

## **MALCOLM CHISHOLM'S ADDRESS TO HOMES FOR SCOTLAND ANNUAL LUNCH & DESIGN AWARDS - FRIDAY 19 MAY 2006**

### Introductory remarks

Firstly, may I extend my congratulations to Iain Innes of Stewart Milne Homes on his appointment as the new Chair of Homes for Scotland. I am sure the organisation will continue to prosper under your watchful gaze. I would also like to thank the outgoing Chair, Colin Cumberland, who I have met on a number of occasions and whose constructive and helpful contribution has been genuinely appreciated.

### Shared Goals

Too often I get a sense that our housing policy agenda is interpreted as being at odds with your own ambitions; that by focusing on affordable housing we are somehow subordinating the importance of the wider housing market. I can assure you that this is not the case.

The comprehensive review of affordable housing in Scotland that we undertook in 2004 made it abundantly clear that the various components of the housing market in Scotland could not, and should not, be viewed in isolation. Each is part of a complex but integrated whole. We recognise the need for our housing policies to take a broad view if the required range of housing types, tenures and prices is to be available in the right locations. The geographical imbalances that are a feature of housing in Scotland is perhaps the biggest challenge that we face.

We also acknowledge that a well-functioning housing market will reduce pressure on the need for public funds to be invested in affordable housing. Delivering the level of affordable housing that is needed in some areas of Scotland can only be achieved by continuing to secure significant proportions of such housing alongside mainstream market housing. The emphasis that we have been placing on the PAN 74 advice over the last year is testimony to the importance we attach to this particular route.

PAN 74 has certainly made an impact since it first appeared just over one year ago. Perhaps that impact is still greatest over the negotiating table but there are signs that the shape and composition of housing developments are changing too on the ground. We are putting mechanisms in place to monitor the full impact of the PAN and assess whether it is in fact delivering as we would hope. Whatever your views on the benchmark figure that has captured all the attention, I hope that the house-building industry is beginning to feel some of the benefits such as a clearer negotiating landscape and reduced delays – not just for affordable housing but for market housing too.

There is one aspect of the PAN that has been raised with the Executive by Homes for Scotland and about which I would like to see greater recognition among housing authorities. The PAN acknowledges a broad range of housing categories that comes within the affordable housing definition including, not just social rented housing and low cost home ownership options, but also housing without any form of public subsidy. The PAN anticipates that unsubsidised affordable housing could take the form of entry level housing for sale where it can be clearly demonstrated that these homes will meet the needs of, and be affordable to, groups of households identified through a housing needs assessment.

It is not evident to me that this particular category is being factored into the planning of developments and I would like to see housing authorities give much greater consideration to this option in their negotiations over affordable housing contributions. The key however is the provision of homes that are genuinely affordable. All too often I hear of homes described as “entry level housing” or “starter homes” but which far exceed the purchasing power of First Time Buyers. All the indications are that there is a healthy pool of potential purchasers in this segment of the market – some have described it as the intermediate housing market - and I look to the industry to consider how more might be done to meet the aspirations of the people who find themselves in this position.

### Shared Equity

No doubt you will have heard my comments in recent weeks on the success of our shared equity scheme Homestake; both the new-build component of the programme

and the open-market pilot that we are running in Edinburgh and the Lothians. The interest and uptake in Homestake has been quite remarkable. Over 50 new Homestake schemes have already been approved across the country; which will provide nearly 850 new affordable homes. And in only 6 months the open market pilot has given over 160 applicants the opportunity to purchase a property on the open market. In its first 6 months the scheme is hitting the targets that we had expected to reach within 3 years.

Clearly we have found a route into home ownership with this particular shared equity product that meets potential owners' needs. Perhaps it is that Homestake allows a purchaser to opt to buy a size of share in their property that is appropriate for their current finances and without requiring a rental payment on the balance. The flexibility of being able to vary the size of their equity share, should they wish to do so, is also proving an attractive feature.

I know that there have been various shared equity schemes operated by developers in Scotland for a number of years but the - admittedly short-term - experience of Homestake suggests to me that this is a route that could and should be given greater prominence. Homestake shows what can be achieved by building some flexibility into the shared equity model but even with the drive we have given it, our scheme cannot meet the demand that clearly exists.

My challenge to you is to consider how to boost the awareness and uptake of shared equity products developed by the industry so that the options available to potential purchasers can be widened further. Potential home owners invariably find the first step to be the most difficult but the shared equity route seems to be a step that is perhaps more comfortable than others.

### Supply Targets

The house-building industry in Scotland is recognised as a major contributor to both employment and to the Scottish economy. The industry is an absolutely key component of any meaningful housing strategy and is central to our approach to housing supply. The industry builds over 20,000 homes each year and I understand

that Homes for Scotland member companies deliver around 95% of this number. That is an impressive achievement.

There is a view that the Executive should be promoting increases in overall housing supply by setting national targets in line with practice elsewhere in the UK. I am open-minded about this but not persuaded that this would be an effective approach at this time. But I do want to see much more emphasis on the release of an adequate and effective land supply for development. Too many development plans contain inadequate allocations of land with the inevitable consequence of piecemeal development, too much emphasis on windfall sites and homes being less affordable as a result. I said at a conference just last week that I would be looking for a more visionary and flexible approach to development planning so that this pressure on land can be eased.

