials to assist local authorities to prepare pressured area applications. Ministers believe that this 'hands on' support is more valuable than a best practice guidance document, but will canvass views from local authorities on this issue.

Right to buy capital receipts

Ministers are aware that social landlords use RTB capital receipts to invest in existing housing stock, amongst other things, and that RTB sales have declined markedly in recent years. The changes proposed under the Draft Housing Bill will reduce receipts further as a proportion of Housing Revenue Account income. The broad affect of this is a decrease in 'one off' RTB sales receipts and an increase in rental income over the long term. Taking this changed context into account, it is for social landlords operating within any given locality to decide whether they wish to proceed with a pressured area designation application to safeguard their stock and, if they decide to do so, to forecast the financial implications and adjust their businesses to accommodate the resulting decline in RTB capital receipts.

Ministers' proposed RTB reforms will have impacts upon social landlords' financial position. Although high level analysis shows that changing market conditions are projected to have a much bigger effect on RTB sales receipts than the proposed reforms, Ministers are extremely keen to receive responses from social landlords on this important issue.

20 Housing allocation policies

The Committee recognises that there is a general shortage of social rented housing and that pressures are exacerbated in rural areas. This may lead to an understandable perception that local people are not sufficiently taken into account in registered social landlords' allocation policies. However, the Committee is not clear that this is, in itself, the root cause of any unfairness that is thought to exist. It seems to the Committee that the fundamental issue is a lack of supply, of both private and social rented housing. The Committee does, however, ask the Scottish Government to consider whether greater latitude to take into account local connections could be offered to social landlords in areas where pressured area status has been granted. (Paragraph 229.)

Scottish Government Response:

The Scottish Government recognises that demand for social housing often makes housing allocations a difficult issue for landlords. Social landlords already have a large degree of discretion to develop their own allocations and lettings policies in line with local priorities and can use local connection in determining an applicant's priority for housing as long as this is not based on the length of time an applicant has resided in its area. However, the Scottish Government recognises that some landlords are unclear about the legislative requirements and the scope of their discretion in managing housing allocations. We are therefore undertaking a review of social housing allocations policy with a view to providing social landlords with new guidance to help them understand better their requirements and make use of the flexibility they have in order to help manage the pressures and tensions they face. This will consider further guidance on the use of local connection and Local Lettings Initiatives. We anticipate new guidance being available in late 2009.

21 Homelessness legislation and social housing

The Committee recognises the good intentions behind homelessness legislation but also recognises stakeholders' concerns as to the practical difficulties it has created. (Paragraph 243.)

The Committee recognises that these concerns apply across Scotland, but considers that there is evidence that rural housing associations and councils are, in general, worse affected. The Committee therefore recommends that any proposals to abolish the "local connection" criterion in the homelessness legislation are suspended indefinitely until concerns about the present system are addressed. (Paragraph 244.)

The Committee recommends that there is an urgent need for a systematic review of the effectiveness of homelessness legislation, focussing in particular on the 2012 target and on councils' duties in relation to assessing the needs of homeless people. The Committee draws this recommendation to the attention of the Local Government and Communities Committee. (Paragraph 245.)

Scottish Government Response:

Scottish homelessness policy and legislation is focused on increasing the rights of homeless and potentially homeless people to accommodation and providing advice and assistance to sustain that accommodation. The policy sits firmly at the heart of our wider housing strategy, which recognises that Scotland's people need housing which is safe, secure and of good quality.

The homelessness target of abolishing the priority need test by 2012 is about removing the unfair distinction between those homeless households entitled to settled accommodation and those currently only entitled to temporary accommodation. The target is about treating unintentionally homeless households equally and recognising that they all need sustainable housing outcomes. The Scottish Government remains committed to the target which is enshrined in the Homelessness etc (Scotland) Act 2003. The 2012 target itself does not create homelessness, it brings to the forefront housing need. It is important to note that the 2003 Act places a requirement on Scottish Ministers to be satisfied that all local authorities – both rural and urban – are able to perform their duties before the priority need test can be removed.

