

improving living in scotland



**FIRM FOUNDATIONS – THE FUTURE OF HOUSING IN SCOTLAND
SCOTTISH GOVERNMENT DISCUSSION DOCUMENT
JANUARY 2008**

Homes for Scotland is the representative body for the private home building industry in Scotland. Homes for Scotland represents the interests of over one hundred and thirty member organisations who provide 95 of every 100 homes built for sale in Scotland and we have a rapidly expanding membership of professional and other service businesses engaged in our industry.

The current obstacles to achieving increased housing production are formidable. If change is to be achieved then a number of key barriers to development must be removed.

Scotland has a planning system which fails to deliver enough land to ensure production of new homes can be both predicted and accelerated. That planning system, in addition, takes an inordinate amount of time to release implementable planning consents.

Housing projects, across Scotland, are being put at risk because of a failure to ensure that investment in supporting infrastructure, particularly in relation to roads, water and drainage is delivered to support development proposals. The difficulties are compounded by a failure on the part of government to align investment programmes relating to community infrastructure with development plan releases of housing land. This is especially true with regard to schools and health facilities.

For some time now the house building industry in Scotland has had the capacity to increase production. It is highly committed to delivering new, sustainable developments to support community growth aspirations. To do that the industry requires a corresponding commitment from all public sector regulatory bodies and infrastructure providers. The challenge for an ambitious corporate Scotland is to provide both a regulatory framework and an infrastructure investment programme that supports and enables investment in housing. It is essential to move away from a culture and environment that seeks to regulate or control to the point where investment decisions are actively discouraged.

Homes for Scotland supports the principle that good quality affordable housing, provided in places where people want to live, is fundamental to Scotland's wellbeing and is a vital element in the building of vibrant communities.

There is an urgent need to dramatically improve Scotland's supply of mainstream housing in ways which reflect the real aspirations of people in the market place, whilst simultaneously sustaining strong existing communities across Scotland.

Corporate approaches involving the private sector, Government, Local Authorities and Registered Social Landlords are essential if Scotland is to develop new strategies to increase the supply of land and the availability of housing in all tenures as signaled within the Consultation Document.

Our member companies are fully aware of the ongoing planning modernisation programme following the enactment of the Planning (Scotland) Act 2006. However, the modernisation proposals that are currently being drafted and consulted upon could lead the informed observer to conclude that Scotland's new planning system will still fail to deliver up-to-date Development Plans until 2018. Homes for Scotland will respond to these draft proposals in detail in due course, but we take the view that it is entirely unacceptable to design a planning system that will take 10 years to identify the land that is necessary to deal with an immediate problem - namely lack of investment in housing – which will have dramatic, social and economic consequences for Scotland.

Despite modernisation, we are extremely concerned that Development Plans simply will not deliver in time, bearing in mind the length of time it takes (anything up to 5 years) to promote a development proposal through the existing planning system even on land released through an approved development plan. To ensure the increase in real house completions on the ground by the middle of the next decade, housing land must be brought forward now!

Provided the above concerns can be adequately addressed, the organisations that we represent will rise to the challenge of delivering at least 35,000 new homes per annum by the middle of the next decade. We feel confident that this target is achievable and we will work to find ways to exceed it wherever possible. In fact we continue to pursue the industry target of doubling current output to 50,000 homes each year.

