

A Briefing for Tenants from the Tenants Information Service

Firm Foundations:
The Future of Housing in Scotland
The Scottish Government's
Discussion Document

A background image consisting of numerous small, white, 3D-style house icons scattered across the page. Each icon is a simple representation of a house with a gabled roof and a chimney.

December 2007

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Section 1 - Introduction

The Scottish Government has published a consultation Green Paper on housing called “Firm Foundations – The Future of Housing in Scotland”. This is the first opportunity to give your views about Government policy on housing in Scotland since 1999. You have up to 25th January 2008 to give your views to the Scottish Government.

This briefing paper from the Tenants Information Service (TIS) aims to summarise the main proposals in “Firm Foundations” and discuss issues of particular interest to tenants.

As a leading agency advancing tenant participation, TIS does not promote views on housing policy, other than on tenant participation itself. The aim of this briefing paper is to assist tenants to work out your own views to submit to

the Scottish Government. It is crucial that you take this opportunity and give your views.

Copies of “Firm Foundations” can be obtained on the web – www.scotland.gov.uk/consultations. On the screen, which comes up on your computer, there will be a list of current consultations including this document. There is also a link to the document from the TIS website www.tis.org.uk. The document can also be purchased from Blackwell’s Bookshop, 53 South Bridge, Edinburgh EH1 1YS. To get an alternative format or translation into another language, contact Becky Smith on 0131 244 7753.

Phone TIS for additional free copies of this Briefing for Tenants – 0141 248 1242, or download it from our website.

Section 2 - A Summary of the Proposals

THE SCOTTISH GOVERNMENT’S ANALYSIS

Four Key Aims

The Scottish Government has identified four key aims around which its proposals are framed, and they are:

- Increasing the number of houses in Scotland for rent and sale and introducing higher environmental standards for them
- Offering a greater choice of housing that people on low incomes can afford
- Helping create sustainable mixed communities and
- Achieving better value for the public money spent on housing.

New House Building

Currently approximately 25,000 new houses are built in Scotland for sale and rent each year. A need has been identified to increase this to around 35,000. The Scottish Government believes this higher output can be achieved, if more people are helped to buy for the first time and housing subsidies can stretch further.

Tenure Trends

In 1980, over half of Scotland’s population lived

in rented housing. Now only one out of every three households rent, with the majority in owner-occupation.

Government research suggests that most people would prefer to be homeowners if they could afford it. House prices in recent years have risen faster than the rate of inflation making it more difficult for people to buy a house for the first time. The Scottish Government believes that if new house building for sale is increased, prices will be more affordable and that increased buying would reduce the demand for renting. They also argue that a “reinvigorated” social rented sector is needed for people who cannot afford or don’t want to buy.

Mixed Communities

“Firm Foundations” describes a trend of changing demand for social rented housing. Tenants and applicants are much more likely to be single people or single parents, with low incomes, and less likely to be in employment than in the past.

“Firm Foundations” states that *“we need to think hard about the desirability of simply allowing the trend towards a more marginalised tenant base to continue.”* Later it also states *“this trend is likely to continue, with owner occupation remaining the tenure of choice for the majority.”*

Various proposals in “Firm Foundations” are tailored to contribute to the creation of what it calls “sustainable mixed communities”. In general, this is taken to mean having residential neighbourhoods with a wide range of family or household types and a range of income groups. It also means trying to deal with neighbourhoods with very high concentrations of single adult households on very low incomes, sometimes seen as places where few want to live. In practical terms, “Firm Foundations” favours working towards more housing neighbourhoods containing a mixture of tenures.

Making Subsidy Go Further

For many years now, government subsidies for new social housing have been targeted only towards housing associations and not councils. It has meant that almost all council housing

building has ceased. Approximately £2 in every £3 needed to build a new housing association house comes from the Scottish Government through a direct subsidy called Housing Association Grant (HAG). “Firm Foundations” notes that house building costs in Scotland have risen well above the rate of inflation in recent years. This runs counter to the Scottish Government’s aim of getting more for the money it contributes towards building new social housing.

The Scottish Government wants to develop ways to increase the supply of new affordable housing for the subsidy it makes available. Their proposals are mainly directed to a range of ways to get more new homes built for the available subsidy, for example by changing how housing development is organised and by promoting mid-market renting.

THE MAIN PROPOSALS SUMMARISED

The main proposals are listed here under the four key aims of the Scottish Government. Some of the proposals are of course intended to contribute to more than one of the aims.