Currently, local authorities assess 83% of unintentionally homeless households as having a priority need. This means we are over four-fifths of the way towards the 2012 target to assess 100% as priority. This is not to say that the target is not challenging or ambitious: it is both, particularly for local authorities who are experiencing issues with housing stock shortages. Our modelling work shows that some local authorities are facing particular difficulties in meeting the 2012 target, but does not identify rural areas as being more pressured than urban areas. It is known that some rural areas are not pressured at local authority level but may be experiencing issues relating to sub-geography and the operation of local allocations policies. We are providing additional analytical support to these authorities to explore how our modelling can help overcome these particular issues.

In recognition of the pressures currently facing local authorities, and acting in the spirit of the Concordat, Ministers and COSLA have agreed four shared priorities to help local authorities move towards 2012. These are:

- preventing homelessness wherever possible, in line with the principles of early intervention. New guidance on homelessness prevention was issued to local authorities in June to help them embed a prevention approach to their homelessness services and strategies to meet 2012;

- investing in the right areas to meet homelessness and wider housing need. We are working jointly with COSLA to develop a Strategic Housing Investment Framework which will determine, on the basis of need, the geographical allocation of future funding in the sector, including progress towards 2012;
- maximising access for homeless households to Registered Social Landlords' stock and the private rented sector (PRS). The findings of the recent review of the PRS confirmed the Scottish Government's view that the sector has an important role to play in meeting local housing need and housing some homeless and low income households. The PRS has a particularly important role to play in some rural areas of Scotland; and
- continued leadership at political and corporate level, and promotion and improvement of joint working at a local and national level.

Monitoring progress against the target is vital in order to identify and overcome particular challenges. We have therefore recently agreed to create a joint COSLA/Scottish Government political and officer 2012 steering group which will assess, inform and influence progress towards 2012 and play a role in the ongoing and planned work to assess progress against the interim targets set for local authorities for 2008/09 and the implications for future action. This work includes:

- a series of regional seminars to be held this summer to discuss the Government's 2012 modelling work with individual local authorities. The aim of the seminars is to establish gaps in the modelling and reach a shared understanding of the national and local position. This will include exploration of any particular rural or urban factors. The seminars will also inform the development of related housing policy work;
- publication of homelessness statistics (under National Statistics protocols) in Autumn 2009, indicating the official position on meeting the 2009 interim targets;
- devising a format for a Local Housing Strategy update on progress to 2012; and
- consideration of a review of the Ministerial Statement on Abolition of Priority Need published in 2005 by the previous administration.

The Scottish Government recognises concern about the potential impact of amending current local connection rules. The previous administration's proposal to suspend local connection was not supported by COSLA and a joint short life working group is currently looking at this issue. The group's work is ongoing but it has agreed the importance of having a reliable statistical baseline against which future changes are monitored. The working group will report back to Ministers and COSLA in due course and make recommendations on next steps.

22 Supporting affordable and sustainable building and design

The Committee asks the Scottish Government to address widespread concerns that current Government funding schemes for housing tend to focus on construction costs, without taking proper account of running costs. It is in the Government's long-term interests that policies and funding schemes encourage construction firms, councils and householders to develop sustainable, well insulated, and energy efficient housing stock. (Paragraph 255.)

The Committee notes that the Government's climate change agenda, including the implementation of current climate change legislation, would afford an opportunity to make progress in this area. (Paragraph 256.)

The Committee asks the Government to note stakeholders' concerns that a skills and knowledge gap is holding back the development of more sustainable, economical, low-maintenance, energy-efficient rural housing, and that good practice is not being disseminated effectively enough. In this regard, the Committee invites the Government to note witnesses' views that good practice is most effectively built in at the building design and specification stage. (Paragraph 259.)

The Committee again invites the Government to consider addressing these concerns as it continues to develop its climate change policy. The government and further education providers should also consider whether current vocational training in rural building design and construction is entrenching good practice in sustainability. (Paragraph 260.)

