Local Government and Communities Committee

Homelessness

Submission from the Royal Institution of Chartered Surveyors in Scotland

1. The Royal Institution of Chartered Surveyors (RICS) is the principal body representing professionals employed in the land, property and construction sectors. In Scotland, the Institution represents over 11,800 members comprising chartered surveyors (MRICS or FRICS), Associate surveyors (AssocRICS), trainees and students.

2. Our members practice in sixteen land, property and construction markets and are employed in private practice, central and local government, public agencies, academic institutions, business organisations and non-governmental organisations.

3. As part of its Royal Charter, RICS has a commitment to provide advice to the government[s] of the day and, in doing so, has an obligation to bear in mind the public interest as well as the interests of its members.

4. RICS is therefore in a unique position to provide a balanced, apolitical perspective on issues of importance to the land, property and construction sectors.

5. RICS welcomes the opportunity to respond to this call for evidence.

6. Whilst we have not commented on the technical details of the consultation document, we have provided general observations and recommendations on the importance of housing of all tenures which we hope will benefit the inquiry.

Rented Sector Overview

7. Since the 1990s, Scotland’s social demography has undergone significant change: people are settling down later and living longer, and households are becoming smaller. Whilst incomes of younger households have generally risen, they have done so disproportionately to house price increases.

8. At the same time Scotland has experienced a turbulent economic climate. The interaction of these changes is creating a situation where more people are renting, with strained affordability, and where social policy impinges on them (particularly through housing benefit).

9. It has created a downward ratchet through the options available in the private and social rented sectors, until they rely on a council's duty to house, or risk homelessness.

10. Indeed, a much greater proportion of the population are renting – in either private or social sectors – and homelessness is on the rise; without urgent action these are expected increase over the next two Parliaments.
11. RICS has long maintained that Ministers need a strategy to build across all the housing tenures. However, successive Scottish Governments have not recognised the different reality that younger generations face, nor the demographic direction of the housing system, and continue to look to homeownership above all other tenures.

12. That said, home ownership remains a core assumption of our society and economy, and an aspiration for the majority Scots. However, home ownership is, and is likely to remain, outwith the reach of many who lack access to the ‘bank of mum and dad’.

13. Scottish Government statistics show how Scotland’s local authorities’ contribution to housing has been in sharp decline over the last 35 years, with the introduction of Right to Buy (RtB) policy in 1980 being the likely catalyst for this trend.

14. As council housing’s offer declined, it is evident that housing associations picked up some of the shortfall. Interestingly, in 1981, 36% of dwelling stock was owner occupied; this has risen to 61% in 2014\(^1\).

15. Looking specifically at the last five years, Register of Scotland statistics indicate that annual sales volumes have been increasing year on year\(^2\); but, conversely, Scottish Government statistics indicate, owner occupation is down; yet both house prices and rents have increased, and continue heading upwards.

16. The primary reason for this is years of insufficient housing development, which has led to chronic shortage in supply. As with any commodity, where there is a shortage, the value goes up; and housing is not immune to this reality.

17. The increase in house prices is limiting first time buyers and second-steppers from beginning, and continuing, their housing journey; and rising rent levels in the private rented sector are inhibiting savings for a deposit, constraining ‘renty-somethings’ the opportunity to purchase a home.

18. To remedy the shortage, Scottish Government policy has targeted demand, the new build market and home ownership, with the more recent financial policy and initiatives are being aimed at supporting access to home ownership for first time buyers. Help to Buy, lower LBTT rates for lower-market value properties, and the additional dwelling supplement, along with the reduction in buy to let mortgage payments, all support this case.

19. There are more people who rent, either through circumstance or choice, than in any other previous generation - renting is no longer presumed to be the stop gap on the journey to home ownership. Accordingly, rents across Scotland have increased annually for a number of years, and this has negatively affected both access and affordability.

\(^1\) Table 107 Dwelling stock: by tenure Scotland (historical series)  

20. This has led to calls for greater supply and Government intervention to support sector participants. However, what we have seen is successive Governments looking to support home ownership over the PRS.

