HOUSEKEEPING SCOTLAND
A discussion paper outlining a new agenda for housing in Scotland

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COMMON WEAL is a think-and-do tank that advocates policies that put All of Us First. For more information on Common Weal Policy visit allofusfirst.org/policy or email ben@common.scot

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Introduction

The United Kingdom’s housing policies have been ideologically-driven, and have led to the current crisis of stranded investment, under-provision and a general flow of power and money from civic society to the wealthy. UK housing has suffered greatly from its politicians’ fixation with a single form of home and tenure, the mortgage-backed and privately-owned home. But it is clear that, even if it was desirable to only have this orthodox model (which it is not), not everyone is going to get a mortgage; and it is also clear that the ideological pursuit of this helped poison, and nearly bring down, the world economy, as well as being a key contributor to our current housing crisis. While Scotland has shown some appetite for broadening our housing horizons it needs to set out a clear agenda for achieving a diverse and sustainable market, that suits all incomes and interests while providing the shelter that is a fundamental right for all, and this brief paper suggests the three overarching principles we should consider, and key areas of change which, taken together, would deliver them.

Principle 1. Sustainability: the Built Environment as Precious Resource, and the Need for Structural Change to Reflect this

Newbuild homes add only 0.6% per year to our total stock, and new towns are a very rare thing. Our primary housing resource is our existing buildings and towns, but while the maintenance, flexibility and restructuring of this resource should be our first consideration, most of the discussion of housing provision is focussed on land release and new estates to increase the 0.6%. Thus there is: little consideration of long-term value and the fate and value of existing stock and old towns and buildings; a focus on the release of farmland and the green belt, or the demolition and clearing of old communities – “regeneration” by sending the old to landfill; an industry which makes much of its money from the trading land or debt (inherently unstable) rather than building houses; and good, well-situated sites whose values have risen being sterilised if the market dips, with the land then declared unbuildable and landbanked. This system evolved to suit our banks, and while some may well suggest that the orthodox model of detached new house with car and road system to take them to work, school, shops and leisure is popular, many people also like the community of handy shops and facilities that this model mitigates against, and the health and wellbeing all of us suffer from the traffic and dislocation of the suburbs.

But this focus is not inevitable and, given the general, worldwide emergencies facing us, we need to switch to models that lead with the care and repair of the existing built environment, making the best use of our existing resources as well as building new ones.

1.1 Buildings:

- **Empty Homes**: There are around 34,000 private homes in Scotland that are classed as long term vacant. Their repair and recovery is simple good housekeeping and would greatly assist those looking for homes, often delivered at the heart of existing communities, supporting existing shops, schools and services. But this is also the sort of small scale, fiddly endeavour that our big-business-focussed establishment has little interest in. The Scottish Empty Homes Partnership does excellent work, bringing 700 homes back into use last year, so should be strengthened. Every council should have a lead empty homes officer, whose remit is expanded to include bringing vacant commercial property in key areas into residential use, and with new funding streams and link-ups with public and private rental providers identified and promoted.

"The current model, where we are charged 20% to repair a house but zero to knock it down and build on a new site, is absurd, a massive economic lever against sensible, sustainable repair."

- **VAT**: The current model, where we are charged 20% to repair a house but zero to knock it down and build on a new site, is absurd, a massive economic lever against sensible, sustainable repair. A reduction to 5% for repair – or even a levelling at 5% across the whole housebuilding sector – would bring empty homes back into use, create jobs in the small builder sector (and repair is more labour-intensive than newbuild so more jobs would be created overall), greatly reduce VAT-dodging (hardly worth it at 5%) and improve our homes’ environmental performance (and the associated fuel poverty), while not reducing the tax-take (for according to the RICS the greatly increased repair activity would generate revenue at a 5% rate as at 20%). The UK and Scottish Governments have previously pointed to absurd EU rules that don’t allow such a change, but absurdities should be fought, and the current Brexit confusion gives an opportunity to correct this and it should be grasped.

1.2 Land and Planning:

- **Town Centres First**: The Scottish Government’s Town Centre Review noted the creative economic benefits, low carbon sustainability and improved democratic accessibility that strengthening our existing town centres brings. Rather than dispersing energy outwith the town, this approach
makes best use of these existing urban resources. The resultant “Town Centre First” principle directs housebuilding and other development to urban sites first and was adopted across Government and Local Authority policy and should be strengthened but is, in practice, undermined by opaque Planning policies, as follows:

- **Housing Land Assessments:** Housing policies require Local Authorities to identify 25 years of theoretical land supply for housing which, in practice, promotes land speculation and development away from the existing infrastructure we want to strengthen, and should be replaced with tools such as more flexible and reactive Land Audits; while the “5-year supply” rule allows land speculation to define where development is “effective”. Both need revised so Planning leads the market, not follows.

- **Development Promotion:** in other countries proactive policy-driven land assembly and land supply processes are carried out in consultation with the industry to ensure deliverability and nullify political disruption, before incorporation into Local Development Plans.