Scottish Government Response:

The Scottish Housing Quality Standard (SHQS) sets a minimum quality standard for all social landlords to meet. The aim is to ensure that tenants across Scotland can expect to live in safe, secure and energy efficient homes which are free from serious disrepair and which have modern facilities and services. It is the responsibility of individual social landlords to invest in their stock to ensure it meets the SHQS by 2015. From monitoring information supplied to the Scottish Housing Regulator, most landlords are predicting they will meet the SHQS by 2015.

Registered Social Landlords (RSLs) are required to meet high standards of energy efficiency in projects funded by the Scottish Government. This is particularly important given the incomes of households generally housed by RSLs. We would expect that these same standards on energy efficiency (which are, in any case, mandatory under the latest Scottish Building Standards regulations) would be replicated by local authorities who have already embarked on a new build development programme, and are currently planning to build new houses in the near future. The Scottish Government has worked closely with partners in CoSLA and has already allocated nearly £17m to 14 councils to start building over 970 new, affordable homes in 2009-10. Work is currently underway to allocate the remaining £8m from the first round of funding.

We will also be encouraging households to improve the energy efficiency of their homes through our area based Home Insulation Scheme. We are providing £15m of funding this financial year and seeking matching investment from other sources. The scheme provides a great opportunity to take forward action to address fuel poverty and reduce carbon emissions, but it will need the commitment of key partners such as local councils, housing associations and energy companies to make it work.

We have appointed the Energy Saving Trust as the managing agent for the scheme and invited local authorities to put forward proposals for areas which might participate either in 2009-10 or 2010-11. Marketing will begin later on in the Summer with measures being installed in the selected areas from the Autumn. Given the significant interest expressed by local councils, we

are confident that we will be able to select a good mix of geographic locations across Scotland, including rural/island areas.

The Scottish Government is also taking forward a number of relevant initiatives aimed at improving the efficiency and sustainability of the housing stock and spreading best practice. These include:

- **Building Regulations:** Current standards already incorporate the highest levels of requirements for insulation and energy efficiency in the UK. We will be consulting in the next few weeks on proposals to tighten these standards further. Proposals for sustainability standards, including the introduction of security against house-breaking and enhanced sound insulation and surface water drainage standards, were consulted on last year with the intention that these should come into effect in 2010.
- **The Highland Housing Fair:** Due to take place in 2010, the event will involve the construction of more than 50 homes designed by a variety of architects and selected through a design competition run by the Royal Incorporation of Architects in Scotland (RIAS). The project aims to promote excellent standards in sustainable design and encourage their integration into every new home.
- **The Scottish Sustainable Communities Initiative (SSCI):** 11 SSCI exemplar projects, in a variety of locations across Scotland, were announced by the Deputy First Minister in May. The Scottish Government is currently working on a range of support packages for these proposals to ensure that they are able to fulfil their potential to deliver sustainable developments. The creation of a number of very low or zero carbon communities combined with good placemaking qualities is intended to stimulate a rise in environmental design quality standards and showcase Scotland's architectural and design skills.
- **The SUST. Programme:** This programme is run by The Lighthouse and funded by the Scottish Government. It assists a range of stakeholders to adopt a sustainable approach to the design, commissioning, delivery and use of sustainable buildings and environments. The programme assists in the delivery of the Scottish Government's strategic objectives and the relevant National Outcomes, by helping to make the necessary adjustments to work practices and knowledge to mainstream sustainable development.

23 Sustainability and planning

The Committee expresses concerns at evidence of spurious objections on grounds of “sustainability” blocking much-needed development and asks the Scottish Government to consider whether existing planning or other guidance on sustainability requires to be revised to ensure that this is avoided in future. (Paragraph 264.)