We recognise that home ownership is now the tenure of choice but there are very significant numbers of people for whom other tenures are more suited to their circumstances or preferences. We are seeking to maintain a healthy balance where all tenures are equally valid choices and where people are offered a genuine choice rather than one dictated by either stigma or necessity.

As I have already stated, we do value the importance of a healthy supply of market housing and we seek to expand overall supply as a means of achieving our overall housing objectives. But rather than setting national targets, we feel that the most effective way of making real progress is to concentrate our energies and our resources where they can have greatest impact. That is why we are developing specific policy initiatives and investing massively at the affordable end of the spectrum where the injection of public funding can provide the crucial difference. It is also why we have tackled head on the frustrations caused by infrastructure constraints in the water industry. And why we have a wholesale package of measures to modernise and improve the planning system in Scotland.

### Planning

You will have followed, I am sure, the progress of the Planning Bill to date and your constructive evidence to the Communities Committee will have given MSPs valuable

insight. You will probably have seen the Committee's Stage 1 report which issued on 10 May, which welcomed the fundamental principles behind our reforms, and endorsed many of our proposals. Attention will now turn to Stage 2 scrutiny, where amendments can, and no doubt will, be lodged.

The Executive will of course look at amendments on their merits, but given the broad support for the Bill that is emerging we see no reason to re-examine the fundamental framework of our reforms. At the heart of this is our commitment to revitalise the plan-system, ensuring that plans are updated every 5 years. We believe that this provide greater transparency and certainty for all who use the planning system. In addition, we are proposing a wide range of reforms to ensure greater public participation in the planning system, including mandatory pre-application consultations. We believe that these reforms will successfully address people's frustrations with the planning system in a more effective way than the introduction of a third party right of appeal, which we will continue to resist.

There are also important issues that fall outwith the scope of the Bill. We are looking closely at the resourcing of the Planning system, to establish whether there is a current shortfall in funding, and what additional funds might be necessary to ensure that the new system is successfully implemented. However, more money and more planners will not, of themselves, lead to a sustainable change in the way that planning works. This will require – what has become a popular, if elusive, expression – real culture change. This means changes in the way that local authorities work, but also challenges for developers too. Challenges to consult and engage local communities meaningfully, not just as a tick box exercise, but because it will result in better development. And challenges to reduce the adversarial nature of planning, especially the appeals process.

#### Affordable Housing Working Group

There is always scope to improve the way in which things are done and this is the prime purpose behind the Affordable Housing Working Group that I announced I would be setting up and chairing. This will be a joint planning and housing forum which will explore how existing 'tools' might be better used to overcome the difficulties that are being encountered in matching supply and demand in some

areas. The Working Group will consider what more could be done at both local and national level to respond to this challenge.

As well as considering whether the existing policy tools, such as Planning Guidance and Advice, are achieving all that they might for housing in Scotland in the widest sense, I expect that the Group will also be exploring the practical issues of development plan coverage and the key linkages between these plans, Local Housing Strategies and housing needs assessments. We must ensure that there is proper integration among all these disciplines if we are to see delivery on the ground.

I have spoken with the Homes for Scotland Board about my aspirations for this forum which I hope will be able to meet for the first time towards the end of next month. The involvement of Homes for Scotland on the Working Group and the particular perspective that you bring would strengthen its ability to get to the root of the issues. I hope you will be able to accept a place on the Group and, through your participation, help to give this key policy area the push forward that is needed.

### Water

I mentioned in passing that we have been tackling the constraints upon development posed by water and sewerage infrastructure inadequacies. This is certainly a difficulty that I am only too well aware causes endless frustration within your industry and, indeed, impacts upon the Executive's housing investment programme.

You will be aware that we have committed Scottish Water to remove all strategic capacity constraints upon development during the current investment period. There have been various estimates as to how many new homes this might affect but, whatever the number and whatever the tenure, we are pledged to provide the resources required. In the coming years Scottish Water have undertaken to engage proactively in the planning system so that their efforts marry with the development plans of local authorities. I was encouraged to see that the first Strategic Asset and Development Plan was published by Scottish Water on time in March. While no-one expects all the shortages to disappear overnight, there is a realistic programme in place to begin to tackle the problem and I can assure you that I will be keeping a watchful eye to ensure that progress is maintained.

## Conclusion

As I said at the outset, I believe that the Executive and Homes for Scotland share a lot of common ground and are often working towards shared objectives. We should and do work together closely in a number of respects to deliver more, good quality homes for the people of Scotland. In particular, your support over the last year for our proposals to modernise the Planning system has been enormously helpful. Similarly, your thoughtful contributions to the debate around Planning Gain Supplement have been appreciated. The good relationship that we enjoy with Bruce and Alan and their colleagues is testimony to the value we place upon your contribution to our thinking. In the Executive we recognise Homes for Scotland and its constituent members as a key housing stakeholder. I am sure that is set to continue.

Ladies and Gentlemen I thank you for the opportunity you have given to speak to you and I hope you will forgive me for delaying your lunch.

Thank you