1.3 Tax and other Levers:

- **CPOs and CSOs:** Local Authorities need to be encouraged and assisted to compulsorily purchase vacant sites in good locations, adjacent to existing infrastructure and services, to bring them into housing and other uses. The introduction of Compulsory Sales Orders (CSOs), requiring defined (probably large) undeveloped sites to be sold on at public auction for productive use is currently being promoted by the Scottish Government and will add a new and powerful tool to advance land for new housing, without requiring public finance.

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- **Tax Bands and Discounts:** Property taxes fall disproportionately on the poor, and discounts assist those living alone, discouraging more intensive use of the primary existing housing resource. The atomising of society, with households becoming smaller, is the greatest strain on our housing stock, and every opportunity should be taken to encourage sharing. The immediate re-banding of property taxes to shift some burden onto the rich, with the removal of exemptions on single occupancies and second homes, would help. Conversely, housing for the elderly, well-located within communities, and other models which promote communal living, should be promoted through possible exemptions (though not student housing, which needs no such assistance).

- **Land Value/Vacant or Derelict Land Tax:** A revalued set of property taxes, with additional bands and payment at the top end, would be fairer, and raise additional funds for housing investment. But it does not address the critical issue of the large number of existing, often brownfield sites, with existing planning permissions, sitting undeveloped and landbanked because their land value has been marked and traded up in the speculative expectation that future rising house prices will refloat them. And the paradox is that the carrots that are requested for housebuilding – the inducements, discounts and subsidies – seldom result in more homes being built but are, by the magic of the market, very efficiently translated into delivering speculators’ land profits. A stick is need to get these sites moving such as an annual Land Value Tax, where land is taxed not on the property that sits on it, but on its developed value whether or not it is built on or empty, thus depressing land value and speculation and powerfully encouraging the swift development of empty sites. Cut-offs and exemptions would ensure the policy applies to the big sites it is necessary to see developed. Alternatively a targeted Vacant or Derelict Land Tax – as currently being considered by the Scottish Government – would do this work.

Principle 2. How we Build

If the first Principle is to take a more sustainable, repair, renew and reuse view of housing, we also need to reconsider how, what and why we build new homes. The scale of our crisis of underprovision is such that we need reinvigorated volume housebuilders, but also recover old ways, and discover new, of building. The ways we currently finance our new housing or think about the built environment – even the materials we build out of – go largely unchallenged. If we look at examples elsewhere, or consider how best to make use of our natural resources, we might find better models available.

2.1 Financing Housing:

In a well-balanced economy private, mortgaged housing should be a healthy component in a wide number of different financial and tenure models, including a new focus on the following:

- **Public Rental:** This is essential to provide for those who cannot afford or do not wish for a mortgage. In addition, every council or other public rental house built can remove one Housing Benefit payment to private landlords – which totals a massive and draining £2.2 billion per year in Scotland (and £22bn Britain-wide). Local Authorities and Housing Associations need to be empowered to provide for this essential need for well-designed new homes and communities. While some council’s are building council housing, and Housing Associations are doing good work, they would be greatly boosted by the establishment of a Scottish National Investment Bank, which would use the historically-low rates to borrow, and could create bank bonds, to invest in public rental housing through public-public partnering with Local Authorities, who would be
able to augment funding with bonds of their own. The Investment Bank would be combined with a Scottish National Investment Company based on a re-engineered Scottish Futures Trust (the Government’s current vehicle for its non-profit-distributing private finance vehicle) to lead all Scottish Government investment strategy, with new homes and reinvigorated communities a key strategy.

- **Self-Build:** In the UK self-build mortgages are associated with the Grand Designs world of individually-crafted homes. But on the continent it is often the dominant form of finance, with Local Authorities assisting groups to come together around identified sites to build communally. It has the great benefit of citizen-empowerment, and a tendency to well-designed and innovative solutions. It also has a key financial advantage: for a self-builder has only one single lender, so one single borrowing cost for a development to bear, while the standard British system has a housebuilder borrowing from a Bank to build, then a housebuyer borrowing to own – a double hit of borrowing charges. The Highland Self-Build Loan Fund provides a good model which should be developed for larger and urban sites, to give our mortgage funders confidence in a new supply sector.

- **The Private Rented Sector (PRS):** Another continental precedent is “Build to Rent” – good quality, large private developments rented out to families and individuals. The developer must take the long-view and consider the long-term quality and attractiveness of what they are building, rather than a current developer selling and disappearing, so it demands more care for long-term value as well as diversifying tenure, and the considerable latent demand means large sites can be tackled at once. Current Government and private sector efforts are ongoing to attract this model to Scotland and care should be taken to give the many possible investors confidence in the Scottish market.

- **Infrastructure Funding:** Community-led infrastructure funding models take advantage of low Government lending for bonds to finance land, infrastructure and Section 75 Planning payments.

- **Land Assembly:** The role of Local Authorities in leading these initiatives is critical, providing them with tools such as those above but also the power to acquire land for council housing or for sale or transfer to good third parties at residual value.

