

MUNICIPAL HOUSING IN SCOTLAND: THE LONG GOODBYE?

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INTRODUCTION

For more than 100 years municipal governments in Britain, and especially Scotland, have been regarded as the key public organizations implementing housing policies. At the end of the last century it was municipal action, to cope with the public health externalities of slum housing, which prompted central government policies. At that time with rudimentary systems of data recording and retrieval and high real communication costs it made good sense for municipalities to be, at the very least, the agents of central government. Also, central government then hoped that municipal housing would be subsidized from local rates rather than central taxes.

After 1919 and the introduction of subsidies for council housing, municipalities became key providers of social housing for low and middle income groups as well as acquiring powers to control and intervene in more general market provision. This expanded even faster after 1945 with welfare state policies. Nowhere, in Britain or Western Europe, has the association of housing policy and municipal provision been so extensive and so clearly defined as in Scotland (See Tables 1 and 2).

TABLE 1
The Construction of Housing in Postwar Scotland
(quinquennial periods)

Period	Total Output	Sectoral Shares		
		Private Sector	Public Sector	Council Share of Public Sector
1946/50	89,200	6.0	94.0	83
1951/55	166,100	7.1	92.9	81
1956/60	132,100	2.5	97.5	83
1961/65	154,300	22.6	77.4	81
1966/70	205,000	19.8	80.2	80
1971/75	165,000	34.7	65.3	77
1976/80	133,800	50.6	49.4	60
1981/85	90,800	70.3	29.7	47

TABLE 2
Tenure Pattern, Scotland (percentage figures)

Year	Owner-Occupied	Local Authority Rented	Private, Rented & Other (inc. H.A.)
1966	29.1	47.3	23.6
1976	33.6	54.2	12.2
1986	41.8	49.6	8.5

Source: BSA Bulletin No. 50.

The proportion of Scottish homes rented from municipalities, New Towns and Scottish Special Housing Association (SSHA), has fallen from a peak of 56 percent in the 1970s to just under 50 percent at the end of 1986. Even now some 22 of the 56 district councils have more than half of their stock in municipal housing. It is not just large cities such as Glasgow, Dundee and Aberdeen (63, 57 and 48 percent respectively) which have large municipal sectors. The smaller districts, at the edge of metropolitan areas which had early industrial growth often now have very large public housing sectors. For instance Monklands and Motherwell with 81 percent and 79 council units, respectively, are extreme but not untypical.

The municipal sector is readily identifiable in any Scottish town or village from Aberdeen to Ardrishaig, not just because public and private sectors have been spatially separate in their development but because of the often distinctive styles and materials used in the council sector. In Glasgow, the largest municipal housing authority in Western Europe, some 75 percent of political wards have 50 percent municipal housing and indeed 50 percent of wards have more than 75 percent municipal units. The architecture, geography and visual environment of much of Scotland's cities and small towns is dominated by this municipal movement. And moving beyond the physical, the scale of council housing has permeated economic, social and political relationships in Scotland. These interactions were so strong and pervasive that criticism of social housing was seen as a wider attack on particular social and economic policy approaches. However these correlations of beliefs, objectives and means of policy no longer hold true, if they ever did. Fifty years of intensive housing policy leads us to the current context where there are now doubts that the state will provide more acceptable housing for low and middle income groups than will the market (appropriately assisted). And even if we are to have a social housing sector it is no longer obvious that its governance should be by municipalities. Recent and soon-to-be-announced legislative proposals seek to curtail the municipal role in Scottish housing provision, both by promoting increased private provision and stimulating the rate of non-municipal housing agencies.

This paper, after setting the context of recent developments in the role of municipalities in Scottish housing policy, Section II, considers a number of key issues related to the proposed shifts in policy. The possible reasons for municipal difficulty are considered in Section III and the case for curtailment probed. Section IV, recognizing that there exists a strong government preference for home ownership growth, considers the possible role of municipalities in a new rental sector for Scotland. Finally, in Section V, the likely influences of new legislation is discussed in relation to possible municipal roles.

DE-EMPHASISING THE MUNICIPAL ROLE

Reducing Roles to 1980

In my view, there has been no clear strategy for British, and therefore Scottish, housing policy since the early 1970s. By clear strategy I mean a set of policy actions in which clear objectives are pursued efficiently by appropriate agencies or individuals.

