

Housing policies for Scotland: changes and challenges

Viewpoint
Informing debate

May 2008

The *Firm Foundations* discussion paper issued by the Scottish Government has started a wide-ranging debate on housing policy. This Viewpoint is intended as a contribution to this debate, highlighting longstanding challenges that remain to be met, and fresh challenges that are emerging. Duncan Maclennan and Tony O'Sullivan argue that the housing system needs to be managed more effectively to boost productivity and reduce environmental impact, and a new governance and resource base for Scottish housing is needed.

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Key points

- Devolution has accentuated pre-existing differences in housing policies between Scotland and England.
- Although the Scottish Parliament has embedded higher aims for policy in extensive new legislation, it has not, since 2002, matched these aspirations with either the expanded resources or grant system efficiencies that have prevailed in England.
- The government has abolished Communities Scotland, and Scottish housing now has no government agency for the first time in 75 years. There are concerns that an undeveloped governance structure situated between the core Scottish Government Ministry and municipalities may generate problems.
- Ministers have signalled their general support for greater municipal roles in housing, welcoming councils as developers again and ending the Right to Buy on new council units; if these measures are to meet current needs they will require higher public spending.
- Since 2002, stock transfer has shifted from being a flagship policy with clear goals and strong government support to somewhat peripheral policy afterthought.
- There has been little structural change in the Scottish housing association sector, other than via stock transfer, and greater attention needs to be given to the development of models that more effectively support community choices and capture scale economies.
- The Scottish housing market increasingly reflects national price and behaviour patterns and there has been little policy thought on how to embed measures that either prevent upswing booms or downswing damage – in other words, that create a stable market.
- The nation needs to develop a housing market policy that promotes efficient and stable choices rather than specific tenures, and to assess the possibilities for more effective methods of securing unearned land value gains for affordable housing purposes.

Scotland has long had a relatively high proportion of public spending devoted to housing, and a large municipal sector. Major changes in tenure over the last quarter century mean that two out of three Scots are home-owners and half of social housing is provided by independent non-profit organisations.

Despite these changes, longstanding challenges still remain to be met. Although there has been much progress in improving housing quality and rundown neighbourhoods, higher aims for housing quality and reduced homelessness are being pursued in a context of a rising trend in housing development costs. New challenges are emerging too. The housing system needs to be managed more effectively to boost productivity and to reduce the adverse environmental consequences that arise from current housing production and consumption choices.

The new government of Scotland faces a daunting prospect. Transforming the housing system has not reduced the demands for policy expenditures. At the same time, the mechanisms that have driven change over the last two decades have been discarded or become significantly problematic. A new governance of and resource base for Scottish housing is needed.

Major, unfinished change

There has been a remarkable transformation in the Scottish housing system in the last 25 years.

- In 1983, half of all Scots rented homes in the public housing sector; the municipal system dominated non-profit ownership by a ratio of about 20 to one, and the home-ownership share barely exceeded two households in five.
- By the start of 2007, two out of three Scots had become home-owners, and the non-market sector accounted for one household in four, with councils holding three homes for each two owned by non-profit organisations.
- The public sector transferred homes in broadly equal numbers to home-ownership markets and non-profit providers.

There has been little assessment of the key social and economic outcomes from this transformation process. The efficiency of the Scottish housing market and the effectiveness and contestability of the non-market sectors are unclear. The Scottish housing policy system is driven, often with the best of intentions, by a narrow interest in social outcomes. The policy community has sometimes been more concerned with the politics of means, and who invests and owns, rather than attention to the effectiveness of outcomes for households and the economy.

Housing spending, outcomes and challenges

Spending

Identifiable (cash) public expenditures on housing in Scotland trebled between 1996/97 and 2005/6; they quadrupled in Northern Ireland but merely doubled in England. Over the same period, overall identifiable government expenditure in England grew slightly faster than in Scotland, but less rapidly than housing spending. As a result, public housing expenditure – as a slice of total identifiable spending – rose in both nations over the decade, from 1.9 per cent to 2.3 per cent in England and from 2.4 per cent to 3.7 per cent in Scotland (Wilcox, 2008).