Building More Houses

- Setting the aim of building at least 35,000 new houses a year by around 2015
- Modifying the planning process to release more land for housing where it’s needed
- Examining the scope for some land held by councils and other public bodies to be released for house building, sometimes allowing this land to be sold below market value
- Using a Housing Supply Task Force (already set up) to identify what hampers increasing the supply of housing in all tenures
- Creating a Scottish Housing Support Fund and related measures to help first-time buyers. These include more promotion of shared equity

- Encouraging the private rented sector to play a bigger role in meeting housing needs
- Offering incentives to councils to build new council houses – ending the right to buy for new houses built and possibly offering subsidy to build them
- Encouraging more mid-market rented houses to be provided by housing associations, with lower levels of subsidy than housing association houses currently attract
- Abolishing Communities Scotland and having its strategic role directly under Ministerial control
- In relation to improving environmental standards, move building regulations towards homes, which need less energy to heat and produce lower carbon emissions, eventually aiming for zero carbon homes.

Increasing Choice For Low Income Households

- Making it easier for people to become first-time buyers
- Encouraging private landlords to contribute to housing low-income groups and homeless people. A fuller review of the role of the private rented sector is proposed. A National Voluntary Landlord Accreditation Scheme is being proposed to foster better standards in this sector and discussion is wanted on the viability of an accreditation scheme for tenants in the private rented sector
- Ending the right to buy for new council and housing association rented housing built, as well as an eventual full review of the right to buy
- Allowing some local authorities to set up Arms Length Management Organisations (ALMOs) to achieve the Scottish Housing Quality Standard and improve housing management performance
- Requiring councils to co-operate in analysing both rented and owner-occupied housing

markets across council boundaries (housing market areas)

Creating Sustainable Mixed Communities

- Building a mix of tenures when new housing is built
- Launching a Scottish Sustainable Communities Initiative to enable housing to be built in entirely new areas.
- Enabling councils and housing associations to sell some of the houses they currently rent, or change them to mid-market rented houses

Achieving Better Value For Scottish Government Money Spent On Housing

- Encouraging a smaller number of housing associations to be lead developers building new houses getting subsidy on a competitive and streamlined basis
- Developing the regulation of council and housing association housing to focus firmly on protecting and promoting tenants' interests.

Section 3 - The Proposals and Key Issues for Tenants

This section offers more detail on some of the proposals and raises issues likely to be of particular interest to tenants.

THE FUTURE FOR SOCIAL HOUSING

The proposals in "Firm Foundations" would often lead to new social housing being built alongside owner occupied housing and mid-market rented housing. It is also intended to introduce more owner-occupation and mid-market renting into neighbourhoods in which social housing still dominates. The Scottish Government also supports measures like this because they might bring resources additional to their own.

The Scottish Government also wants the money it provides for housing and the evolved regulatory regime it sets up to encourage the creation of mixed communities.

The Performance of Social landlords

It is noted in "Firm Foundations" that many social landlords perform well both regarding the houses they rent and the housing management they provide. Progress is being made towards the Scottish Housing Quality Standard (SHQS).

However, evidence emerging from Communities Scotland's regulation and inspection activity suggests that housing management performance is inadequate in one social landlord in every three, and repairs' and maintenance services are inadequate in one in every two social landlords. This position is recognised as unsatisfactory.

Alongside this, housing management and maintenance costs have been rising much faster than the rate of inflation. The Scottish Government see a continuation of this trend as both unsatisfactory and unsustainable.

Providing New Social Housing

Housing associations are still seen by the Scottish Government as the main suppliers of new social housing, however, councils will be encouraged to contribute new building to some extent.

“Firms Foundations” proposes a significant change to how housing associations develop new housing and how they will receive subsidy for it. A strategic assessment of housing needs would be developed across housing market areas. Those areas may cross council area boundaries and councils would have to work together to produce the assessments.

The assessments lead to a specification of what and where new social housing is needed. A small number of housing associations will be encouraged to specialise in providing new housing against the specification, in competition with each other. Eventually, private house builders may also be allowed to compete. The aim is to focus more clearly on meeting the need and save money by a more streamlined way of providing new housing. Those development housing associations would build houses for other housing associations as well as themselves.

The Scottish Government has assessed that some councils have the capacity to increase their borrowing, while still keeping it within prudent limits. Increased borrowing can finance new council house building. A few councils in Scotland have already started doing this under the prudential borrowing regime. In addition, the Scottish Government is indicating it would be willing to subsidise new council house building, where needed to supplement additional borrowing. Some form of competitive process is envisaged here.

