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Dear Rob

I would like to update the Committee on progress to introduce new Croft House Grant Arrangements. I have also copied this letter to the Infrastructure and Capital Investment Committee, given its interest in housing, and the Delegated Powers and Law Reform Committee, given its interest in subordinate legislation.

I would also like to take this opportunity to thank the Committee for its consideration of rural housing, including support for croft housing, in its Stage 1 Report for the Land Reform (Scotland) Bill. I note that this report indicates that the Committee looks forward to further updates on the Scottish Government’s proposals on croft house grants, and will scrutinise the resulting order should it be laid before the end of the session in March 2016.

As you know, the current grant scheme provides support to crofters to build or improve their homes, with the aim of attracting and retaining people within the crofting areas of Scotland. It currently has an annual budget of £1.4 million pounds and since 2007 has helped almost 700 crofters.

When I last wrote to you on 9 November 2015, I indicated that as a number of changes to the grant arrangements that the Scottish Government was considering differed from those set out in original consultation that had taken place, I believed that it would be beneficial to undertake a further, short engagement exercise with key stakeholders who responded to the original consultation.

This exercise has now been completed and responses were received from stakeholders including the Scottish Crofting Federation, NFU Scotland, the Crofting Commission, Highlands and Islands Enterprise, local authorities, and rural housing organisations. This further input from stakeholders has been very useful in allowing the Scottish Government to finalise its proposals for the new Croft House Grant Arrangements.

Based on this engagement, I have now taken final decisions in relation to how the new grant arrangements should operate and have laid the regulations today. I will also supply draft applicant guidance separately to aid Parliament’s consideration of the regulations.
The Committee may be particularly interested to note the following points in relation to the new arrangements:

- There will be 2 rates of grant assistance and some mainland communities, in addition to islands, will be eligible for the higher rate;
- The 2 new grant rates for the arrangement will initially be set at £28,000 (standard rate) and £38,000 (higher rate) for new house builds;
- Rather than introduction of a cap on the cost of a house build, each application will be individually assessed to determine if it is fit for purpose;
- For home improvements, applicants should be eligible to claim up to 40% of the total improvement costs, to the maximum of £28,000 or £38,000, dependent on the geographical area; and
- The introduction of a selection mechanism for the arrangements to ensure that support is targeted at those most in need.

As a number of details of the new arrangements will be managed administratively, there is additional flexibility to review and improve the support over time. For instance, I expect to review whether the grant levels and geographical areas remain appropriate 3 years after the scheme comes into operation.

Overall, I believe that these new grant arrangements will provide significantly improved support to crofters, improving their standard of accommodation and access to affordable housing. It is expected that this, in turn, will contribute to improved population retention in rural areas.

My last letter also noted that, based on stakeholders’ consultation responses, I proposed to look at again at scope to reintroduce a loan scheme to help crofters build their homes – including the potential benefits and barriers to doing this. I also committed to align any specific support through loans to crofters with wider housing policy. As I noted then, this is a longer-term piece of work which is also progressing. I have received initial views from some stakeholders and work is continuing on this matter. I will continue to keep the Committee informed about this.

I hope that this update is helpful and, as ever, welcome the Committees views on this matter and on crofting more generally.

Kind regards

AILEEN MCLEOD