Devolution led to a rapid recovery in Scottish housing policy expenditure, with the share peaking at 4.4 per cent in 2001. Since then, the Scottish housing share has fallen back to 3.7 per cent (by 2006), as the English share has expanded. In the budget for 2008, the Scottish Government introduced a 6 per cent real reduction in the housing budget (whereas Westminster was raising English spending), though a subsequent intended 12 per cent increase by 2010 was announced.

Outcomes

A definitive conclusion on Scottish housing progress requires a detailed, substantial analysis of the last decade or more, akin to the Stephens et al (2005) report that assessed a quarter century of English policy. Unfortunately, this remains to be undertaken for Scotland.

Quality

There has been much progress on traditionally defined measures of housing quality.

- Below Tolerable Standard housing has all but been removed.
- The House Condition Survey for 2006 shows that the incidence of dampness was halved in private rental housing from 1996-2006 and reduced towards rates of 5 per cent, from 10 per cent, in other tenure sectors.

However, much remains to be done to meet the Scottish Housing Quality Standard in good time. There has been demonstrable progress in the physical, and sometimes economic, status of many poorer neighbourhoods in Scotland since 1996. However:

- the significant, sustained effort of the last decade cannot stop now if further progress on neighbourhood outcomes is to be achieved – the macro-processes that shape inequalities will not abate in the decades ahead, and policies will have to work harder to achieve recurrent renewal;
- despite their pre-eminence in policy rhetoric, there is no consistent recording, measurement of progress on, or meaningful definition of, 'mixed' or 'sustainable' communities.

Looking across these indicators of 'housing quality' progress, it is clear that there have been significant gains over the last decade but there remain substantial, continuing quality challenges. Quality measures have widened and improved over the decade, but there are real weaknesses in assessing housing investment effects on neighbourhoods and the environment, and these are crucial 'outcome' areas for housing programmes.

Supply responsiveness

Rather than recognising the relative international inelasticity of the Scottish system (i.e. how comparatively unresponsive to price changes it is), the Scottish Executive emphasised that Scotland was less sluggish than England (Scottish Executive, 2004a). Despite significant price rises with little output response, the Executive's position has traditionally been that the Scottish housing system is less inflationary than the UK as a whole and less prone to cyclical instabilities. However, this may be becoming less relevant over time.

The Scottish ownership tenure share is converging to the national average (see above) and:

- consumer behaviour and expectations matter more in terms of overall housing system outcomes;
- research between 1988 and 1997 (Maclennan et al, 1997) suggested that Scottish owners had become more like English buyers in tenure attitudes, housing wealth concerns and equity withdrawal behaviour. If these trends have held up over the last decade, with increasing numbers of marginal home-owners, the market 'stability' of Scottish housing will have been decreasing.

Affordability

Low- and middle-income households, in different ways and to different extents, have encountered problems in paying for housing over the last decade. Whilst the explicit recognition of 'affordability' issues was an advance over the non-discussion of the 1990s, the interpretation and analysis of these issues for policy purposes in Scotland has muddied rather than clarified the basis for policy. An inherently loose concept has led, outside of the rental sector, to loose policy and lack of clarity with respect to who is affected and how.

Diversity in provision

More varied ownership and rental markets have evolved and there has been greater diversity in the ownership patterns and organisational structures of the social rental sector. However:

- variety has often proved divisive within the non-profit sector and this is most evident in Glasgow. In consequence, Scottish housing policy debate involves not just the usual 'market versus non-market' advocacy groups, but also acute debates within the non-market sector;
- it is not clear that diversity in ownership has led to the end of monopoly effects and increased contestability to improve the use of resources. Structures of ownership should never be confused with system competitiveness and efficiency.

Taking these key measures together, it would be wrong to assert that Scotland's housing system is in crisis, though there needs to be much greater clarity in the expected outputs from housing policies (quality, affordability, diversity) and there has to be a new emphasis on contestability, efficiency and sustainability. In particular, it is important to the case for housing policy as a core interest of government that it assesses overall outcomes of housing programmes and markets in relation to:

- social impacts (income separation, community empowerment etc.);
- economic competitiveness impacts (how housing outcomes impact stability, productivity, mobility, savings, spending etc.);
- environmental impact.