“Firm Foundations” is tentative about the idea of subsidising private landowners in rural areas on a small scale to provide affordable rented housing under contract.

Improving Existing Social Housing

In general, the Scottish Government is satisfied that most social landlords are on course to deliver the Scottish Housing Quality Standard by 2015. They are concerned, however, that a small number of landlords may not succeed in this. The reasons could be a combination of poor housing conditions, high debt levels from past borrowing, high running costs and poor management.

Where this problem seriously affects housing associations, mergers with more successful housing associations are expected.

Where this problem affects councils, the Scottish Government sees a continuation of whole or partial stock transfers, where tenants are willing to support this course. It should be

noted here that the main financial help - debt write off – comes only from the UK Government. At present, a condition of debt write off is stock transfer. The Scottish Government has written to the UK Government to ask if there are any other circumstances apart from stock transfer in which they are willing to write off housing debt.

Where any further housing stock transfers proposals come forward, the Scottish Government is stating that they will need to be financially viable without any further subsidy from them. It seems also that the term “community ownership” for stock transfers is being dropped.

The possibility is being opened up by the Scottish Government of councils setting up ALMOs – arms length management organisations – to tackle identified financial and management problems. Before approving an ALMO, the Scottish Government would want to be satisfied that the proposal would meet the SHQS and improve housing services to tenants. There is some evidence from England that ALMOs can make a difference. While the Scottish Government recognises that some debt write off might be needed to make an ALMO viable, “Firm Foundations” is tentative about a subsidy. Quoting the document, *“we are not prepared to condemn some tenants to permanently poorer standards than others. Therefore, we will consider providing a measure of financial support, but only where an ALMO has improved its performance over a number of years in line with a programme agreed with them and us in advance.”*

Regeneration

Regeneration is not a theme explicitly mentioned in “Firm Foundations”, although a great deal of regeneration is required and planned in Scotland. Current regeneration activities build in a mix of tenures. With the emphasis given by the Scottish Government to sustainable mixed communities, this approach is expected to continue.

In separate announcements, the Scottish Government has indicated that it will continue to support the six pathfinder urban regeneration companies. This recent approach to regeneration is aimed at the most serious problem areas in Scotland, and puts as much emphasis on job creation and private sector involvement as it does on transforming housing. There may be more announcements on regeneration still to come from the Scottish Government.

Current regeneration processes often involve stock transfer and or new housing association building. However, smaller scale regeneration is happening in some council estates. The Scottish Government provides funding called HERF – Housing Estate Regeneration Fund to support this. The HERF grant has usually been applied to the cost of demolishing unwanted housing, thus avoiding that cost falling to remaining tenants' rents. "Firm Foundations does not clarify the Scottish Government's view on this issue for the future.

"Firms Foundations" discusses the need to improve the surroundings of many residential areas, presently felt to be of a poor standard. Some examples exist of environmental improvements succeeding in Scotland and the Scottish Government wishes to test a range of further approaches, to sit alongside continuing efforts under community planning partnerships. They see options for councils, or housing associations or local Greenspace Trusts taking the lead. It's not clear what resources the Scottish Government would make available for projects, but they do seek solutions, which are not "resource intensive".

Improving Letting

With the mix of social landlords now operating in Scotland, moves have been made to have a single application process for all of the social landlords in each council area. This is called the Common Housing Register (CHR). This is in operation in many parts of Scotland or is in the preparation stage. The Scottish Government wants to see all areas operating a CHR and is considering making it mandatory.

The Scottish Government generally supports choice based letting systems, but recognises the difficulty with these where unmet demand is very high. Those systems are seen as making realistic options for applicants clearer to help them weigh up their options.

Recent research has confirmed that many social landlords have difficulty in reconciling different legal requirements of their letting systems. It has left them unsure how much flexibility they have in framing their own lettings' policies and practices. The Scottish Government proposes to consider the research and issue new guidance to help address this problem. This may include how to reconcile the needs of homeless people with the aim of achieving sustainable mixed communities.

Changes to the Right to Buy

The Scottish Government has recognised that the right to buy has been popular with many tenants, but is also concerned with the supply of rented houses being under pressure in some areas. The Pressured Area Status scheme will continue. They are still assessing the likely impact of the modernised right to buy introduced 6 years ago. Once that is clearer, a full review of the right to buy will take place. Flexibility within the current law to vary discount levels will be explored.