**2.2 What we Aim to Build:**

We have a good idea, in Scotland, of the importance of community and place; but we have less idea of what might guide us there. We hope that, if we legislate for enough boxes to tick, demanding worthy things, we ought to get something good out the end. So we produce lengthy policy documents on sustainability, and barrier-free accessibility, and design against crime, and for varying needs and innovation, and good design, and community consultation, and apply them through the technical requirements of Building Standards, and the statutory mess of Planning Standards and traffic and servicing and safe routes to schools and all the rest. We end up with a confusion of overlapping directives, all worthy but many contradictory, with no overall aim to guide them, and process, not quality-driven, homes. We need:

- **A Single, Guiding Principle:** We should notice that building good communities should not, at heart, be a complex process – though we seem to be making it so – and that the principles guiding good communities from the past were simple utilitarian ones. If we look at one of the Fife fishing towns we so admire, for instance, we see them being formed by simple, utilitarian necessities like a market space to sell goods, common grazing land, a place to dry nets and a yard to keep a pig. We try to build copies of such places when we no longer have these needs; instead we should look to the utilitarian principles that suit us today, to lead the design of our communities. Things like: sunny gardens with living spaces spilling into them; somewhere for our kids to play ball games and our families to have a barbeque; shops nearby and safe routes to schools – in short, simple utility as the driving principle.

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- **Unified Guidance:** The many and varied responsibilities would then need to be brought together, to serve the utility principle, to provide clear and simple guidance. And, in addition, Planning Departments need to take management of the variety of statutory processes, bringing together traffic, technical and other considerations under its pursuit.

**2.3 What we Build Out of:**

We build best when we make best use of our natural resources. In the past we have beautifully-exploited our stone, and the craft skills of our masons. But we relied on paying pittances for these skills and do not now favour large-scale quarrying. Our primary resource today is timber, which has the additional virtues of being an insulator while allowing moisture and particulates through, and of locking-up carbon and/or being recyclable. But the ways we use it, in kit houses, dipped in harmful rot retardants and tightly wrapped in polythene, negate most of these benefits and lead to problems with the build-up of CO2, asthma-inducing dust and particulates and moisture trapped in construction. If we put our wellbeing and the exploitation of our natural resources first, Scotland would be leading in the use of solid timber construction (like cross-laminated timber), breathing insulation and the like (and the offsite, factory construction that tends to go with them). We have a Construction Scotland Innovation Centre which is working...
with the housebuilders but should also be empowered to investigate and pursue new innovative, healthy and local solutions.

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2.4 Our Workforce:

The capacity of the industry to build the homes we need has been diminished by economic cycles, but also the institutionalising of training. The prevailing educational orthodoxy puts a university education above all else, with the ideal approach of learning through doing, which traditional apprenticeships are based on, looked down on. Entry to the construction trades is now through further education and has thus become excessively bureaucratised and divorced from learning from those that apply the skills. It has also led to a critical shortage of people coming into these trades, threatening our capacity to deliver the new and repaired homes we need. The training of the workforce should be returned to being led by the construction sector, with simplified apprenticeships (with day release as necessary to augment core skills) being given equivalent status as a university education – as it is in Germany and in France, with its “Compagnons de Devoir” apprenticeship system.

1.1 Buildings:

- VAT: lobby for a level playing field for repair;

1.2 Land and Planning:

- Town Centres First: reinforced;
- Housing Land Assessments: Improved/made flexible;
- Development Promotion: to achieve realistic Local Plans;

1.3 Tax and other Levers:

- CPOs and CSOs: central CPO assistance and coordination (as in England) plus introduction of CSOs;
- Tax Bands and Discounts: bands spread, discounts adjusted;
- Land Value/Vacant Land Tax: a stick to encourage development and reduce land speculation;

2.1 Financing Housing:

- Public Rental: Scottish National Investment Bank and Company based on a re-engineered Scottish Futures Trust;
- Self-Build: models set out to encourage Local Authorities to bring land and cooperative groups together;
- The Private Rented Sector (PRS): 'build to rent' - long term investment
- Infrastructure Funding: community-lrf infrastructure projects;
- Land Assembly: Local Authorities given power to acquire land;

2.2 What we Aim to Build

- A Single, Guiding Principle: Utility;
- Unified Guidance: simplification of diverse guides, and Planning as leaders of the statutory processes;

2.3 What we Build Out of: Construction Scotland Innovation Centre empowered and directed;

2.4 Our Workforce: simplified apprenticeships.

Principle 3. Leadership

There is a great many organisations set up within and outwith the Scottish Government to advise Government and industry and take responsibility for areas of housing supply, policy and innovation. But none of them have any clear mandate to lead and, as a result, information and innovation can be ignored, missed, duplicated and fruitless. There is wide agreement (RICS, Land Reform Group, Shelter etc) that the Scottish Government needs to create a central Housing Unit, which can assist Local Authorities, Registered Social Landlords, Volume Housebuilders and house buyers and renters – those who would deliver a new era in housing in Scotland – to deliver the programme we need. This should be created within or out of an existing organisation, such as the Scottish Futures Trust, with a mandate to research and deliver the above areas of change which are, in summary:

- Empty Homes: enhanced efforts with funding streams identified;
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