Using cost measures, indicators and outcome measures, the government ought to track progress on Scottish housing, and benchmark performance against governing bodies on a similar scale and level of autonomy. For there are new challenges emerging as well as the old persisting into the future.

Future challenges for housing in the globalised Scottish economy

There are three predominant challenges for the next decade.

- Social housing reform is unfinished business that has lost focus and momentum since the early 2000s. A policy thrust that had clear aims and principles circa 2000 had become unclear and confused by 2007. A well-organised non-market housing sector will be a key component of future housing provision in Scotland. But reforming what we have is not the new challenge.
- Nor is the housing market downswing that now looks to be developing across Britain. In a historical context, it is the fifth market downswing in Scotland since the start of the 1970s. And, at present, it is not an isolated but a widespread pattern across the countries in the Organisation for Economic Co-operation and Development (OECD) – see Government of New Zealand (2008). That said, it will be a major challenge over the next few years.
- The major new challenge is the changed interface between housing markets and the economic systems within which they operate (Maclennan, 2008). This requires a more serious rethinking of the structure of housing policy in Scotland than *Firm Foundations* achieves. There are now issues in the field of housing policy that cannot effectively fit under the headings of affordability and instability and, at the same time, land and housing issues have to play a much greater role in economic policy thinking for competitiveness and productivity.

Modern housing policy needs to go much further if Scotland is going to face the market-led growth challenges of the future. Effectiveness, contestability, stability and sustainability need to be the core concerns in housing market policies, with tenure patterns and ownership growth seen as second-order issues.

Policy questions in the market sectors

Tax policy

Although the Westminster Government is still the hub for tax policy affecting housing outcomes, there has to be new thinking about the tax dimensions of Scottish housing policies.

Existing tax possibilities can be used differently without much detailed thought about housing implications, and more autonomy and independence are debated constitutional alternatives. The critical reason for such attention – and a key element of cycles – is that surges of demand push on inelastic supply systems and trigger price changes.

However, the absence of taxation on the resulting capital gains and higher incomes attributed to housing ownership then reinforces increased asset and consumption demands for housing.

- Westminster shows little appetite for tax changes that would reduce housing booms. Capital gains tax on housing is politically unmentionable. The recently proposed (Barker) tax on planning gain has been discarded. Inheritance tax, which served as a partial if long-term substitute for capital gains tax on rising housing values, has just been subject to changes in thresholds that will reduce actual taxes on housing capital gains.
- In both Westminster and Scotland, there is resistance to property taxes, such as the council tax and indeed the government of Scotland has an interest in moving to a local income tax. But the Scottish Government should also recognise that there are potential stability benefits from taxing land and housing in relation to their values.
- The Parliament already has the option of actually cutting income taxes if property tax rates were significantly increased in the residential sector and net transfers from the Parliament to local authorities were reduced.
- As land and housing systems are local and regional in nature, the taxation of land and stamp duties on property transfers are instruments that should be considered as revenue sources for the Scottish Parliament if there are to be increases in fiscal autonomy for Scotland.

Grants for boosting ownership

The Scottish Government has been considering grants for first-time home buyers.

- Such grants would discredit the policy quality of the administration, both in relation to ends and means. There have to be serious questions about the design and fairness of such ad hoc grant and equity supports as they may simply be capitalised into prices.

There are other ways, recognising the new, stylised facts of income, wealth and housing prices set out in *Firm Foundations*, to support home ownership whilst lessening demands on the public purse:

- the UK Government could encourage grandparents to make early transfer of equity to grandchildren for housing entry purposes;
- the government of Scotland could help households in the social sector, who are usually on relatively static wages and see housing prices continually rising, to meet aspirations and simultaneously free up social vacancies.
 - This could be achieved by giving tenants the right to a portable discount.
 - For this to be effective, the discount should only be available to spend on new or newly renovated properties (to ensure a supply-side effect), and it should be set as a proportion of the cost of a low-cost home in the relevant region.
 - The proportion could also be varied for local community service, the state of repair of the tenancy on exit and the proportion of tenant time in work over the tenancy period (thereby encouraging people to seek paid work).