Scottish Government Response:

The Planning etc. (Scotland) Act 2006 introduced a requirement that functions relating to the preparation of the National Planning Framework by Scottish Ministers and development plans by planning authorities should be exercised with the objective of contributing to sustainable development. The 2006 Act requires planning authorities to have regard to guidance on this requirement issued by Scottish Ministers. Paragraphs 36 and 37 of the consultation draft of the consolidated SPP aims to provide this statutory guidance under section 3E of the 2006 Act.

Paragraph 37 states:

“The Scottish Government’s commitment to sustainable development is reflected in its purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. This means building a dynamic and growing economy that will provide prosperity and opportunities for all. This accords with the principles of sustainable development as sustainable economic growth is achieved by delivering fair social outcomes and respecting environmental factors. Planning authorities should ensure that the development plan facilitates the sustainable development of an area, supporting increasing sustainable economic growth. The National Planning Framework and this SPP provide the national planning policy context for decision making within the planning system which supports sustainable economic growth.”

24 The unplugged house

The Committee considers that the Government should show leadership by promoting the unplugged house model, so that the provision of such housing becomes increasingly normalised in rural areas. For instance, the Government could incorporate advice on promoting the unplugged house in revised guidance on planning or building standards. The Government should also consider examining whether existing funding streams adequately support individuals wishing to pursue the unplugged house model. (Paragraph 273.)

A further purpose of Government guidance could be to help clarify which methods are to be preferred and under what circumstances. This might include clarifying appropriate, and not over-prescriptive, specifications for water and sewerage. (Paragraph 274.)

The Committee also reiterates the important role that vocational education could play in promoting the unplugged house model and invites the Scottish Government and relevant further education providers to consider whether current training courses in building and design pay sufficient attention to the model. (Paragraph 275.)

Scottish Government Response:

The Scottish Government recognises that, in some circumstances, private infrastructure and servicing arrangements for new development may be a perfectly acceptable and an appropriate response to the lack of service capacity in many locations. This will particularly be the case in remoter areas where services do not exist, when new development can minimise energy use and water demand, and when high standards of waste water treatment can be satisfactorily guaranteed. The fact that a proposed house was 'unplugged' would not of course remove the need to consider other planning issues where they were appropriate. The Scottish Government, in finalising the consolidated SPP, will consider how this may be reflected in the policy.

The Committee may wish to note the existence of several Planning Advice Notes which have a bearing on this issue: PAN 51: Planning, Environmental Protection and Regulation; PAN 61: Planning and Sustainable Urban Drainage Systems and PAN 79: Water and Drainage. As part of the review of PANs following the publication of the final SPP, the Scottish Government will consider the scope for rationalising these documents to ensure that they support the new SPP and are a coherent and focussed source of good practice advice on this issue.

The building regulations set out mandatory functional standards for the performance of houses, but do not specify how those standards should be achieved. Also, given that SEPA has responsibility for water quality, it would not be appropriate to advocate 'unplugged' sewage systems in an unreserved way. Instead, the Domestic Technical Handbook gives guidance on the safe and healthy installation of such systems and allows them to be used when site conditions are right. Similarly, the building regulations do not set out requirements for a water supply, but the Technical Handbook gives guidance on drainage to avoid the contamination of water supplies. The Environment standards include requirements for the storage of woody biomass, and guidance is given in the Energy standards on installations of low carbon equipment. A supplementary guide to the safe and sustainable installation of low carbon equipment will be published in 2009.

25 Connecting to the energy supply

The Committee asks the Scottish Government and Ofgem to note customers' concerns over energy providers' practice of asking for full payment in advance. The Committee also asks these bodies to note concerns over delays and the apparent high cost of making connections and asks them to consider in particular whether changes to the charging regime could be made, or financial assistance offered, so as to make costs imposed on sole householders or on very small groups of householders in rural areas less prohibitive. (Paragraph 278.)

Scottish Government Response:

As the committee knows, connections to the electricity transmission network in Scotland is the responsibility of Scottish Power and Scottish & Southern Electricity, and is regulated in the UK by the Office of Gas and Electricity Markets (Ofgem), who ensure that the companies comply with their licence obligations.