The municipal growth strategy of the period 1955-75 was, on its own terms, quite consistently developed. The key objective was to build shelter units for as many people as quickly as possible. Central government facilitated this process with specific grants. Pooled rents and costs distorted rent-quality relations but favoured increased output. Development issues forestalled the introduction of management systems and monitoring. Tenants views were not regarded as very important. Such procedures would not now all be regarded as desirable, but they were quite consistent with the objectives of the time. Those building the "welfare state" gave scant attention to how it was to be managed and maintained in the long run.

The Housing Finance Act of 1972 whilst never threatening the role of municipalities, was a coherent attempt to relate income subsidies to household needs, and dwelling rents to dwelling characteristics. Since then, until now, we have had no coherent strategy. Labour wandered along from 1974 to 1979 introducing ad hoc subsidy systems and commencing the housing spending cuts so forcefully implemented by its successors.

The 1977 Green Paper on housing in Scotland did recognize, perhaps a decade too late, that a new pluralistic structure was required for Scottish housing. It was the first Labour document to advocate measures to sell council houses and to assist first time home buyers. Thus it recognized, at least implicitly, that municipalities would decrease in relative importance as providers of housing. On the other hand it suggested new roles. Assisting in the private market, cooperation with associations in rehabilitation and special needs provisions were tasks which gave credence to a burgeoning strategic planning and coordination role for housing departments. Municipal housing planning and enabling roles, it was accepted, would

offset any losses in municipal control or status implied by their reduced share of direct housing provision.

Finance and De-municipalization Since 1979

The first traces of the 1977 Green Paper were barely in place when the Conservative administration of 1979 was returned. Since 1979 there has been a sharp reduction in housing policy spending in Scotland, but until 1985 it is also arguable that there was no clear, constructive housing strategy.

From 1979 to the present, government has been committed to reducing the public sector borrowing requirement and government expenditure. In the period 1979 to 1984 there was a clear anti-housing expenditure stance in government policy which, as is indicated below, had a major effect on municipal housing. At the same time the key thrust in "housing policy" was tenure change, fuelled by transfer of council and SSHA dwellings to owner occupation. From April 1977 to June 1987 some 8.1 percent of Scottish municipal housing stock has been transferred in this way, often with the lowest sales in the authorities with the highest council shares and vice-versa. Clearly this transfer has reduced the municipal role, though notably New Towns and SSHA had disposed of 26.4 and 17.4 percent of their stock in the same period.

An analysis of current and capital expenditure on housing in Scotland does not sustain the continued cutting perspective of the popular press (See Tables 3 to 6). Analysis of real capital expenditure on social housing in Scotland indicates that overall expenditures fell from 1979/80 to 1985/86, with the exception of election years. As estimates for 1988-89 have also risen by 5 percent after the 1987-88 figure, there has, in fact, been a sustained real increase in social housing investment in Scotland since 1984/85, with the Conservative government of 1987/88 spending more than the Labour administration of 1977/78.

Rising social sector investment need not mean increased municipal investment. The figures in Table 3 make it apparent that in the period of housing investment cutback, the municipalities were particularly curtailed, and their share of spending fell from 78 percent in 1978/79 to 58 percent in 1982/83. It is important to stress that this trend has been reversed in recent years. Each year since 1984/85 municipalities have been given an increasing share of a growing programme.

These shifts do not represent a softening of the government's views on municipal competence. Rather it reflects a growing recognition, by central government, of the need to re-invest in and modernize social housing areas. Almost ninety percent of municipal housing investment is now devoted to modernization. To cope with this growing problem (the COSLA estimated

TABLE 3
Gross Public Sector Capital Spending on Housing in Scotland
1977/78 to 1987/88 (Real, 1987/88 prices)

Year	Spending on Social Housing			Indices of AM Council Spending on Housing			
	Total spending on Social Housing (real)		Share of Spend Percent	Indices of AM Council Spending on Housing			
	Amount	Real Expenditure Index		Councils New Towns	SSHA	HC	HRA
1977/78	529	100	72	17	11	100	100
1978/79	573	108	78	11	11	99	81
1979/80	639(E)	121	73	13	14	90	68
1980/81	564	106	70	13	17	78	66
1981/82	496	94	65	12	23	75	85
1982/83	500	95	58	15	27	72	104
1983/84	612(E)	116	69	10	21	83	94
1984/85	482	91	61	15	24	63	158
1985/86	445	84	63	12	25	69	100
1986/87	502	95	63	11	24	80	93
1987/88 ¹	585(E)	111	69	9	21	99	121