Consultation Questions

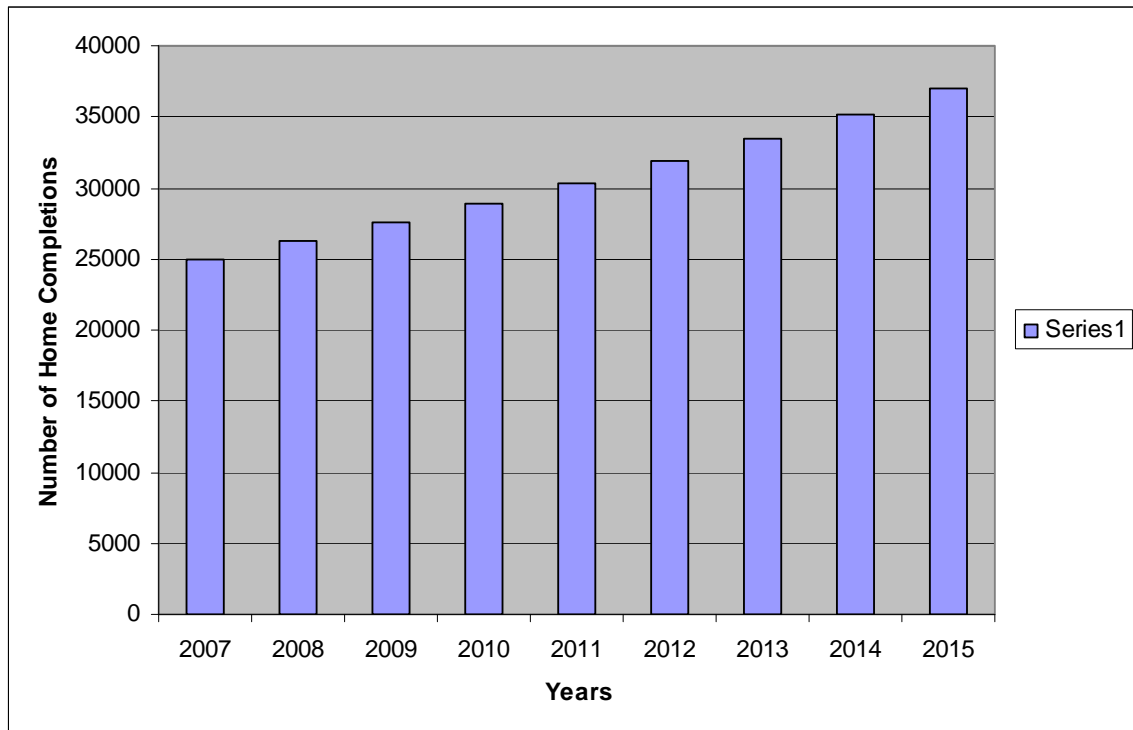
To allow us to focus on the questions most crucial to the private house building industry we have not answered each of the 34 questions. Please find below answers to questions 1 to 6, 8, 9, and 24.

Question 1: Do you agree that aiming to increase the rate of new housing supply in Scotland to at least 35,000 a year by the middle of the next decade is a sensible and realistic ambition, and that this will help set a necessary political context for acceleration in housing supply?

Homes for Scotland feels confident that the target of increasing the rate of new housing supply in Scotland to at least 35,000 a year by the middle of the next decade is achievable and that the industry will work to find ways to exceed it wherever possible. Indeed Homes for Scotland continue to pursue the industry set target of 50,000 new homes each year to double the current rate of production.

When the Government's target of 35,000 new homes per year is broken down into annual steps to the middle of the next decade it is clearly achievable. As the table below shows, with an average increase of only 5% each year the Scottish Government's target of 35,000 new homes per annum could be met by 2014.

Table 1: Achieving increase in production to 35,000 homes per year by 2015*



(*Based on the following assumptions:

- 1) that the completion figures for 2007 will be around 25,000 units,
- 2) that the increase in production will begin in 2008)

Given the time it will take to build up momentum we need to recognise that this percentage increase will not be equal each year, and it is likely that we will see smaller steps in the early years. To ensure the target is met by the middle of the next decade however, stronger growth must be encouraged and supported over the medium to long term. This is particularly true when we consider that the number of completions dropped from 2005 to the most recently produced figures in 2006 by 6.9% (Scottish Government: Housing Statistics for Scotland 2007). If this trend is allowed to continue in the short term it will have serious implications for any long term targets set.

Furthermore, given the time it can take to prepare Development Plans, past experience suggests that it is unlikely that the two tier planning system (i.e. Strategic and Local Development Plans) will deliver housing land allocations in time. To ensure the increase in house completions by 2015 consideration must be given to bringing forward additional housing land outwith the formal development plan process.