The cost of obtaining a grid connection varies according to the amount of work that needs to be done to make the connection. The Scottish Government recognises that in some rural areas, the cost of connecting to the electricity mains supply can appear excessive. However, these costs typically reflect the amount of work and infrastructure that is normally required, such as cable laying; installation of transformer to lower voltages so that they are safe to use, and; labour costs associated with construction.

Where customers believe that costs are excessively high, it is open to them to ask the distribution network operator to break the cost down into:

- contestable work which can be undertaken independently by a qualified contractor; and
- non-contestable work which **must** be carried out by the distribution network operator, under the terms of their licence conditions.

It would then be for customers to obtain alternative quotes on the contestable components. After obtaining these quotes, customers believe that these costs remain too high, the matter can be referred to the Energy Ombudsman. The Energy Ombudsman will then review the matter, and may be able to assist in resolving it by instructing the distribution network operator to undertake the work at a lower cost.

The Scottish Government is sympathetic to concerns over electricity grid access for rural communities. We recognise the need to develop the required infrastructure to connect to the mains grid. Therefore, we will continue to work with Ofgem and the distribution network operators to find a solution to resolve these issues.

26 Connection to mains water and sewerage

The Committee notes with approval the general view that there has been a noted improvement in the manner in which Scottish Water deliver infrastructure for rural development since the issuing of the 2005 Ministerial direction on strategic capacity. Some stakeholders continue to perceive, however, that SEPA sometimes appears to block or delay development, whether by insisting upon costly infrastructure for small developments, or taking time to deal with some applications. Whilst the Committee appreciates that SEPA must perform a difficult balancing act in, on the one hand, serving local communities and helping enable development, and, on the other safeguarding the environment and human health, we have concerns that these perceptions remain. (Paragraph 290.)

The Committee therefore calls upon the Scottish Government to investigate whether there is potential to rebalance SEPA's role so that it can serve more effectively as a facilitator of rural development. The aim must be to ensure that SEPA takes a considered, balanced and pragmatic approach to proposed small developments in the countryside, or on the edge of existing small communities. (Paragraph 291.)

Scottish Government Response:

The Scottish Environment Protection Agency (SEPA) is strongly committed to the Scottish Government's planning reform agenda, and is streamlining its role, while carrying out its work of protecting the water environment, in the planning process. As part of that, SEPA is developing its planning service in an efficient, solution-orientated way that both enables good development and provides a proportionate approach to environmental protection. SEPA does not therefore believe that there is a need to consider "rebalancing" their role in the planning process beyond the simplification of processes that SEPA is already taking forward to streamline its role.

SEPA acknowledges that, as a result of the volume of individual planning applications on which it has been consulted (up to 9,000 a year), there have been delays in the past in responding to some applications. SEPA is reducing the consultative burden on all parties, and will no longer be commenting on most small-scale developments. Instead, SEPA will provide standing advice to help local planning authorities determine small-scale applications, and this should substantially speed up the processing of most applications.

SEPA seeks to work closely with all parties to facilitate appropriate developments. SEPA takes a considered and pragmatic approach to sewerage for small rural developments. Recommendations are based on an assessment of the individual site in question, related to the scale of the development and the environmental sensitivity of the location. SEPA does not wish to be consulted on the vast majority of small developments and, in a regulatory context, septic tanks normally only need to be registered with SEPA, a simple and quick process. Where the drainage requires to be licensed, SEPA has a statutory timescale, with extensions where necessary, so that consultation with external parties can be carried out to ensure protection of the environment.

We recognise that on occasions an applicant may not agree that SEPA have reached an appropriate recommendation on sewage treatment, but we do not believe that this means that SEPA is taking an unnecessarily stringent approach. A risk-based assessment may sometimes mean additional costs to protect the environment, including the quality of life of existing communities, their drinking waters and other industries such as shellfish farming.

