

improving living in scotland



All Party Parliamentary Group

Land Maintenance and Factoring, Westminster

Opening Statement

June 2008

Context

Homes for Scotland is the representative body of 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. It also has a rapidly expanding membership of professional and other service businesses engaged in the industry. With that level of coverage of the sector, Homes for Scotland is now recognised by Government and the commercial sector as the authoritative voice of the home building industry.

One of Homes for Scotland's key areas of work is the land use planning system. Land is probably the single most important resource for home builders, and it is the planning system which delivers that land. Homes for Scotland works to form constructive relationships with Central and Local Government in order to promote the efficient operation of the planning system. A great deal of time has been invested alongside the Government on the current reforms to the planning system.

Throughout 2007 Homes for Scotland engaged in dialogue amongst its Board, Member companies, supply organisations active in this field, together with politicians (some of whom are represented on this All Party Parliamentary Group) in an effort to raise the profile of these issues across the industry

These activities culminated in a series of conversations and face to face meetings with stakeholders, together with formal presentations to our Board by one of the largest Land Management Companies active in Scotland, during December 2007.

This coincided with dedicated public debates on the issues within the Scottish Parliament.

As a result of which, both consumers and industry professionals, (together with the companies responsible for delivering such services), are now much more aware and attuned to the high standards of performance that are necessary.

Newly created Customer Charters, Codes of Conduct for delivery and fundamental shifts in policy toward constraints associated with land ownership and/or resident management services have all been achieved as a result.

Therefore, Homes for Scotland is pleased to be invited to contribute to the All Party Parliamentary Group in relation to Land Maintenance and Factoring. Nonetheless, it should be borne in mind that we are a voluntary industry body not a regulatory body, policy enforcer or watchdog.

Scottish Government Guidance

Planning Guidance from the Scottish Government on this subject is simply a single sentence in "Scottish Planning Policy 11, Open Space and Physical Activity", which states:

"adequate arrangements made for quality long-term maintenance of open space within or associated with new development must be put in place." (Paragraph 77)

Questions asked of Homes for Scotland (by All Party Parliamentary Group secretary)

1) Why are Land Management and/or Factoring Companies used in new build residential developments?

Land Management and Factoring is now a consideration for developers because Local Authorities are no longer prepared to adopt open space as a matter of course. This has come about because Local Authorities land maintenance teams now operate under competitive pricing requirements and therefore demand significant sums to take over new obligations.

The Land Management and or Factoring service is necessary to protect the customers investment and keep the quality of their development up to a high level. It is also the most cost effective solution for the home purchaser in purifying development wide shared planning obligations placed upon the developer by the Planning Authority.

The Factors appointed administer the management of the development on behalf of the joint owners following the terms of the Deed of Conditions. This document forms part of the legal documents package know as “Conditional Missives” which are issued by the home developers solicitor to the home buyer via their solicitor.

The changing nature of on site technical requirements will more than likely increase the role of Land Managers and Factors. The type of matters that need to be considered under such arrangements in the future may include Sustainable Urban Drainage Systems (S.U.D.S), shared community facilities, non adoptable surfaces and onsite energy generating equipment.

2) How do you select and then decide which companies you use on your projects?

Before selection takes place the developer will first of all need to establish whether or not the respective Local Authority have any specific requirements in relation to land maintenance.

Some Local Authorities across Scotland have their own Land Management /Factoring services in house which the developer may choose to use. However, there are a few Local Authorities that will insist that they take control of the Land Management /Factoring function before the proposed development is determined. The implementation of these requirements clearly is not consistent from one Local Authority to the next.

The selection of Land Management Companies or Factors is generally done by sending out a site drawing and landscape plan along with a detailed invitation to tender. These are sent to a number of organisations offering the land management and/ or factoring service who are known respected and active in that area. Performance specifications may also be sent as part of the tender invitation, setting out the House Builders minimum requirements in respect of the land management and / or factoring generally and on that particular development.

Like most fields of industry, there are a range of companies that operate as Factors. Our members generally look for companies that understand the vagaries of the role, are customer

focused and can appreciate the aspirations of both parties. The final selection will also depend largely on past experience, track record of delivery, the reputation of the companies involved, along with their ability to address the brief. In addition, commercial issues will have a part in the decision process.

3) What information is provided to customers at point of sale on role and obligations of the Land Manager or Factor who will be used at that development?

At point of sale, known as reservation, the developer displays and/or will provide to any intending buyer "Reservation Guidelines". This is a wide ranging statement which includes the basic principles of the factor services and likely cost. As described earlier, the legal missives contain all information relevant. On handover day, the developer will issue an "Information Pack" or "Handover pack" which (if appointed at that time) provides detailed information from the Factor on their role, company, joint obligations and commercial terms applicable.

4) How do you train your sales staff to inform customers of the Land Managers/Factors role and activities?

The Factor based element of sales staff training is routine within most house builders. It covers the key elements of factoring services both generally and usually on the site concerned. The Customer Sales Team are then trained in much greater detail and, where appropriate, will be sent to seminar training schemes if necessary.

Some developers also undertake what is known as a "start up meeting" in which the Sales Adviser is briefed by the technical project team, landscape designers and Sales Manager. Sales staff are also usually provided with internal training which includes meeting the factors employed on the project who brief them on their role and the service they will be offering upon completion of the development.

5) What are customers perceptions of this issue?

Generally new home buyers consider Land Maintenance and Factoring a low priority when they are purchasing their new home, or if it is a consideration to them, once explained, they welcome the idea on the basis that they recognize the benefits accruing to them by their use.

If there are issues raised they tend to relate to cost, because of ignorance of the value of the Land Management / Factoring company or due to high maintenance items such as lifts, insurance and common repairs.

6) To what extent do you receive customer comments or complaints on this issue

In the small number of instances where they arise complaints tend to come via the Residents' Committees. Generally House Builders feel that this is becoming much less of an issue. Unlike letters and e-mail, engagement with such committees provides a positive forum for discussion and dispute resolution.

7) Other matters raised by Scottish House Builders

Home developers feel aggrieved at being forced to pay up front for the factoring and open space maintenance by local authorities. The sums of money required from developers can often be very large and payable at the outset (up to 25 times the annual maintenance estimate).

Bulk sales on a “buy to let” basis can often be problematic as such buyers are generally only interested in the capital appreciation and not ongoing costs, therefore are more likely to take umbrage with ongoing factor contributions.

From a consumers point of view reverting to a local authority adoption model has certain attractions but it would need service level guarantees, options to resile, a consistent approach and known set of charges upfront. A Planning Authorities “shopping” menu is Government and Local Authority driven and should include an adoption and maintenance obligation for public and major open space similar to roads and drains. In spite of Planning Authorities largely being the ones who are placing the obligations on Developers, Local Authorities remain opposed to such moves due to their objections to taking on any more public land responsibilities.

Jonathan Fair – Chief Executive

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