(E) indicates Year of General Election ¹ Estimates

TABLE 4
Investment by Social Housing Sectors in Scotland
1983-84 to 1987-88

Year	Distribution of Scottish Spending on Modernisation			Distribution of Scottish Spending on New Social Sector Construction		
	Percent spent by			Percent spent by		
	LAs & NTs	SSHA	HC	LAs & NTs	SSHA	HC
1983/84	66	13	21	59	7	35
1984/85	64	15	21	54	12	34
1985/86	69	11	20	55	10	35
1986/87	71	9	20	55	13	33
1987/88	75	7	18	58	13	20

Source: Public Expenditure to 1990: 91.
HMSO, Edinburgh, 1988.

TABLE 5
The Structure of Revenue Sources in the Scottish HRA

Year	Proportional Source of Revenue			
	Average Revenue	Rents and other payments	HSG	RFC
1977/78	415	52	36	12
1978/79	465	53	34	13
1979/80	579	47	39	14
1980/81	688	50	37	13
1981/82	729	59	25	16
1982/83	758	66	16	18
1983/84	764	71	11	18
1984/85	810	71	9	20
1985/86	826	77	9	14
1987/87 ⁽¹⁾	861	83	7	10
1987/88 ⁽²⁾	892	88	6	6

⁽¹⁾ Estimated ⁽²⁾ Projected

Source: COSLA

TABLE 6
The Growth of Rents and Incomes in Scotland and England
(1977 = 100)

Year	Real Scottish Rents	LA Rents Normal	Average Gross Weekly Earnings	Rent as percent of Average Earnings	RPI		
	Scotland	E&W	Scotland	E&W	Scotland	E&W	
1977	100	100	100	100	6.1	8.3	100
1978	104	111	106	114	5.9	7.7	108
1979	104	122	116	129	5.7	7.3	126
1980	103	146	147	153	5.8	7.9	146
1981	119	191	205	173	6.7	9.9	163
1982	127	224	242	188	7.3	10.7	174
1983	130	245	252	203	7.3	10.2	183
1984	130	260	264	217	7.3	10.0	192
1985	137	287	280	235	7.4	9.8	202
1986	145	323	294	251	7.8	9.7	208

required modernization cost for the social sector in Scotland is in the range of £7-10 billion) government has increased municipal spending permissions.

This respite may be temporary. Until 1988 SSHA and the Housing Corporation have acquired municipal units for modernization on an ad hoc basis and only with municipal agreement. These agencies were therefore only able to invest limited amounts in previously municipal stock. Urban policy proposals for Scotland, which are in the infancy of their implementation, envisage much wider transfers of municipal stock to other agencies and the private sector. This issue is discussed further below, here we note that if 'Scottish Homes' is successful we cannot expect that real municipal housing budgets will continue to increase in scale.

Central government has also, in an important structural shift, de-municipalized revenue sources in the Housing Revenue Account (see Tables 5 and 6). Real rent increases for council stock are indicated in Table 6. With reduced Housing Support Grant from 1980 onwards, many councils matched subsidy cuts with a combination of rent increases and increased subventions from the Rate Fund. Since 1984/85 comments on Rate Fund spending have reduced the RFC from 20 to 6 percent of current expenditure.

The figures in Table 5 are often used, it should be emphasized *incorrectly*, to suggest that council housing subsidies have fallen sharply since 1980. This deduction is nonsense. Housing benefit now pays 60 to 75 percent of rent increases in Scottish local authorities and, indeed, subsidies arising from historic cost accounting procedures have grown in value over time. The fact that the rent to income ratio has only risen from 6.1 to 7.8 percent over the decade would tend to suggest that real net subsidies may not have altered significantly.

Housing Planning in Retreat

The beginnings of a more pluralistic social housing sector and the cutback environment did not greatly stimulate the planning/enabling role of all Scottish municipalities. Some authorities were hostile to associations, and the Housing Corporation was hardly systematic in the spatial development of its programme across Scottish authorities. Indeed by 1988 an Institute of Housing (IoH) report indicated that only half of Scottish authorities felt that they had developed a "working together" approach with other social housing investors. In most cases cooperation was relatively token in nature.

A review of Scottish Housing Plans by the Centre for Housing Research (CHR) in 1985 also indicated that most were short, bidding documents which provided no analysis and little hard information. Aside

from a few notable authorities which prepared well argued plans, such as Glasgow or Gordon District, municipalities were stupid enough to give the government what they asked for.