We welcome the target set by the Scottish Government as it will help set the necessary political context for acceleration in housing supply and we are keen to work with key stakeholders in ensuring that the policy ambition is translated into the delivery of homes on the ground. We are aware that this is also addressed in the draft Scottish Planning Policy 3 and we will submit comments on that draft in due course.

Question 2: Do you agree that, to give practical effect to the ambition, local authorities should co-operate regionally in setting realistic housing targets for housing market areas, and in enabling the delivery of these targets? If so, what arrangements should be put in place to support and provide incentives for such co-operation between relevant local authorities?

Homes for Scotland takes the view that local authorities must co-operate regionally, both in the setting of housing targets for housing market areas and in the identification of actions programmes to enable the delivery of these targets. We would go further and argue for a robust framework through the inclusion of regional targets or minimum requirements within National Planning Framework 2.

The important role of City Regions must not be overlooked in the setting of regional housing targets. It is inevitable that the four city regions will attract a higher proportion of demand for housing than more rural areas. We acknowledge that National Planning Framework 1 recognises the key and varied role of the cities, but National Planning Framework 2 must give further clarity and guidance on their importance to the economy. Furthermore, National Planning Framework 2 must acknowledge the critical role that meeting housing demand has to play in economic growth.

To ensure local targets are set correctly, clear direction must be given from the Scottish Government to Local Authorities. The wording of Scottish Planning Policy 3 (SPP3) will be crucial in this regard. The Planning Policy must set out firm requirements for Local Authorities to act. Advice and encouragement is simply not strong enough. We will be responding formally to the consultation on SPP3 separately.

One important aspect of setting targets is the opportunity to identify the scale of the action that requires to be taken over different areas across Scotland. By way of illustration, the table below analyses actual annual output figures by Local Authority in the most recent financial year to show the real growth requirement using the straight

forward cumulative 40% increase that the Consultation Document signals. We recognise that this table is a blunt instrument and that such a process must be refined in order to accommodate the requirements of the most pressurised housing market areas. It is nevertheless, illustrative of the scale of the task at hand, and helps to inform the significant changes required at a local level to turn this policy ambition into a reality.

It would of course be necessary to also do a similar exercise on land supply release policies as currently represented in extant Structure Plans.

Our member companies would recommend that further consideration is given to the use of financial incentives for Local Authorities to deliver housing investment. The approach being adopted by the Westminster Government might be worthy of further examination. The performance-related approach adopted in England, through the allocation of Planning Delivery Grants, aims to enhance the resourcing of the planning system in a way that drives performance improvement and ensures effective delivery. Such incentive, however, need to be clearly linked to increasing capacity within Planning Departments at a local level.

Local Authority	Total	Private Sector	Private Sector + 40%	Housing Association	Housing Association + 40%	Combined Total
Aberdeen City	663	561	785	102	143	928.2
Aberdeenshire	1,675	1,477	2068	198	277	2345
Angus	442	400	560	42	59	618.8
Argyll & Bute	368	340	476	28	39	515.2
			0			
Clackmannanshire	357	330	462	27	38	499.8
Dumfries & Galloway	564	518	725	46	64	789.6
dundee City	399	224	314	175	245	558.6
East Ayrshire	412	402	563	10	14	576.8
East Dunbartonshire	168	168	235	-		235.2
East Lothian	755	610	854	145	203	1057
East Renfrewshire	41	37	52	4	6	57.4
Edinburgh, City of	2,373	1,903	2664	470	658	3322.2
Eilean Siar	127	84	118	43	60	177.8
Falkirk	1,045	1,016	1422	29	41	1463
Fife	1,975	1,749	2449	226	316	2765
Glasgow City	3,252	2,198	3077	1,054	1476	4552.8
Highland	847	727	1018	120	168	1185.8
Inverclyde	267	267	374	-		373.8
Midlothian	121	115	161	6	8	169.4
Moray	563	453	634	130	182	816.2
North Ayrshire	55	430	602	125	175	777
North Lanarkshire	1,530	1,282	1795	248	347	2142
Orkney	117	64	90	53	74	163.8
Perth & Kinross	679	561	785	118	165	950.6
Renfrewshire	472	426	596	46	64	660.8
Scottish Borders, The	527	471	659	56	78	737.8
Shetland	74	71	99	3	4	103.6
South Ayrshire	311	289	405	22	31	435.4
Couth Lanarkshire	1,823	1,594	2232	229	321	2552.2
Stirling	437	356	498	81	113	611.8
West Dunbartonshire	464	1333	1866	331	463	2329.6
West Lothian	892	787	1102	105	147	1248.8
			29740		5981	35721

Excel : EJM/House Building by Local Authority

Question 3: Is there a role for a specialist national function to provide expert support for local authorities in strategic planning for housing? What expertise do you think this function would require?