Government could consider funding such a scheme directly, although it could also look to social landlords with rising asset values and low historic cost construction debts to help fund such deposits from their own resources.

Change to housing market supply

Whatever the measures implemented, supply-side change has to be at the centre of policy. Scotland needs a housing market supply strategy.

The dearth of basic economic knowledge about the supply side has to be remedied; the government has neither an adequate estimate of Scottish housing supply elasticity nor elasticities for the major metropolitan housing markets.

- Planning can also be a process of generating gain. Gains in development arise both from land-use planning decisions and from the design of projects and their interface with a range of regeneration, infrastructure and other programmes. Scottish performance in this regard, and in extracting gains created for public purposes such as affordable housing provision, is poor.
- Gain creation and extraction will not be readily achieved by present approaches within Scottish housing and planning departments.

Market rental housing

Government policy towards the private rented sector in Scotland in recent years has led to higher quality, safety and management standards. Much of the expansion in supply in the sector has been in the buy-to-let sector. The growing prevalence of that sector means:

- there needs to be an assessment of whether even the recently revised frameworks for household security are adequate for the larger number of maturing households that will live in the sector in the future;
- the short-term adjustment of buy-to-let investors – who often based loan repayments and returns on rising asset values rather than income from rent payments – may be to seek rent increases as increases in asset value halt or reverse.
- In the medium term, if rental levels in the buy-to-let sector do not increase then supply may fall; this will reduce rental supply when it is most needed and may put further downward pressure on house prices.

Housing market policy has to move to the centre stage of Scottish housing policy. Three quarters of Scots find their homes and neighbourhoods in markets but how these markets function and how they can be improved has been the minor debate in Scottish housing. Policy debate still tends to focus overwhelmingly on the volume and distribution of support for non-market provision. Both market and non-sectors deliver policy goals and both need to be effective.

The evolving social housing sector

The post-devolution decade has been a period when there was initially much new commitment of resources and political energy expended in progressing social housing sector reform, but as the period has passed, outcomes have become more problematic and the course ahead less clear.

Aims and assessments

Immediately preceding devolution, the Labour administration then published a Green Paper (The Scottish Office, 1999) that defined a twin-track approach – “a new way forward for public sector housing in Scotland through the promotion of ‘community ownership’ using resources provided through the New Housing Partnerships initiative”. Community ownership meant both stock transfer and continuing to promote new social investment through the non-profit sector.

The first devolved administration inherited and strengthened this approach and had a relatively clear sense of policy antecedents and where and how they wanted further change to take place.

The New Parliament took these views and approaches as starting points for change.

- They supported them with a step change in resources.
- There was a raft of new legislation after 2000 as devolution created the space for greater legislative attention to housing matters. That legislation:
 - changed some of the regulatory and fiscal means for delivering policies;
 - embedded new aims for policy and adopted new obligations;
 - developed new requirements for strategies and needs assessments.

By becoming more explicit about affordability measures, by introducing the Scottish Housing Quality Standard and by adopting ambitious goals in homelessness, the Parliament implicitly raised the bar, and the bill, for Scottish housing policies.

Legislation in 2001 and 2003 was the most important of the ten housing-related acts between 1999 and 2007. The Housing (Scotland) Act 2001 embodied proposals for more unitary and cohesive social housing, and the main provisions of the Act involved:

- the introduction of Scottish secure tenancies and short Scottish secure tenancies;
- modifications to the Right to Buy and the introduction of pressured areas (see above);

- transfer of the functions exercised by Scottish Homes to Scottish Ministers;
- the introduction of a range of new strategic rights and responsibilities.

More fundamental were the provisions of the Act with respect to homelessness and the allocation of social housing. The Homelessness etc. (Scotland) Act 2003 continued the radical overhaul of homelessness law in Scotland begun by the 2001 Housing Act. By 2003, the Parliament had therefore formulated higher aims for housing policy, implying higher levels of needs to meet, and also had higher standards in assessing these needs, distributing them strategically.