As an outside, albeit interested, observer it has never failed to amaze me that Scottish housing authorities were never prepared to put a well researched, incontrovertible case for their programme to the Scottish Office. Instead political statement and a few crude figures have driven the reaction against government policies. If it were not for the fact that so many poor Scots live in bad council housing, it would be laughable that in 1985 Scottish local authorities began to argue for a Scottish House Condition Survey. Why, if municipalities have been large scale providers since 1890, don't authorities keep property records? Why do fewer than 20 percent regularly inspect their stock? Why do they not have property record files on repair and disrepair? If authorities were good, caring landlords why did they not already know the conditions their tenants resided in?

It is only in a particularly incompetent or self-deluding industry that 25 years of self-neglect can form the basis of an anti-government campaign. Of course we should have a Scottish Housing Survey, though not like EHCS, but it should not be imposed from the centre but aggregated up from below. Local authorities have to demonstrate an interest in and commitment to strategic and resource planning. The 1980's experience of housing planning in Scotland suggests that central government would be unwise to adopt the view that when municipal management is poor that local authorities should retreat to an enabling, strategic rate. These roles require vision, resources and a good understanding of management. Poor managers may be even worse strategists. We return to this point below.

The Evolving Context

Against this background of shrinking policies and perceptions the Scottish housing system has continued to evolve. On the positive side, over the last decade, more people now live in their preferred tenure, the level of dwelling amenity has improved and the vast bulk of Scots are satisfied with their generally improving homes.

The problem of the last decade has not been falling or slowly rising averages. Rather it has been increasing dispersion around the means. Clearly there is a problem of low income access to rental housing, the numbers of homeless have doubled, needs provision estimates for a range of client groups greatly outstrip present provision and housing and neighbourhood conditions have sharply deteriorated in, say, the bottom 20 percent of the council stock. In spite of still extensive housing subsidies (properly measured) and new targetting measures, it is still the poorest households who receive least effective support from the state. This outcome, in part, reflects the way in which municipalities allocate, price

and manage the scarce housing resources provided to them. Recent developments in Community Charge legislation and social security reform which have potentially damaging impacts in poor, rundown estates do not absolve central government of all responsibility for the difficulties in these areas.

Reverting to housing issues, the next section summarizes the causes of the present disorder in many, but not all housing departments.

PROBLEM EVOLUTION IN COUNCIL HOUSING

The remaking of areas council housing has become is the key policy issue of Scottish housing since 1985, perhaps a decade late. The changing context has placed growing demands upon management services. As in England, council vacancy rates increased into the early 1980s but have more recently declined. Rates of rent arrears have doubled since 1980, with the Scottish pattern broadly similar to England outside of London. Repair requests, according to 1985 research evidence⁽¹⁾, had increased by an average of one third between 1980 and 1985. At the same time analysis of 1981 census data indicated that the most deprived small areas in Scotland were no longer in older, private neighbourhoods (as in 1971) but in council estates.

The critical issue for Scottish council housing is that rising service demands and deteriorating conditions are usually concentrated into neighbourhoods containing the poorest households. Such locations whilst being most evident in the large cities are by no means restricted to them. Paisley, Perth and Hawick, for example, have all experienced such difficulties.

As noted in the previous section, critics of government policy have argued that council house sales and reduced Housing Support Grant (HSG), with consequent rent rises largely created these difficulties. These arguments are open to doubt. From 1979 to 1986, the Scottish public sector sold around 100,000 units, less than 10 percent of the stock. As most purchasers were middle aged households, often in middle-to-better quality properties, it is unlikely that these houses would have been relet during the 1980s as these groups have particularly low mobility rates. Sales receipts have been available for reinvestment and by the mid 1990s, when the relet effects would have been occurring, shortages of council housing may well not exist. Of course in some smaller, usually rural areas, their negative relet effects are more obvious at an earlier stage. Sales of council houses have so far, had little influence, positive or negative, on the key problems of Scottish council housing.