The introduction of a specialist national function to provide expert support for local authorities would be useful if the 'function' provides access to consistent and robust technical assistance, both with regard to policy analysis and policy formulation. We are aware that SPP3 incorporates a detailed methodological approach to assessing housing need and demand. It would seem logical that the Scottish Government officials responsible for drafting the approach are available to assist and work with Local Authorities, individually or in regional partnerships, to ensure a consistency of approach to assessments. We will develop this further in our response to SPP3.

Local Authorities must ensure the alignment of their planning and housing functions. It is imperative that authorities produce one set of forecasts to inform all strategies, policies and programmes. This will allow them to set out co-ordinated approaches to land allocations and the procurement of housing investment. We must revisit the position that exists in some Planning Authorities where Local Housing Strategies argue for a release of land for 'affordable housing' which exceeds the total housing land release contained in that same authority's Development Plan. All sites capable of supporting housing development have constraints attached to them. The challenge for the planning system is to focus on the actions required to remove those constraints within the context of the economics of development.

It can no longer be acceptable to have a planning system which simply identifies any potential land for development, whilst ignoring technical or environmental constraints and relying on a belief that in time market forces or windfalls will remove these limiting factors. There is now a pressing need for the public sector, particularly through its infrastructure investment programmes, to unlock development opportunities. Notwithstanding the fact that there are circumstances where private investment may be required to support public intervention in respect of infrastructure investment, the role of the Scottish Government is of fundamental importance.

Development opportunities in many instances are constrained by the intervention of Government Agencies concerned primarily with the protection of Scotland's environmental and cultural heritage. If increased investment in housing is to take place it is imperative that these agencies, while maintaining vigilance in respect of 'environmental standards' shift their way of operating from one which seeks to frustrate development to one which actively provides advice and assistance to enable development.

Significant initiatives are being taken by Scottish Government in relation to the construction of sustainable housing units and the industry is responding with significant investment to ensure that homes are achieving targets in respect of energy efficiency. Home builders in Scotland are already embracing the design agenda, particularly with regard to the creation of sustainable housing and communities. It is equally important that significant gains are made with respect to the place making agenda. Scotland does not need different approaches being developed by 34 Planning Authorities. There is a need for a clearer national dialogue in respect of the design of sustainable communities. The Scottish Government needs to be more pro-active in this regard.

The proposals within the document discuss an increase in new building accompanied by a focus on good design, better building standards and the creation of genuinely sustainable neighbourhoods. The specialist national function could ensure national guidance is given on the interpretation and use of Planning Advice Note 67 to help ensure the creation of successful places throughout Scotland.

Question 4: Even when land has planning permission there are still blockages that prevent new housing being built. What additional arrangements would, or could, accelerate development on land with planning permissions to help ensure that future housing supply targets are met?

In responding to this question our member companies would first ask the Scottish Government to consider two issues.

Firstly, the need to consider the difficulties our member companies experience in seeking to obtain planning permission in the first place. We are fully aware of the ongoing planning modernisation programme following the enactment of the Planning (Scotland) Act 2006. However, at this point we would like to draw attention to three issues embedded in the planning process which prevent the delivery of new homes.