These aims and assessments initiated a subsequently sustained wrangle between lobbies and government on required social housing investment levels. Improved needs estimates did little to change the position of the housing lobbies. For instance, in 2007 Shelter made a renewed call for a housing investment programme of no less than 10,000 rented homes per year over the three years of the Comprehensive Spending Review (CSR). This total was roughly double the present level of output and, with spending resources tightening, was made at an estimated additional cost of £750 million of public expenditure (Shelter et al 2007). That said, the new government has taken the issue of supply responsiveness to heart, setting an “aspirational target” of 35,000 new dwellings a year by the middle of the next decade – roughly 10,000 more than at present (The Scottish Government 2007a). However, it has not specified an affordable housing target within this overall target, and it is certainly not minded to provide an additional £750 million to boost affordable housing supply.

Means to change

Something does not add up, unless the government expects more rapid stock transfer or significant gains in non-profit efficiency and planning gain extraction to ‘leverage’ existing spending into higher social housing output. But if policy aims and needs estimates have been expansively elastic over the last decade or so, what has the fate been of the two main delivery tracks for better social housing, namely stock transfer and non-profit investment and efficiency?

Stock transfer seems an unlikely route given the government’s stated position.

- The model, in the early 2000s form, after some early success, has been irrevocably holed below the waterline and is no longer a flagship for change but sits in the policy dry-dock with little clarity over whether it will head to the wreckers’ yard or be refitted and relaunched.
- Stock transfer remains a theoretical possibility, but it will remain so unless government actively promotes

the possibility and does so more competently than in the period 2004 to 2007.

The second difficulty facing the government about routes to change is that there is not a flotilla of fine, less costly, efficient alternatives powering towards Victoria Quay. Executive efficiency initiatives and grant control processes have not seen a reduction in grant levels for non-profit organisations, but a significant expansion. In broad terms:

- efficiency initiatives were characterised by bureaucracy, and reporting sleight of hand, rather than solutions that probed contestability, permeated this agenda.
- the grant per unit of social rented housing increased in cash terms in Scotland from £38,940 in 1999/2000 to £76,917 in 2006/7, an increase of 98 per cent over six years. In part, this reflects an increase in unit grant rate from 63 per cent to 67 per cent, but more fundamentally it reflects an increase in the unit cost of providing new social rented accommodation – from £61,154 to £114,805 (88 per cent) over the same period.
- In 1990, the unit cost of a social rented dwelling was, at £42,840, 8 per cent more expensive than a lower-quartile new-build property in Scotland. In the mid-1990s, this cost worsened relative to the lower-quartile price but since 2001 the relative cost of new social rented units has improved. By 2006, a newly built social rented dwelling cost 88 per cent of the price of a lower-quartile new-built market unit generally.

Recent research (Gibb and O’Sullivan 2008) has concluded that:

- development cost increases largely reflect trends in land value and availability;
- increasing costs are also associated with land remediation, and the amount of remediation work required on brownfield land coming forward for development as social housing (re-emphasising the importance that the government has to give to more efficient land reclamation and delivery in Scotland);
- however, procurement methods in Scotland do not always appear to deliver efficiency, and there is a sound case for lead developers working through multi-year programmes and for more standardisation in property development. But
 - improved procurement methods will not offset anything like the increases seen since 2000;
 - there does appear to be a difference in quality between social housing in Scotland and England;
 - the Registered Social Landlord (RSL) movement in Scotland delivers wider social benefits that need to be recognised to prevent crude cost-efficiency measures generating a policy framework that throws the baby out with the bathwater.

The new government of Scotland has inherited high-quality housing and homelessness policy aims from its predecessors. It has committed to increasing the volume of housing output but has reduced spending budgets for the time being and dispensed with their housing agency. But it has also inherited two key strands of social housing policy that are problematic: floundering stock transfer policies and increasingly expensive (in public spending terms) association investments. At the same time, the emerging efforts in using council-led planning gain routes for affordable provision have been largely unfruitful (Scottish Executive 2003, 2005c; Newhaven Research 2007, The Scottish Government 2008).