It is important to recognise that the proliferation of private small sewage treatment systems, some of which may be of inadequate capacity or performance, can pose significant environmental risk. These are sometimes on the edge of existing communities which are suffering from sewage-

related problems, where the long-term public health and environmental solution should be the development of a public drainage system. It is in the interest of all parties that appropriate systems are installed from the outset as it is extremely difficult and costly to rectify problem sewage systems retrospectively. As a result SEPA may have to recommend a more costly or complex treatment system. SEPA is working closely with Scottish Water on the prioritisation of Scottish Water's first time sewerage provision for the next phase of their Quality and Standards investment programme. The prioritisation takes into account more than water quality in recognising the effect on people living with inadequate sewage systems, for example the aesthetic impact of problem discharges.

27 “Rural proofing” rural housing standards and specifications

The Committee is concerned by evidence of inappropriate and costly specifications being imposed on proposed developments in rural areas. Evidence received suggests that this is particularly the case in relation to roads and related infrastructure (street lighting, pavements, etc), although concerns also arise in relation to other matters such as water specifications. The reply from the Minister for Transport, Infrastructure and Climate Change concerns the Committee, as it appears not to recognise the extent to which this can be a practical difficulty in some council areas, and to rule out taking action to address it. (Paragraph 297.)

The Committee therefore invites the Scottish Government to clarify in its review of planning policies that councils are entitled to take into account the rural context when determining what infrastructure standards and specifications are appropriate in a rural development. Such guidance should, in particular, make clear that imposing urban specifications in a rural context without due consideration as to whether this is necessary is bad planning practice. Directions of a similar nature should be provided to Scottish Water and SEPA. (Paragraph 298.)

The Committee recognises that the conservative planning culture identified elsewhere in this report may be another reason why specifications are “gold plated” with undue consideration as to whether this is always necessary. If stakeholders have concerns about particular councils, they may wish to consider directing relevant evidence to the Scottish Government, so as to underline the existence of the problem, and to enable the Government to approach such councils directly. (Paragraph 299.)

Scottish Government Response:

Planning authorities may take into account a range of material considerations in determining planning applications, including whether the specifications proposed by the developer or recommended by consultees are appropriate for the context. In finalising the consolidated SPP, the Scottish Government will consider how the policy can reflect the differing contexts across urban and rural Scotland.

Scottish Water and the Scottish Environment Protection Agency (SEPA) are now key agencies under the 2006 Planning Act. They are now under an obligation to engage in the development planning system. Both agencies have also signed up to ‘Delivering Planning Reform’, the document which sets out the shared objectives and joint commitment of government, agencies, planning authorities and others to deliver a modernised planning system. These agencies have agreed that, once a development plan is agreed by the planning authority, they will support its implementation. Agencies will also ensure that the level of information they require of the development sector is clear and proportionate.

The Scottish Government is, of course, always grateful to hear the views of stakeholders on the operation of the planning system, including where there may be concerns about the performance or approach of any particular planning authorities.

Investing in Affordable Housing – the Way Forward

1. The Scottish Government is grateful to all who responded to its December 2008 consultation on Investing in Affordable Housing. We have considered the responses and discussed the implications with COSLA and the SFHA. This paper sets out a number of areas of work that have been jointly agreed as the basis for moving housing investment forward.

Context: The Credit Crunch and the Recession

2. We are committed to increasing the supply of affordable housing to meet increased demand resulting from demographic and social change and to meet the homelessness target of 2012.
3. However, the credit crunch and its effects on public and private finances constitute a very significant challenge for all those involved in the provision of Affordable Housing in Scotland. The common expectation is that the recession will lead to an increase in the demand for affordable housing. At the same time, there will be severe constraints on the amount of public money which the Government will have at its disposal. The availability and cost of private finance, and lenders' expectations, are also changing. Some RSLs and developers may no longer find it as easy to access private finance in the same way as before.
4. We will do all that we can to maintain and increase the supply of housing, especially affordable housing, in these difficult times. We will make sure our resources are deployed to best effect and we are considering alternative sources of private finance and approaches to funding affordable housing. We will maintain a dialogue with local authorities, RSLs and those involved in the house building industry to identify where innovative approaches can help address the difficulties we face.
5. We welcome the commitment, innovation and skill shown by local authorities, RSLs and the industry to work with us to address the housing needs of our communities. While innovative funding approaches will help us achieve our ambitious commitments, they alone will not be sufficient. The inescapable truth is that we need to produce houses and housing services more efficiently and effectively. This is a challenge to which all of us need to respond if we are to put the interests of tenants, current and prospective, at the heart of what we do.