21. Help to Buy is a demand-side solution to a supply problem, but it has, nevertheless, increased access for first time buyers, and their cause has been assisted by the LBTT regime. This latter occurrence is evidenced by the year-on-year increase in house sales and the lower than expected tax receipts from LBTT in 2015/16.

22. However, if the LBTT regime continues to open purchasing opportunity at the lower end of the market, that will only serve to increase the number of participants, increase competition, and, therefore increase house prices. Again, this will have negative connotations for both access and affordability.

23. Governments, and society, have to realise that tackling the housing crisis is about more than just increasing the number of houses in the right place, at the right price and at the right time; it is about increasing the accommodation options for Scottish residents and the homeless. The rented sector – both private and social – will play a hugely significant role in allowing freedom of travel up and down the housing ladder – and in making sure that people can get back on the ladder and, equally as important, do not fall off it altogether.

**Private Rented Sector – Trends and Evolutions**

24. Stricter regulations for PRS, such as landlord registration and the introduction of letting agent regulation, will go some way to improve professional standards in the PRS, and with that the landlord-tenant relationship.

25. The mortgage relief changes will see profits reduced for small-scale landlords and the additional dwelling supplement is unlikely to be absorbed by Buy to Let (BtL) investors. This could give rise to the small scale investors either reducing, or selling, all, or part of, their portfolios, potentially reducing access and affordability.

26. Alternatively, a reduction in supply could be matched by a reduction in demand, as previous renters move tenure. They could move either “up” the housing ladder into home ownership – reversing the recent decline; or “down” the ladder into a social housing tenure. However, this could increase demand for the already stretched sector.

27. The government has stated ambitions to encourage institutional investment in Built to Rent, and this could help to bridge the gap in the availability of private rented properties should the smaller landlords evacuate the sector. However, the sheer number of properties held by this group means that it is highly unlikely that institutional PRS can meet demands in the short or medium term.

28. Whilst the Scottish Government has retracted support for small-scale landlords, it has not sufficiently provided support for institutional investors in Build to Rent.
Due to longer pay back times, Built to Rent investors seek confidence in markets. However, due to ever-changing Government housing policies, and an unstable political landscape and economic outlook, there is little stability which is negatively affecting confidence in the Scottish housing market.

29. Over the last five years, there has been upward of 11 pieces of legislation or policy that have had an effect on the private housing sector. As such, there is little consistency that Build to Rent seek, thus the sector in Scotland is still very much embryonic.

**Social Rented Sector (SRS) – Trends and Evolutions**

30. The economic crash of 2007/2008 impacted on the UK’s economy, and the imposed resource cuts from Westminster resulted in welfare and pensions reforms, and reduced subsidy from Holyrood. This led to lenders changing the risk rating of the housing association sector in Scotland, forcing them to amend their business model to a more short term approach within a more intransigent financial framework.

31. The bedroom tax has affected affordability in the SRS, but the Scottish Government's Discretionary Housing Payment (DHP) has, and can continue to, absorb some of the impact. However, what needs to be considered is how much funding goes into these payments, and whether this could impact on the current, or future, housing budgets for development.

32. The Scottish Government has pledged £3bn to develop 50,000 new affordable homes over the next Parliament; 35,000 of which will be available for social rent. However, this equates to 10,000 affordable homes per year, which compares poorly to the 12,936 private sector builds in 2015. This will result in the number of social housing properties *decrease* proportionally; thus, indirectly, those looking to access to the social housing sector will have less choice.

33. Regardless of the proportional disadvantage that may arise from the private-public building ratio, the target is welcome news, and the scrapping of Right to Buy in August 2016 should improve access to social housing.

34. Furthermore, the social housing grant subsidy increase of up to £14,000 for each new home - with further incentives being offered for those homes achieving the higher greener standard – will be welcome news to the sector, and could assist the obtaining of the SRS target.

**Recommendations**

35. RICS offers recommendations for the committee to consider on the private and social rented sectors, both individually and combined.
Private Rented Sector Recommendations

36. Review LBTT bandings and thresholds on an ongoing basis to ensure mid-market houses for sale are impacted less, and amend the LBTT Additional Dwelling Supplement to exclude:

a. New build properties after all attempts to sell to owner-occupiers have been exhausted, or after a set period of time;

b. Build-to-Rent properties if sold onto smaller investors; and

c. Purpose-built holiday homes for rent in rural and remote areas.