Regulation and Inspection

Housing associations have always been regulated by a Government agency. In 2001, the regulatory regime was strengthened and applied on almost the same basis to council housing operations as well as housing associations. A review of regulation and inspection has recently been published by Professor Crerar. This review identified changes to increase its effectiveness. The Scottish Government also intends to abolish Communities Scotland. Regulation and inspection is currently one of this body's tasks. The proposals developed so far in broad outline by the Scottish Government are:

- To promote the protection of current and future tenants' interests as the primary aim of regulation (This is understood to mean mainly protection from poor housing management or poor repairs and maintenance services, and failure to deal with neighbourhoods in which it is unattractive to live)
- To build on current arrangements for tenants' involvement in housing regulation and inspection
- Establish a separate regulator with greater independence from Scottish Ministers while working under principles decided by them
- To switch standard setting from the regulator to Scottish Ministers to allow the regulator to focus on measuring performance against the standards Ministers set
- To clarify that satisfactory performance is the responsibility of the social landlords themselves who should ensure they have adequate ways to measure their own performance to guide improvements
- To target inspections towards poor performing landlords, and towards assessing the impact of policy changes. This may

include councils having a role in triggering the inspection of housing associations operating in their areas

- Giving landlords the chance to put things right themselves, with a more graded scale of possible interventions.

Tenant Participation

Tenant participation is not a major theme of “Firm Foundations”. However, the Document does offer the critical comment that participation does not give tenants much power or improve their choices. The Scottish Government wants to initiate a debate with tenants’ groups and landlords about “strengthening the role of tenants, so that they can become more empowered customers of their landlords.” Meantime, the Scottish Government is supporting the work going on to strengthen the network of Registered Tenants Organisations.

In time, they see the network giving tenants a strong regional and national voice.

In TIS’ view, the proposed debate on tenant participation is to be very much welcomed. It should give all tenants organisations a chance to take part and be informed by a proper assessment of progress on tenant participation since limited participation rights were introduced in 2001. On one hand the real gains made where tenant participation is working ought to be properly acknowledged. On the other, means have to be found to involve tenants where this is still not happening. It is important that tenants push for the increased influence you want and consider ways to get it. Should existing participation rights be extended? Should better access to information, training, development support and independent advice be available as needed by tenants?

PROMOTING MID-MARKET RENTING

The Scottish Government judges that there are people who could afford to pay higher rents for their accommodation. For example, they could be people who can’t yet afford to become owner-occupiers, but may at a later date.

Mid-market renting has been tried on a very small scale in Scotland by some housing associations. Mid-market renting means providing houses at higher rents than social housing, but lower than full market rents in the private sector.

The Scottish Government proposes to offer subsidies to housing associations to provide mid-market rented homes. They would typically have to be part of schemes providing new social housing. In this way, subsidy is seen to go further and a contribution to providing mixed communities is made. Nothing is said in “Firm Foundations” about how mid-market

rented houses would be allocated, or how housing benefit would apply. It may be that most mid-market renters are not expected to be entitled to housing benefit, but of course their circumstances could change during their tenancy. It may be that housing benefit would work in a similar way to private renting, where the level of benefit is sometimes capped and doesn’t necessarily cover the whole rent.

In areas of high concentrations of social housing, the Scottish Government wishes to encourage councils and housing associations to convert some of their social housing into mid-market rented housing and even sell some on the open market. They envisage a condition being put on this that any financial benefit from those conversions should help meet the cost of improving existing social housing or adding more houses.

ASSISTANCE FOR FIRST-TIME BUYERS

The aim of increasing the rate of building new housing in Scotland will depend in part on more people being able to buy in the owner-occupied market. This would increase private developers' output. The Scottish Government wants to develop a range of ways to help first time buyers building on existing measures. This will include setting up a Housing Support Fund.

For some first-time buyers, this may mean cash help - £2,000 grants. It could also involve shared

equity, which means buying most rather than all of the value in a house purchased. It can happen when a housing association builds and rents to the occupier that part of the value of the house they don't buy. It can also happen when a house is bought on the open market. More pilot areas are to be allowed to test the worth of this idea. In the open market version of the scheme, private investor interest is to be explored.

Section 4 - Your Response

The Scottish Government has set a closing date for responses of 25 January 2008. This does not give tenants much time for discussion within your organisations and together with other tenants' organisations. It is important, therefore to map out how you can get a response in by the deadline.