Context: The role of the RSL sector

6. We are currently consulting on draft legislation that would reform the regulation of the social housing sector. Subject to the consultation and the views of Parliament, the proposed Housing Bill would introduce the Scottish Social Housing Charter, which would define the outcomes and value that social landlords should be delivering for their tenants. The Bill would also establish the Scottish Housing Regulator as a statutory body, with the statutory objective of safeguarding and promoting the interests of current and prospective tenants, and with responsibility for monitoring and enforcing compliance with the charter, and for setting performance improvement targets. It would also have a range of powers in relation to safeguarding the financial health and good governance of RSLs.
7. We intend that these reforms should provide a clearer and sharper definition of the core responsibilities of social landlords, including: managing tenancies and providing an excellent standard of service to tenants; maintaining their stock and enhancing its quality; and managing their assets efficiently, in the interests of current and future tenants and the taxpayer. We also recognise that many RSLs have skills and experience beyond these areas

of core landlord competence and are well placed to continue to contribute in wider ways to the cohesion and strength of vulnerable communities.

8. Our view is that developing new stock at its own hand cannot and should not be a part of the role of every Housing Association or of every Local Authority. Given the pressures we face on resources and the level of housing need, we have to make sure that every new home we invest in offers the best value possible. The processes used for the delivery and procurement of new homes need to be as efficient as possible and to reflect best practice. Developing new stock is a challenging activity calling for high standards, distinctive skills and experience, and we need individual organisations within the sector to take the lead in these aspects.

A more strategic approach to prioritising investment: the importance of Local Authority strategic planning frameworks

9. There is widespread agreement with our proposal that councils' Local Housing Strategies, and specifically their Strategic Housing Investment Plans, are the key determinants of housing development priorities in each Local Authority area, and should guide the application of Government (and other) funding. We will continue to work with COSLA and councils to refine the processes around the production and use of Local Housing Strategies and related SHIPs, and to improve their quality and consistency. We will also continue to work with COSLA, councils and RSLs to make sure that the investment priorities set out in SHIPs are transparently reflected in our decisions to award subsidy for affordable housing, and in the equivalent decisions taken by Glasgow and Edinburgh councils on our behalf.
10. The responses to the consultation indicated that developing a framework of multi-Authority regions, and associated regional prospectuses, would not be helpful, and that collaboration between Authorities and RSLs would continue to progress without such a structure. At the heart of the new approach to planning for housing already agreed between central and local government is collaboration between local authorities on Housing Need & Demand Assessments for housing market areas, and local authorities may if they wish produce joint Local Housing Strategies. We will continue to promote and support partnership working across (as well as within) Local Authority boundaries, and to ensure that there is a clearer statement of the expectations of central and local government. However, we agree that the imposed system of regions and regional prospectuses proposed in the consultation would have had drawbacks, and should not be taken forward.

Setting standards for those who develop new stock

11. The majority of responses to the consultation supported our proposal to introduce a system of "pre-qualification", to determine those RSLs eligible to apply for subsidy under the proposed new competitive arrangements. While we do not propose to implement the competition proposals set out in the consultation (see below), we intend to develop a standard for "approved developers". Achievement of this standard will be a requirement for any RSL, council or other body, intending to develop at its own hand with Government subsidy.
12. In general, we will not fund regulated bodies where the Regulator has significant concerns about its governance, service quality, stock investment or financial viability. We will seek to agree with COSLA, the SFHA and the Scottish Housing Regulator both a standard and an assessment method for "approved developers", based on the proposals set out in Annex C of the consultation.