The difficulties now faced in Scottish council housing, albeit that capital expenditure restrictions have limited the extent of their removal,

arise from at least three long term processes. First, council housing has matured adversely. Not only has there been a failure of municipalities to maintain housing stock adequately, and this problem dates from the 1950s and not the 1980s, but relatively new, non-traditional stock has deteriorated at alarmingly early vintages. The physical environments of these areas have matured adversely in the last two decades and dissatisfaction with housing conditions is also highly correlated with neighbourhood dissatisfaction. As residents had little direct involvement in estate design and management, and, of course, have no equity share in dwellings, the external public spaces in public schemes have often fallen into a cycle of disuse and then misuse. Indeed surveys of tenants usually indicate that vandalism, petty crime and inept environmental improvements are the three main sources of irritation in their lives. These were management issues ignored for too long, and indeed the postwar public sector has, for four decades, seemed oblivious to the research observation that the demand for higher quality housing and environments increase with income.

The families who entered the public sector in the boom periods between 1955 and 1975 have also aged and a disproportionate share of those left behind are elderly and single person households. Council housing has become primarily a tenure for the elderly. In Glasgow, for instance, more than half of tenants are over the age of 60, though in general the elderly live in the better council areas. Because of the pricing system, more than a third of these households still live in the house to which they were first allocated when they entered the council sector. At present there is a gross inefficiency in the use of council dwellings with elderly households often living in larger, better quality council houses with younger, poorer families living in overcrowded conditions in the less populated areas.

Much of the public policy debate in housing has argued for better, appropriate housing for the elderly. Of course high standards for all the elderly are laudable. But these standards should not be achieved at the cost of families with children, especially the children of single parent families. We are in danger, perhaps for the first time in half a century, of offering a declining quality of life to children in housing schemes. Infant mortality is actually rising in some areas, Scottish fitness standards of children are low and falling, more smoke and use drugs than ten years ago and educational performance in the most deprived areas is abysmal and reportedly deteriorating. Low housing quality and no prospect of a job is the expectation not the exception for "Jock Thompson's Bairns" in the 1990s. The youngsters of Castlemilk have, now, more in common with those of Northeast Philadelphia, Les Minguettes etc. than with those of their parents only 20 years ago. And worst of all, the housing schemes are becoming self-absorbing systems. In Glasgow's big schemes, 80-90 percent of net new lets go to existing scheme residents forming new households. Such households are generally unwaged and unmarried. We need a housing

policy for the young, just as much as the elderly.

The second related process is that these areas, whilst the absolute levels of real council incomes increased into the 1980s, became relatively poorer over time. Aside from the fact that elderly tenants had no stored-up housing asset with which to trade down and extract capital as they aged and retired, the working age population were particularly susceptible to the general increase in unemployment from the early 1970s onwards. Those who would argue that a "dependence culture" is a cause rather than a consequence of neighbourhood decline, would do well to note that the majority of non-elderly adults who are now benefit "dependent" in Glasgow were active in the labour force in the 1970s. Taking the unemployed and the elderly together only one council household in three in the city has an adult in employment. By implication, these social housing areas would still be problematic even if the overall unemployment rate in Scotland were returned to the low levels of the 1960s.

The third process operating is what is often referred to as residualisation and, in Scotland, it is the least important of the three. As areas decline in physical quality and as their residents become relatively poorer they become unattractive to households with any degree of choice. As a result, the poorest areas attract only young unemployed households, jobless single persons and single-parent families in particular. Longer-established council tenants are offered better council housing, or they can wait for the right offer, and younger households with incomes enter the owner-occupied sector. In the longer term, sales policies can aggravate this problem.

SHOULD COUNCILS REMAKE RENTAL HOUSING?

It is now obvious, including to the Scottish Office, that a major reinvestment programme is needed. What is less obvious is whether councils should be the main reinvestors or whether different forms of socially oriented housing landlords, such as associations, co-operatives and trusts should have this major responsibility. This judgement must be based upon an understanding of whether the management capacity or style of councils has improved over the last decade and whether they can operate effectively at the localized scale required for the revitalization of housing and communities.

Although there has been no systematic review of the effectiveness of housing management in Scotland (as there has been for England and Wales between 1985 and 1987) there are some signs that the structure and style of management in Scotland is now changing.

A recent review⁽²⁾ suggested that around three-fifths of Scottish housing Departments have an integrated structure. Smaller, rural councils,

as in England, often spread housing functions to different departments and may not have a "Director of Housing." The reorganization of local government, with housing as the predominant District level function, and the 1980s demise in the power of "planning" departments have often placed the Housing Department at the centre of Council activities.