If many tenants' organisations can link up their responses and have a unified view, it could make more impact. You should consider how this could be done.

Views are much more likely to be well received if they include positive suggestions, and not merely make criticisms of the proposals.

There is a huge range of issues raised in "Firm Foundations". You may prefer to focus a full response on the issues, which matter most to you rather than try to cover everything.

"Firm Foundations" asks 34 specific questions. You could build your response round some or all of these. You may also feel there are issues missing on which you want to put a view. That is just as valid.

TIS may be able to help your organisation by offering a briefing session in your area. Contact us on 0141 248 1242 to check.

There is a Respondent Information Form to complete along with your response. This tells the Scottish Government who you are and how to contact you again.

TIS are particularly concerned to assist tenants contribute to the specific debate offered by the Scottish Government on how tenants' can be more empowered and influential. We are therefore keen that you share your views on this with us, as well as submit them to the Scottish Government.

Your response to "Firm Foundations" should be sent to

The Housing and Regeneration Directorate
Social Housing Division
1H(S)
Victoria Quay
Edinburgh Eh6 6QQ

TIS would be interested in receiving a copy of your response.

Jargon Buster

Arms Length Management Organisation (ALMO)

This describes when a council sets up a separate organisation to run its council housing service. The council would give the organisation a set of objectives and let it take the decisions needed to achieve them. A board of management would be in charge. Some tenants and some councillors can be on the board of management. There are no ALMOs running housing services in Scotland at present.

Carbon Emissions

The carbon released into the atmosphere when fuel like coal, oil and gas is burned. It is carbon compounds, which are believed to be the main cause of global warming.

Choice Based Lettings

This is a type of letting system in which applicants are allowed to exercise some degree of choice in the process of matching applicants to vacant homes.

Common Housing Register

This is a list of applicants for social rented housing covering a whole council area. A council and all the housing associations in its area use the list to allocate vacant housing, although they often still use different letting rules.

Communities Scotland

This is an agency responsible to the Minister for Communities and Sport. It takes detailed decisions to implement policies laid down by this and other Scottish Ministers. For example, it has promoted regeneration, distributed the grant called Housing Association Grant for new housing association housing and regulated social housing.

Debt Write Off

Landlords built up debt by borrowing to pay for building and improving housing. With past council borrowing the period for repaying the borrowing could be anything up to 60 years. Councils have a lot of debt from past borrowing. Debt write off is when Government takes over paying off some or all of this debt. In recent times, it is the UK Government, which has provided money for debt write off and only when a stock transfer takes place.

First-time Buyers

People who are buying a house and becoming owner occupiers for the first time.

Housing Association

A “not-for-profit” landlord registered with and monitored by Communities Scotland, with membership open to tenants and others.

Housing Association Grant (HAG)

This is the grant housing associations get to help with around two thirds of the cost of building new houses. The housing associations borrow the remaining third and cover the resulting loan charges from the rent collected.

Housing Estate Regeneration Fund (HERF)

This is a subsidy from the Scottish Government to some councils to help with costs in estate regeneration, where the council remains owner of at least some of the houses. In practice, the money often goes on paying for demolishing unwanted housing.

Housing Market

This means the process of supplying and occupying houses. It sometimes refers to owner occupied housing, sometimes rented housing and sometimes both together.

Housing Supply Task Force

This is a panel of housing experts asked by the Scottish Government to advise on how to overcome the obstacles to a faster rate of housing being in Scotland.

Mid-Market Renting

This is housing where the rents are higher than social housing but lower than market rents. Market rents in the private sector exist where private landlords get no subsidy from Government. Social housing benefits, or has benefited in the past, from a high level of subsidy from Government. Mid-market rented housing would be supplied with a lower level subsidy from Government than social housing.

Owner Occupation

This is when a house is owned by one or more of its occupants.

Jargon Buster

Prudential Borrowing

This applies to councils borrowing money to build or improve something. Councils have to work out that they can afford the gradual repayment with interest of any new borrowing. Then it is called prudential borrowing. For housing, the level of new borrowing depends on rent levels and other calls on the rent money they collect, including previous borrowing not yet repaid. There will be a limit to the amount of prudential borrowing a council can afford. This will vary from council to council.

Regeneration

This term applies to a local area in which a lot of change is planned to sort out problems.

Regulation and Inspection

This is when a body set up for the task, checks the standards and performance of a landlord. Communities Scotland currently does this for social housing. The Scottish Government proposes to set up a new more independent regulatory body, when Communities Scotland is abolished.