Collaborative structures

13. The responses to the consultation were generally supportive of the Government's call for more collaborative working between RSLs and others, but rejected the consultation's argument for a preferred form of consortium based around a single RSL as consortium head. It was pointed out that other forms of collaborative arrangement have been developed both within Scotland and elsewhere in the UK.
14. Having considered these responses, and the progress made by a number of associations and local authorities working together collaboratively in different parts of the country, we agree that it would be premature to specify one preferred form of consortium. Instead, we wish to encourage the development by the sector of a range of structures that are designed to deliver good quality homes efficiently and effectively. We will continue to work with those organisations that are already moving in this direction and will continue to support further such initiatives. All consortia and collaborative partnerships will be judged by their results, and the development of new approaches should be informed by best practice and lessons learned by existing groupings. What is clear, however, is that consortia need to be focussed on increasing value – delivering savings and quality improvements – rather than simply be marriages of convenience. As a first step, we propose to invite representatives of the SFHA and the housing association sector, and of ALACHO, to join a working group to consider the strengths, weaknesses and achievements of existing groups and partnerships. The Government is open minded on whether, in due course, it will wish to issue guidance about which form of collaborative structures appear most effective.
15. The consultation responses were divided on the scope for involvement of local authorities and other non-RSL bodies in the consortia. However, in the Government's view, the difficulties caused by the credit crunch and recession make it essential that we consider the role that all parties can play in helping to enhance the provision of affordable housing in Scotland, and in particular we are keen to promote active collaboration between councils and RSLs. We therefore intend to explore with COSLA, the SFHA and Homes for Scotland the scope for including Authorities and other bodies in the structures through which new affordable housing is delivered.

Long-term funding

16. Many of the responses welcomed the consultation proposal to make long-term (5-year) funding commitments to RSLs who meet certain high standards. We are already in discussion with COSLA to agree a methodology for 3-year indicative allocations to council areas, which we will seek to implement quickly. We also believe there should be scope to award 3-year programme agreements to selected developers within the RSL sector, and the consultation responses have confirmed our view that this would increase the scope for these developers to pursue greater efficiency through longer term agreements with the industry. Accordingly, we will work with COSLA and SFHA to develop methods for 3-year allocations to developers, to be implemented following the conclusion of the next spending review. In return, these RSLs should be able to demonstrate how they will deliver improved value for money over the period of the 3-year funding package.

Efficiency, effectiveness and best practice

17. Particularly in the current economic climate, all parts of the public and voluntary sectors should look to the efficiency and effectiveness of their activities, just as the private sector is impelled to during challenging times. While the RSL sector has an excellent track record of quality and innovation, it cannot be exempted from the search for greater effectiveness. Social landlords will need to improve their housing and asset management; identify ways to

restrain costs; and develop improved methods of procurement, both of new stock and of maintenance products and services. This may require changes to the way the construction sector engages with the social landlord in order to achieve efficiencies in the construction supply chain.

18. To facilitate this, we are considering with the SFHA, COSLA and the Regulator how to improve the identification and sharing of best practice within the social housing sector.
19. In addition, we will continue to work with councils and RSLs to seek ways to achieve best value in housing procurement, so that new homes can be delivered for the lowest realistic level of Government subsidy without compromising on quality. The Government will continue to identify new solutions – for example through our efforts to open up new possibilities for RSLs by identifying new funding sources or by deploying the Affordable Housing Investment Programme resources in different ways. But the principal responsibility for seeking greater effectiveness and efficiency rests with those who develop housing themselves – chiefly the RSLs and their construction partners.
20. We accept that the introduction of formalised competition structures at this time of rapid change would not necessarily help achieve this goal. However, as always, we will continue to use the existing HAG subsidy system to improve value for money and encourage RSLs to improve procurement, asset management, and indeed control of general operating costs, in tandem with the principles of regulation and the operations of the Scottish Housing Regulator.

Scottish Government
25 June 2009