In many respects, these problems are similar to those that confronted governments in the 1990s, then the New Parliament. But then comes the real difference as the new government is proposing to:

- reintroduce direct new housing provision by councils;
- change the system of awarding grants to associations and allocating grants to a few larger-scale, longer-term programmes;
- allowing non-registered providers access to grants.

These measures may not be potent enough to make the difference to output levels that the supply target aspires to, given the broad scale of public resources in the housing budget.

Moving social housing forward

The new government, and this held true for its predecessors too, needs to consider what social housing is and whom it is for. This matter has been widely debated in the UK over the last years or two (Hills 2007; Maclennan 2007; Newhaven Research 2007). Ultimately, these are political issues, but the political debate that leads to their resolution needs to be properly focused.

- Demands and needs are changing; the sector increasingly specialises in providing for poorer and older households.
- The management issues are becoming more complex, not just because of the joining-up of personal services, but because non-profit housing organisations can play key place-based roles in both area renewal and growth management.
- There are new visions of roles and forms for the sector in that more complex setting, but they also need to take account of the economic context and the failure of aspects of past reform strategies.

While Maclennan (2007) argued, with respect to England but with equal relevance to Scotland, that although there remains a clear case for a social rental sector:

- there must be an end of the policy era that has left the social rental sector at the end of the line. It has to become a solution that tenants will choose;
- tenants should be able to move within and between tenure more easily;
- tenants should also be offered more mixed renting and owning options, and more generally opportunities to share in the uplift of property values over time;
- there needs to be a radical reassessment of how housing policy promotes the overall effectiveness of the diverse collection of housing providers within any area. At present, local system effectiveness is nobody's responsibility. Housing management has to be reconceived as a city-wide or regional industry driven by contestable effectiveness rather than divided by housing provider and geography;
- social housing organisations should increasingly become multi-sectoral local housing agents with active asset management activities. They should also be empowered to engage in land development and service provision roles that promote community-led and neighbourhood-based renewal;
- stock transfer policies need to be revitalised to promote local housing system change and community renewal rather than simply landlord change.

Collectively, what these contributions imply is that the debate in Scotland needs to be refocused. The amount of resource available for social housing is important, as is the efficiency with which it is used. But agreeing what we are trying to use it for, what outcomes we seek to achieve, and what cultural and institutional changes we have to accept to deliver is a much more fundamental (and much more challenging) set of issues to address first. With a market sector to rethink and a social housing system still to restructure, the government must lead change. With seriously constrained finances, it needs to be realistic and imaginative in establishing a new governance structure for housing policies in Scotland.

Changes in the governance of Scottish housing policies

The new government of Scotland has set itself a demanding task if it is to achieve significant progress in Scottish housing. It has:

- short-term, reduced the budget;
- scrapped the financing, planning and delivery expertise of Communities Scotland;
- reached a view that Scottish Government resource transfers to municipalities will, in future, be largely unconditional and this means few emergency levers to pull at the 'centre' should Communities Scotland be missed.

The operating context is difficult too. UK resources for public spending are tightening, the housing market 'bust' may be heading north and the processes of globalisation march on. How can the government of Scotland create better and more effective housing policies?

Our notion of a modern purpose for the housing policy framework is one that raises and manages resources (financial, property, social, organisational and human capital) through fiscal, regulatory and other means to deliver the housing outcomes that serve major national aims. Defined in this way, housing policy has to have a core standing in national government. This means that:

- housing policy has to be conceived as more than affordability and instability, and understand and grapple with the pervasive role of housing and housing system outcomes in shaping economic competitiveness, environmental sustainability, social cohesion and inclusion;
- housing policy has to have a core standing in national government. This would be helped by:
 - the housing system minister having a cabinet seat;
 - the portfolio being set beside planning, infrastructure, transport and renewal activities that create places, connections and land value gains that could fund change to key housing sectors;
 - the First Minister asking the housing system minister to lead the development of a cross-portfolio report on policy spending, well-measured housing outcomes and their consequences;
 - the housing system minister being responsible for the contribution of housing outcomes to wider government aims rather than simply being a minister for affordability and homelessness.