37. Introduce an LBTT exemption or reduction for older owners wishing downsize, with Government drive for the provision of suitable homes for older people.

38. Establish a cross-local authority rent register as means to provide thorough and concise data on rents paid across all local authorities. This would enable professionals to make better informed, accurate rent setting – particularly when considering rental projections of future rent increases – that would assist the Build to Rent sector.

39. A commitment to a long term, cross-chamber approach to housing policy – including homelessness - should provide stability for the sector, particularly institutional investment, building on the Build to Rent Fund.

40. Introduce Help to Maintain – a scheme that will provide funding for owners to invest in their property to improve the fabric of its structure or energy efficiency. This scheme could assist the self-build market and maximise the untapped potential of Scotland’s 34,000 empty homes; assisting the regeneration of neighbourhoods and communities.

Cross-Tenure Recommendations

41. Establish a Housing Land Agency (HLA) to work in partnership with local authorities, using with Compulsory Purchase Order (CPO) powers if necessary, to source and allocate effective land specifically for use by PRS and SRS development.

42. Government explore the notion of DIY Shared Ownership (DIYSO), where a landlord receives a rental on the percentage that is unsold, as with conventional shared ownership. Another market participant (e.g. a local authority or housing association) can purchase the unsold equity off the Landlord, and receives the unsold equity rent.

43. Increasing the supply of land available for housebuilding across the country by incentivising private landowners, through the tax system, to sell disused plots and including private sites in the brownfield register.

44. Amend the planning system to streamline the change of use mechanism for converting property from commercial to residential use, or revising national and local planning policies to seek additional residential use in town centres.
45. Promoting greater dialogue and collaboration between the public and private sector housebuilders will help deliver Scotland’s housing needs.

46. The Scottish Government should initiate a Housing observatory that would have a remit to work alongside the already existing Joint Housing Policy and Delivery Group (JHPAG). This group, comprising academics, researchers, and representatives from the finance, PRS, social, planning, and building sectors, to share intelligence and research.

Social Rented Sector

47. Establishment of a National Forum to definitively verify the meaning of “affordable” in relation to affordable housing.

48. The restoration of regionally set social and affordable housing development targets, based on robust local needs assessments. This should allow flexibility for regions to set target ratios of social housing to other affordable tenures.

49. A recognition from Government on the role that housing plays in benefitting the health of tenants, and consideration of ring-fencing part of the health and social care budget to tackle the housing crisis.

50. The Scottish Government should act as the social housing facilitator via the development of homes for social rent, with a view to sell them to individual RSL’s and Councils at cost. This would address the lack of skills (in particular construction and development) and allow for buying power and economies of scale to be adopted in negotiating construction contracts.


52. Guarantees from banks for lending for social housing development.

53. Extension of Government loan guarantee initiatives to drive cheaper funding for the development or acquisition of subsidised rented products.

54. Government should allow local authorities to borrow to finance the construction of new council housing as a means to tackle homelessness.

55. Move away from targets and recognise, and elevate, the importance of housing system analysis in assessing housing need and demand in all of Scotland’s local authorities. Focus should be on evaluating the overall housing requirements from both the existing household population (which includes unsuitable accommodation), as well as new households.

A home for Cathy

56. In December 2016, RICS hosted a series of debates across the UK to mark the launch of our ‘A home for Cathy’ campaign which coincided with the 50th
anniversary of *Cathy Come Home* (an influential film which ignited a debate about homelessness in the 60’s).

57. This ongoing campaign saw RICS calling on the wider property sector - as well as policy makers and advocates for change - to provide solutions and commit to actions to tackle homelessness. For example, to seek out sites that might be suitable to deliver homes on; to help housing associations achieve planning on new homes; and to unlock sites with planning consent that aren’t coming forward for construction. Ultimately these new solutions and recommendations will assist with the funding and accessibility of supported housing.

58. The outcome of all of these debates – and our wider campaign - will help us form our recommendations/manifesto for the Government on how a rising new generation of ‘Cathy’s’ can and should have a place to call home.