1. Delays in adopting development plans are a fundamental obstacle to the granting of planning permission. The situation does not appear to be getting any better, with many emerging replacement local plans 3 or more years behind schedule. Although the proposed secondary legislation requires plans to be replaced before they are 5 years old, we believe that the secondary legislation should have prescriptive requirements for completion timescales for component elements of the development plan process. The new planning legislation maintains a two tier planning system (i.e. Strategic and Local Development Plans). Although we are aware that those preparing the secondary legislation are hopeful that SDPs and LDPs can be prepared in parallel, thereby saving time, past experience suggests that this is difficult to achieve. It seems unlikely that Local Development Plans will be in place for city regions until about 2018. To ensure the increase in house completions by 2015 consideration must be given to bringing forward additional housing land outwith the formal development plan process.
2. The under-resourcing of Local Authority planning departments must be considered. If resourcing is not improved, we see little prospect of significant improvements in either the speed or quality of decisions.
3. The need to redefine what constitutes “land with planning permission”. The difference between outline and detailed consent is crucial given the problems experienced by developers endeavouring to purify suspensive conditions. It is of vital importance that attention is focussed on “land with implementable planning permission”.

Example 1 – 3990 housing units, South East Wedge, by Developer A

This site highlights an example where the planning process continues to cause serious delays to the delivery of housing. This site involves zoning for 3990 unit's, 20% of which are to be Affordable, a Town Centre, 3 Business Parks and Community Facilities. The estimated development value is £550 million.

The site was first identified in 1992 as the "least sensitive" in the Green Belt. However the Structure Plan was not approved until 1997. Work did not begin on the Local Plan until 1999 and it was accepted in 2002. The site therefore took 10 years to get through the planning process.

60% of the land was owned by two councils and 40% by private developers/housebuilders. The councils (a joint ownership between Edinburgh & Midlothian) lacked the necessary understanding of development economics to advance the joint venture with the private sector.

Major infrastructure totalling £98 million was required, including contributions towards the Waverly line. It took 3-4 years to agree the Section 75 agreement because of the complexity of paying for the required infrastructure. The existing infrastructure (water supply) was lost to the development of a new education facility nearby because of the delays in getting the development off the ground.

At the initial planning stages of the site, council representatives from both Local Authorities attended a field trip to consider how new settlements had been successfully created in England. The conclusion from this trip was that a dedicated team, with representation from each relevant Local Authority Department, was required to ensure priority was given to the progress of the South East Wedge site. Despite the good intention, the dedicated team was never created.

Lack of council resources and consistency was an issue with this site on both sides due to the length of the process. A lack of appreciation of developer economics also restricted progress of this site.

The project will take 15+ years to complete when it starts this year. Therefore from start to finish 30+ years i.e. 130 units per year.

Example 2 - 350 houses, West of Scotland, Greenfield release by Developer B

This site highlights the kind of barriers which can frustrate the delivery of housing once planning permission is considered to be granted:

Outline planning application for the masterplan and detailed infrastructure consents issued in February 2007. The applications were registered on 29th November 2002. The site in question is an allocated development site supported by the Structure and Local Plan.

The Local Authority refuses to commence processing of Road Construction Consent applications until all reserved matters consents are in place for the 350 private houses.

As the masterplan had evolved and been amended following the original submission in 2002, a revised planning application had to be submitted. Notwithstanding the previous consent it took 10 months to approve. The primary delay can be attributed to the requirement for an additional Section 75 agreement which was occasioned by the insistence of the Roads Department that, despite previous consents, a roundabout was to be installed rather than the proposed traffic lights. This necessitated the removal of a number of trees. To obviate the loss of the trees, Developer B proposed compensatory planting on land that they controlled and offered to deposit the costs of implementing the new planning proposals into a joint bank account. Scottish National Heritage insisted that a Section 75 agreement was the only route available as "they cannot open bank accounts". The Section 75 agreement took 5 months to agree and during this period Developer A faced severe restrictions in terms of the supporting infrastructure work that could be carried out.

The infrastructure works require an investment of £21 million and each month of delay increases those costs by 0.5%.

The planning officer responsible for the original negotiations was replaced. The new officer was fundamentally opposed to the arrangements that had been agreed with the original planning officer. As a consequence only one reserved matter has been resolved with seven matters still outstanding. Developer A expects additional obstacles to be raised.