Rented Housing

This is when the occupier pays money (rent) to some other party (a landlord) who owns a house to be allowed to live in it, with security determined by current laws.

Scottish Executive

The Government in Scotland used to be called the Scottish Executive. After the last elections, the running Scottish National Party changed the term to "Scottish Government".

Scottish Government

This is the Government exercising devolved powers in Scotland. It is made up of Members of the Scottish Parliament (MSPs) taking the role of Ministers – for example the First Minister and the Minister for Communities and Sport.

The Scottish Housing Quality Standard (SHQS)

This is a minimum standard defined by the Government in Scotland following the Housing (Scotland) Act 2001 which it requires all council and housing association housing to meet by the year 2015. The standard concerns health and safety, state of maintenance, and level of amenities.

Shared Equity

This is something between renting and owner occupation. The occupier owns a part, usually a majority, of the value of a house with a mortgage. They either pay rent for the remainder of the value of the house, or a more complex arrangement to avoid costs beyond their mortgage.

Social Housing

This term groups together council housing and housing association housing. It is mainly used by housing professionals, academics and politicians. It is seldom used by tenants, some of whom find the term offensive.

Stock Transfer

This is when houses owned by a council are sold to a housing association, after a postal ballot of tenants. The transfer involves setting up a new viable business plan to guide income and spending. This includes a subsidy from the UK Government writing off some or all past housing debt on the houses. It has sometimes also involved additional subsidy from the Scottish Government.

Subsidy

This is money from taxes collected, which the Government spends to help with house building or similar costs.

Sustainable Mixed Communities

This phrase summarises one of the aims of the Scottish Government. The "Mixed" part means a mixture of levels of income of residents. It also means a range of types of family or household, for example older single people and two adult families with children and so on. The "Sustainable" part means having neighbourhoods in which people want to live and where severe concentrations of unemployment and social problems are avoided.

Tenure

Tenure means the relationship between who owns and who lives in a house. Renting and owner occupation are examples of different tenures.

Zero Carbon Homes

These are homes in which the net effect of building and running them adds no more carbon to the atmosphere.

Background Notes on Rents, Subsidies and Housing Costs.

A Balancing Act

There is a direct link between rents, subsidies and costs. Subsidy is when the Government makes up the difference between the full costs and what tenants' rents cover. Given that the Scottish Government is keen to see that subsidy goes further without reducing standards, it is important to understand this link clearly.

Think of this simplified balance sheet

$$\text{Rent} + \text{Subsidy} = \text{Cost}$$

For a given cost, if subsidy goes down, rents would have to go up.

If rent is not increased and subsidy goes down, costs have to go down. Costs can go down if standards are lowered. If standards are not lowered other ways are needed to save costs.

Borrowing comes into it to help pay for new house building or major improvements. But the cost of repaying borrowing with interest falls to rents.

Building More Council Housing

The Scottish Government's proposals include some councils building more housing. Where the current pattern of rent levels can afford to repay more borrowing than now, additional prudential borrowing can pay for more houses to be built. Councils can also choose to increase rents to allow new prudential borrowing to build more houses.

In some cases, the Scottish Government is signalling a willingness to reintroduce some subsidy to councils for new house building. The details are not yet known. This may be where rents are considered to be high already. There is a very wide variation in council rent levels throughout Scotland. It is also likely to relate to councils proving they are efficient and have large waiting lists.

Building More Housing Association Houses

Housing Association Grant pays for about two thirds of the cost of building new housing association housing. The remaining building costs along with future management and maintenance is then covered fully by rent income from the houses built.

In Scotland, new house building costs have been rising ahead of the rate of inflation for several years now. This trend may continue. Two main ideas are raised in "Firm Foundations" to reduce the amount of subsidy each new house needs. One is to have a smaller number of housing associations organising the building with developers, with some savings from scale and standardisation. The other is to provide mid-market rented houses where the subsidy would be lower.

The Scottish Government's Housing Budgets

Spending plans just announced by the Scottish Government show a decrease in the amount available for subsidising housing next year, but increases for the two years following that. Here are the figures from the Scottish Budget Spending Review:

| Apr 2007 to Mar 2008 | Apr 2008 to Mar 2009 |
|----------------------|----------------------|
| £481 million | £475 million |
| Apr 2009 to Mar 2010 | Apr 2010 to Mar 2011 |
| £568 million | £573 million |

Inflation probably running between 2.5% and 3.5% a year in the near future will lessen the beneficial effect of the increases.



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