Housing policies should be constructed on the principles of subsidiarity and preference for local autonomy. However, this does not mean simply shipping government resources to municipalities in unconditional transfers just because a growing share of Members of Scottish Parliament (MSPs) cut

their political teeth in local government, often where 'quangos and agencies' were the natural enemy.

- The Parliament must fashion a Scottish-level sense of purpose and responsibility; metropolitan-wide actions need to be encouraged, going beyond individual councils, and the interests of neighbourhoods have to be recognised; the government of Scotland cannot leave either of these outcomes to the preferences of municipal leaders.
- As housing interacts with other investments and services to change places as well as opportunities for people, Scottish Government officials will have to find effective ways to partner locally.
- The abolition of Communities Scotland and the failure to deal with the gaps in detailed, professional housing competence that followed the demise of Scottish Homes have diminished the quality of Scottish housing policy and delivery in recent years and the Executive needs to recognise and address these gaps.

Yet, improving governance does not mean reinventing Scottish Homes or Communities Scotland. It does, however, mean recognising that the policy challenges identified here require roles for the government of Scotland, municipalities, coalitions of municipalities and more localised neighbourhoods and communities.

The Scottish Government could change capacities and processes at the national scale but other changes might be considered including:

- ensuring effective and innovative housing management across the housing and neighbourhood renewal sectors by:
 - establishing an independent housing regulator and monitor, outside of Audit Scotland, that becomes a champion of change and a source of best practice;
 - setting up a Scottish national centre of expertise in Housing and Neighbourhood Management that has national and international impact;
- establishing a national land renewal, gain capture and development agency. To give further impetus, the government could:
 - establish a centre of excellence, as above, to promote a new convergence of housing and planning expertise with economic analysis;
 - introduce some limited planning or development assistance that could be accessed by coalitions of municipalities taking mutually supportive housing, infrastructure and planning decisions to deal with metropolitan issues;
- ensuring that resource allocation to local authorities delivers agreed outcomes for housing.
 - The government says the end of ring-fencing of housing resource allocations to local authorities is premature, not just because of likely failures to meet targets for 2012, but because there are some authorities who still have not yet fully developed

an approach to housing provision that values partnerships, communities and non-municipal investment routes. The removal of ring-fencing should perhaps be awarded only to authorities that actually meet the outcomes required over some initial period.

- The government should ensure that there is a community housing forum in all authorities and that municipalities listen to them;
- encouraging the umbrella bodies for the non-profit organisations in Scotland to operate more effectively, and to encourage them to develop roles beyond resource lobbying.

The ideas presented above are simply propositions to feed a badly needed debate on what is really required for the future. In recent years, Scottish innovation performance in policy for housing and neighbourhoods has been poor. With England now strengthening its quango influence through the creation of a Homes and Communities Agency (HACA), it is clear that Scotland has to raise its game in this area. It doesn't have to have a HACA, but it does need to have a culture in policy that will take these issues seriously and vehicles that will deliver future change.

Conclusion

With the publication of *Firm Foundations*, the Scottish Government has recognised that Scottish housing is at a crossroads. Which turn will it take? If that turn involves undue emphasis on tenure as an explicit policy outcome, undue sensitivity to the special pleading of particular interest groups, or undue attention to what it perceives as its own narrow political interests, it will serve the people of Scotland badly, and condemn the housing sector to another decade of missing the big picture. And that will mean worse outcomes for poorer Scots.

About this paper

This paper was written by Duncan Maclennan (University of Ottawa, formerly Mactaggart Professor at the University of Glasgow) and Tony O'Sullivan (director of Newhaven Research Limited, and senior visiting research fellow at the University of Glasgow).

The authors look in more detail at the past decade of Scottish housing policy, and look ahead to the next, in their full report **Housing policies for Scotland: changes and challenges**, which is available to download free from www.jrf.org.uk/bookshop.

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