Homes for Scotland would recommend the following interventions to help accelerate development on land with implementable planning permission:

- Developers should have the right to expect that when negotiating with Planning Authorities and reaching agreement on actions to be taken they are being advised of the corporate view of the Planning Authority and are not negotiating on the whim of an individual Planning Officer.

- To facilitate that position, consideration needs to be given to the introduction of dedicated project managers or facilitators whose role is to assist the developer to obtain the appropriate consents.
- There is an urgent requirement to integrate infrastructure investment plans. There should be a requirement for all utilities providers to ensure that their investment proposals support land releases being promoted through approved Development Plans.
- The use of Section 75 agreements requires to be reviewed. A body of evidence is emerging that suggests over-ambitious Section 75 agreements result in projects being delayed or abandoned as market conditions cannot allow the developer to realise the financial contributions necessary to purify the Section 75 requirements. There is little evidence to suggest that Planning Authorities, in the main, have regard to development economics when making Section 75 demands and there is no evidence to suggest that where Section 75 requirements are so onerous as to put projects in jeopardy, Planning Authorities are willing to re-negotiate in order to accelerate the rate of housing production.

In addition to the above, further consideration needs to be given to two fundamental changes which our members see as essential to improving delivery of development:

- a change in attitude within Public Authorities to one of promoting and enabling development i.e. culture change, and
- resolution of the issue of front-funding strategic infrastructure, whether through a Government Agency (along the lines of English Partnerships) or through an alternative mechanism to Planning Gain Supplement.

Question 5: We have proposed that much expanded or new, stand-alone settlements may be a valid solution. How should we best encourage the development of new, sustainable communities that are sympathetic to Scotland's landscape and environment?

Homes for Scotland welcomes the proposal to include expanded or new, stand-alone settlements as part of the solution to increase supply.

Firm Foundations states on page 18: *“Housing can be developed for a range of tenures with decentralised heat and power and high energy efficiency standards and located so as to make optimum use of public transport and provide opportunities for walking and cycling. Design and build should reflect the best architectural and design traditions of Scottish town and villages.”*

Homes for Scotland would urge the Scottish Government to pursue a Scottish Sustainable Communities Initiative and we will work with the Scottish Government to promote the development of communities described in the paragraph above.

At present in Scotland there is little evidence of real vision in strategic planning.

The industry is ready to work with Local Authorities and local communities to see how, together, sights can be raised when it comes to shaping and creating sustainable communities of the future.

Scotland requires a planning system that can move beyond statistical analysis that defines demand side assessments. To deliver sustainable communities it is necessary to move from demands for specific numbers of houses in specific communities, simply because statistical analysis of past trends suggests a particular growth scenario.

Far greater emphasis needs to be placed on design-led master plans covering wide areas. These master plans must move beyond the identification of individual development platforms. An approach should be developed that will, with full public consultation, enable planning authorities to establish how and where development can take place and how it can be achieved in a measured progressive way, rather than the cherry picking the current planning system encourages.

With master planning, investment decisions can be prioritised and phased, giving both the public and private sectors a clear understanding of the required sequence of investment.

Public Authorities can then locate schools and other public amenities and retail facilities where and when the community needs them.

The provision of major infrastructure is a strategic community issue and master planning would enable public and private sector delivery to be timely, appropriate and properly shared.

Contributing to the construction of sustainable communities is a challenge that the Scottish house building industry will embrace. Homes for Scotland is working with its member companies to ensure the industry is meeting the requirements of the new Scottish Building Standards in relation to sustainable procurement and construction. In addition, we are committed through specific design related initiatives to embrace the place making agenda set out in the policy statement 'Designing Places'.

Alongside this challenge is a need to address the Greenbelt debate. Greenbelt land is not necessarily all of high quality, nor does it always serve a useful function. It is time to debate how we balance the protection of the environment and enhancement of green space with the needs of local people for family housing.

Question 6: How should different types of assistance within LIFT be targeted?

Our member companies were pleased to see innovative proposals aimed at first time buyers included in the discussion paper. Homes for Scotland has continued to promote the use of a mix of affordable housing options as prescribed in PAN74.