If "integration" has proceeded apace with England, decentralization of housing management provision is less marked. Some 40 percent of Scottish councils, once again the smaller councils, operate from a single main office. Only a fifth could be said to be operating a decentralized form of management and even in these authorities the frontline management units may be large. For instance, Glasgow regards itself as decentralized, but the average office size is greater than the average size of council housing Departments in England! Small may be beautiful, but it is also a relative term. Allocation, repair provision and rent accounting are the commonly decentralized services.

Almost all decentralized authorities are also extensively computerized. In 1975/76 no Scottish authorities used computers for management purposes. The recent Scottish survey, by JS Aboud, indicated that by 1986 some 80 percent of authorities used computers for rent accounting and housing benefit administration, 45 percent of the organization of jobbing maintenance but only 20 percent for allocation tasks. This latter figure is surprisingly low. However, few Scottish Authorities had developed an integrated computing system capable of adequately serving local or decentralized offices.

Regarding the details of the provision of key services, again Scottish authorities were broadly similar to patterns in England. In the area of allocations policy, points schemes of various kinds were operated in three-fifths of authorities, in contrast to a much smaller proportion in 1976. A further third operated variants of date order schemes and less than 5 percent used policies with officer or councillor discretion as the key consideration. Over the last decade councillors have been removed from day to day involvement in housing allocation in Scotland. More recently, especially in Glasgow, there has been a growing debate as to whether control of allocations policy should be devolved to local area groups including tenants.

Regarding maintenance provision, Stanforth et al indicated that, in common with England, less than a quarter of councils have a clear planned maintenance strategy for their stock. A variety of approaches to response maintenance provision existed. More receipting, better training of staff, increased inspection levels and decentralization were all seen as key requirements for improving the service. Cost effective providers often had large scale usage of Direct Labour Offices (DLOs), as is the case in England, but a worrying place-to-place variation in service administration

costs was noted.

Rent collection services in Scotland are more centralized than in England. Three quarters of councils rely on rent collection at offices and only 10 percent use door to door collection methods. Rent payment periods are broadly similar to England with a quarter collected monthly and 40 percent weekly.

There has been no attempt to assess the effectiveness of management of these policies in Scotland. But existing approaches are not entirely consistent with what is widely regarded as good practice. Glasgow is often described as a forward-thinking landlord but in that city three quarters of tenants are dissatisfied with the repairs service and more than half of tenants have expressed an interest in organizing their own repairs. Research has also claimed that the council's allocation policy exacerbates small area social composition problems. And centralized rent collection is generally associated with higher rates of rent arrears.

Compared with the efforts of the Audit Commission, and Department of the Environment (DoE) in England, the Scottish Office have done relatively little to review or reinvigorate housing management practice in Scotland. An exception to this general statement is in the area of tenant participation. The 1980 Tenants' Rights (Scotland) Act extended to tenants new rights concerning succession and consultation in relation to tenancy agreements. Scottish tenants did not gain, in contrast to England, the automatic right to consultation regarding a broad range of housing management matters. However, two other aspects of Scottish Office action did boost tenant involvement. First, in 1980 the Tenants' Participation Advisory Service (TPAS) was set up under the guidance of the Scottish Council for Social Services. TPAs and related measures appear to have had a considerable impact since 1980. In 1980 few authorities had a formal participation policy, there were no housing officers with specific participation responsibilities in the field and there were around 300 tenants' groups and only one Tenants' Federation, in Glasgow. By 1986, 22 of the 56 landlords had a formal tenant participation policy and only 4 had explicitly rejected this management style. The number of tenants' groups has grown to more than 1,000 and there are now 16 Tenants' Federations, generally in larger authorities.

The shift toward management styles and structures involving more and more tenant action, has also been reflected in Scottish Office advice encouraging the formation of tenant management and ownership co-ops. And, in Scotland, much of the current repute of the housing association movement has been earned through their participative approach.

In Scotland, in 1988, no one now doubts that remaking social housing areas and in the process involving tenants is the key priority of Scottish

housing policy.

Desiderata in the New Order

There seems to be a number of key desiderata, on the part of central government, regarding the agents to undertake such change. First, does the organization provide levels and qualities of service which are consistent with customers preferences? Secondly, does the consumer have the facility to be consulted or involved in management as well as invest in management decisions? Thirdly, are the service bureaucrats locally accessible and involved? Fourthly, is the organization committed to keeping costs under control, consistent with good service delivery, and in order to do so, is it prepared to contract out services? Fifthly, is the organization amenable to facilitating the shift of units and households to owned tenures? Sixthly, is there a commitment to economize on public finance? Finally, will rents reflect dwelling quality, insofar as this is consistent with client group affordability?