The Scottish home building industry appreciates the need to assist first time buyers to gain the initial step on the property ladder. Homes for Scotland takes the view that assistance can be provided in two ways. Firstly through the provision of low cost starter units which are successfully developed in England but which cannot be constructed in Scotland due to over zealous current Building Standards and Planning Policies.

Secondly, greater use has to be made of shared equity schemes and it is a matter of great regret that some housing types developed successfully by Scottish home builders and sold on the open market to first time buyers cannot benefit from 'Homestake' funding because they do not comply with 'Housing for Varying Needs' standards.

All too often Local Authorities focus on the need for social housing yet surveys find almost 90% of young people in Britain still aspire to be homeowners (source: Shelter; 2007). Homes for Scotland would support measures and policies to enable the construction of starter homes specifically aimed at assisting young people into owner-occupation.

Question 8: Should the Government provide direct cash grants to first-time buyers?

Although not opposed to the idea of giving first time buyers financial assistance, particularly towards a deposit, our member companies do not feel that the suggested amount is high enough to make a significant difference to individuals and will therefore not have the desired impact. Furthermore Homes for Scotland fear that its most immediate consequence could be an inflationary impact on house prices. Economically, we feel that a far more efficient use of Government resources would be the specific targeting of 'Homestake' as specified in the answer above.

Question 9: How can the private house-building sector play a bigger role in providing, without public subsidy, increased provision of affordable starter homes?

The home building industry is already capable of bringing low-cost starter homes for sale to the market. All too often the industry is prevented from doing so by Planning Authorities who will not employ the mix of affordable housing options as prescribed in PAN74. These starter homes are successfully procured in England and their provision as a response to the affordable housing crisis is encouraged by Local Authorities and organisations such as English Partnerships. One example of such delivery is offered by the Debut homes range by Redrow. Such a product could not be delivered in Scotland, despite being a viable choice for equivalent purchasers in England and Wales. Homes for Scotland would urge the Scottish Government to consider the impact of current minimum space standards together with the implications of the 'life time homes' agenda within Building Standards on the delivery of affordable homes.

Homes for Scotland would urge the Scottish Government to give full consideration to the impact of garden, road and open access space standards on the delivery of affordable homes. Restrictions in design layout can limit the imaginative delivery of affordable homes. Increasing land prices and competition caused by an undersupply of housing land can mean that the most viable use for a site is the construction of higher value units rather than those targeted at the starter market. If developers were able to use innovative designs to create places with, for example, flexible access arrangements, shared courtyards or terraces without front gardens, but with well designed public greenspace, the delivery of a wider range and less expensive properties would become easier.

In addition, a greater emphasis on providing an integrated mix of housing solutions rather than a silo approach to social housing only for rent would allow the private sector to develop new affordable homes without public subsidy and maximise the market value of its investment.

Example – Debut homes by Redrow

Debut is a totally affordable, innovative new concept developed by Redrow to help tackle the growing problem faced by first time buyers.

Using modern methods of construction to improve build efficiency, and carefully crafted layouts that optimise land, Debut homes create a real neighbourly spirit. Redrow has also put measures in place to prevent buy-to-let investors from purchasing a Debut home, thus ensuring that this new concept really does help solve the affordability crisis faced by Britain's first time buyers. All Debut homes will therefore be owner occupied.

Redrow has worked hard to provide a range of quality homes that are visually very appealing, using a combination of traditional and modern materials that give a contemporary look - their design displays almost a northern European influence.

The living areas have been creatively designed offering greater use of internal space. Traditional arrangement has taken a back seat to a more practical layout such as ground floor bedrooms making way for larger living spaces on the first floor.

Debut properties do not have private gardens. Instead, they share carefully planned communal outdoor space, tended by Redrow's own management company. The aim is to create communities with a sense of place through clever layout of the homes around communal squares, landscaped areas and blockpaved parking courts.