Some councils, in at least some of their stock, may already be implementing such desiderata, but many will not be. Even more would resist such changes, and in these cases municipalities cannot probably expect direct government support. The real question is whether or not housing associations in Scotland can, with stock transferred to them, accept an expanded role.

Recent research in England suggests both large regional associations (of which there are no equivalents in Scotland, except perhaps SSHA) and small associations provide quality services, involve tenants and are locally accessible. And some have stimulated low cost home ownership and equity sharing schemes. However many small associations are high cost, many larger ones fail to capture economies of scale and the use of private finance is only now growing. As in England, the average association spends almost twice as much as councils on management. Associations are better service providers, but at a higher cost. The design of legislation to transfer management does, in theory, leave this choice open to tenants. Government has been correct not to back a single tenure or organizational form for remaking Scottish housing. There is little expectation that proposed changes will produce any long term result other than the de-municipalization of social housing. There is evidence from Canada, Sweden, France and the Netherlands to suggest that good social housing is a function of good design, realistic pricing, targeted subsidies and good management and not on specific municipal forms of provision. Our recent experience of municipal housing in some parts of Scotland is enough to suggest at least a partial de-municipalization of social housing.

MUNICIPALITIES AND THE HOUSING BILL

There is little doubt that the 1988 Housing Bill contains measures which could fundamentally change rental housing provision in Britain and in favourable ways. Whether or not it will do so depends upon the way in which Ministers select the specific measures and provisions, for instance the HAG rate, to achieve the broad objectives of the Bill. For unlike many legislative statements forming British housing policy, the 1988 Bill was long on important ideas and principles and very short on particular measures.

Equally, in relation to 'Scottish Homes', as the location, staffing, budget and style of this organization are yet to be determined, it would be unhelpful to speculate on the details of its future operation. However this section sets out key tasks which, as well as existing SSHA stock and association activity, will confront 'Scottish Homes' into the 1990s. The 1988 legislation discussed in this paper should be regarded as an experiment, with the terms and location of the trial as yet to be determined. In broad terms, the experiment is concerned to increase the scale of private investment in rental housing (private and social tenures alike) and to upgrade the housing and neighbourhood qualities of rental areas. Although the renewed interest in rental housing, which dominated discussion of the Bill, is to be welcomed, it is important to bear in mind that government still regards further expansion in home-ownership as its key housing objective, especially in Scotland.

New Private Renting?

The private housing sector is both now small (6 percent of households) and still declining in scale, even if the furnished letting sector in Scottish cities appears to have stabilized in scale in the 1980s. Critics with a free market orientation are right in identifying rent controls as a deterrent to new investment and, therefore, as contributing to the decline in scale and quality of the sector. However they would be wrong to suggest that controls were the sole or main source of decline since the 1960s and that their removal will provoke a sudden burgeoning of market rented housing. For most British households long-term housing solutions are provided by the owner occupied sector, reflecting taxation arrangements, financing systems etc., or the social rented sector, usually where income levels preclude access to owner occupation.⁽³⁾ Government does not wish to prioritize renting tenures ahead of owner occupation (given its wider "property owning democracy" ethos) and it is not at all clear that, even if there were to be more generous Housing Benefit levels, private lets are a desirable solution for low-income "family" housing.

There is, however, a case for liberalizing private rental housing in order that it might play its "specialized" housing tenure role more effectively. The 1988 Act adopts this argument for deregulating rents on

new lettings and moving away from the Fair Rent regime. New lets will have rents agreed between tenant and landlord and security of tenure will be either on a shorthold or assured tenancy basis. The key advantage of private rental housing is that it has low entry and transaction costs for residents. The tenure is potentially useful for those who know that they will shortly be moving again or those who are uncertain about future housing requirements. Mobile households of all ages, couples living together prior to selecting a longer term residence, temporarily relocated employees, etc. all constitute potential markets. Demand is further diversified by households with relatively limited short term access to capital, such as young singles setting up home for the first time or the recently separated or divorced.