<http://www.debutbyredrow.co.uk/>

Where additional homes are provided further assistance may be offered to first time buyers through private shared equity schemes. Properties are offered to customers at a reduced percentage of the total value with the home builder retaining the remaining percentage. The home builder would then receive the same percentage at the then current value when the house was sold, or, the customer would repay the home builder by taking over the equity share at the then current value after an agreed time period. The home builder shared equity schemes allow customers straight forward access to homes they may otherwise have been unable to afford. In that regard they are an excellent example of the private sector innovatively increasing the provision of affordable starter homes without public subsidy and model schemes of this type should be promoted more widely.

Example – Home builder shared equity deal

We refer to the recently publicised Stewart Milne deal at its Dean Park development in Renfrew and at Campsie Meadows at Robroyston in Glasgow allows buyers to move in for 80% of the purchase price with Stewart Milne retaining 20% of the equity.

For example, someone buying a £140,000 two-bedroom apartment at Dean Park would only pay £112,000 under the shared equity scheme, while at Campsie Meadows, a detached four-bedroomed villa with integrated garage priced at £249,000 could be bought for £199,200.

Buyers will own 100% of their new homes – the company would recover the retained 20% equity only when a property is sold or at the end of a 10-year period, whichever is earlier. As this is not a shared purchase but a shared equity plan, if someone wants to buy back the 20% equity at a later stage when circumstances for them may have changed, they will simply pay Stewart Milne 20% of the market value at that time, with no interest due.

We are aware of several other commercial home builders in Scotland who have been offering similar schemes for years. One other example is Mactaggart & Mickel who offer shared equity through their 'Major Ownership' scheme introduced in 1982.

'Homebuyer' is another shared equity product offered by Mactaggart & Mickel which was interestingly introduced to satisfy Falkirk Councils affordable housing policy of 20% at their development at The Drum, Boness. The Homebuyer has a 10 year lifespan and is used in conjunction with two major lenders, Clydesdale Bank and the Royal Bank of Scotland.

Joint ventures between Local Authorities and home builders, particularly in areas of regeneration, have proved successful at delivering affordable homes through the private sector with minimum public subsidy. To attract investment land is transferred at nil value to the home builder who assumes responsibility for the provision of supporting infrastructure.

Example – Oatlands Regeneration by Gladedale

Work started in April 2005 on the redevelopment of the Oatlands neighbourhood of Glasgow – situated on the south bank of the River Clyde, about a mile south-east of the city centre. The main aim of the proposals is to create a high quality neighbourhood, containing around 1,275 houses.

The regeneration scheme will proceed in accordance with a detailed Action Plan and Design Guide, produced by Glasgow City Council's Development & Regeneration Services after extensive local consultation.

The total number of houses on the site is currently expected to be 1,275 of which 1,062 will be sold by Gladedale Homes and other home builders and 213 will be rented out by housing associations.

Gladedale is expected to invest over £35 million in infrastructure improvements, new community facilities and cross subsidy of social housing for affordable rent. No Housing Association Grant will be used to fund the provision.

The Oatlands model comprises a unique mix of long lease, licence, sub-lease and developers disposition to create a bespoke suite of legal documentation, providing flexibility to the developer, acceptable security to the funder as well as providing the local authority with an acceptable level of control over the development.

The Developer is provided with a long lease over the areas to be developed for transfer into private ownership, with areas where public realm works are to be completed, remaining under licence offering a degree of control to the local authority or other public body.

Completion of development obligations entitles the developer to call for a developers' disposition to a 3rd party purchaser (or indeed a social rented housing provider introduced to the development via the subletting mechanism). This mechanism may also allow the lead developer to introduce 3rd party developers to jointly complete the project.

Flexibility to extend the extent of the scheme is also provided via the ability to extend the lease by way of minute of extension.

Question 24: Do you think that subsidies for development should be provided to bodies other than registered social landlords?

Our member companies are keen to explore further the possibility of subsidies for development going direct to home builders. Consideration should be given to the success of similar schemes in England.

Homes for Scotland would argue for the simplification of the funding process. At the moment the process to become a 'partnering organisation' is overly bureaucratic and therefore acts as an impediment to innovative approaches by the private sector.

Homes for Scotland would be willing to meet with Scottish Government to explore the development of new models to encourage greater private sector involvement in the provision of rented accommodation.

ENDS

25/1/08.

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