Much of this demand is presently met by the furnished rental sector and although as many as two-thirds of such lets are already made outside the Rent Acts, there are obvious signs of shortage of such accommodation, particularly for good quality apartments. These patterns suggest, in the foreseeable future, that deregulation will neither greatly increase rental supply nor will there be a significant increase in rents vis-a-vis housing prices in general. The new landlords such as Quality Street and the Business Expansion schemes, initiated by solicitors in Glasgow, are likely to find a profitable but unlimited niche in providing central city, quality lets for young mobiles and singles.

Calls for a more generous tax regime for rental housing to extend the middle income rental market are unlikely to receive Treasury support. The eligibility of private rental schemes for Business Expansion Schemes, tax concessions announced in the 1988 Budget, are likely to mark the full extent of such concessions. A general tax break for landlords would largely mean competition with tax-subsidized owner occupiers. Wasted tax expenditures and higher land and housing prices, especially in the more pressured and popular area where such schemes appear to be most widely advocated, are the likely outcome. Such effects would be less pronounced if landlords received tax subsidies to upgrade existing properties or convert derelict or commercial properties into homes.

Looking further to the future, demographic patterns are not now greatly conducive to a marked increase in the stock demand for private rental housing. The unfurnished relict will literally die off. A more promising market for private landlords may be to induce the growing elderly population, and particularly the post 75s to release capital by selling to responsible landlords and leasing back. Such a market would be curtailed, of course, by any major growth in maturity lending. None of these changes in private rental provision seriously threatens the role of municipalities.

Transfers and Municipal Housing

Although a large scale expansion of private renting seems unlikely there is some prospect of expansion in direct private investment in stock transferring away from local authority ownership and thus facilitating de-municipalization. The legislative proposals of early 1988, whilst in no way discouraging individual right-to-buy sales, contained the radical proposal that council tenants should be allowed to select an alternative landlord. Stock transfer proposals came to be regarded in a number of different ways. Many critics saw the measure as being driven by central government's continuing pressure to curtail the role of local government. And many argued that 'privatization' was the key theme. There is no doubt that transfers could reduce municipal roles in the housing field and tilt the balance of ownership and provision tilt from public to private sectors.

There is another possible interpretation, namely, that the government attack is aimed at monopolies rather than council status per se. Council monopoly provision in the low income sector could produce low quality services. Naturally, some right wing commentators believe this to be true of all councils. Interestingly, major speeches by Mr Rifkind (Secretary of State for Scotland) have made it clear that efficient councils, meeting their tenants' aspirations, would be little influenced by transfer activity. Certainly, from the housing analysis standpoint it is difficult to see how competition or potential competition in social rental housing provision, if adequately supervised, could have an adverse effect on tenants. In due course it could also be argued that tenants should be able to transfer to councils and away from other social landlords if tenants prefer such solutions. The pick-a-landlord proposal is then, potentially, a rapid route to a more pluralistic social rental sector. There is no inevitable connection between good social housing and municipal ownership and provision. Nor indeed are social housing slums the preserve of municipalities, and government should note this for the future – changes in ownership will not solve all of the key issues in rundown estates.

If there is a case for the general principle of pick-a-landlord, it is still possible to be less than convinced that the proposed implementation strategy is adequate. In England, during 1988, more than 100 local authorities, many of them rural authorities or authorities with a council stock of less than 5,000 units, approached DoE, the IoH and potential alternative landlords to discuss the possibility of transferring stock. Voluntary municipal interest of this kind appears to have been on a much smaller scale in Scotland, with no more than four or five authorities making such plans.

As yet there have been few approaches originating from tenants groups in either Scotland or England. The Housing Corporation are to be

charged with promoting and approving alternative landlords in England. 'Scottish Homes' and 'Homes for Wales', the new quangos constructed from existing organizations to promote new rental sector policies, will have these responsibilities in Scotland and Wales.

If pick-a-landlord is to operate pervasively in Scotland, 'Scottish Homes' will have to counter quickly the active and vigorous campaigns of opponents, who are out in the estates on a day-by-day basis, and which are sometimes fuelled by fear rather than fact. Recent research shows that less than 1 percent of council tenants know what a housing association is, that less than 10 percent of tenants will undertake participation to change their areas and that pick-a-landlord is perceived as 'a return to the private landlord'. Many older tenants in council housing suffered costly indignities at the hands of private landlords for decades. They will stick to the 'devil they know' unless the alternatives are promoted locally and clearly and continuously. How will 'Scottish Homes' do this? Will it create incentives for associations to promote transfers or create co-ops from municipal housing? If associations follow this route, will the smaller, high-cost associations adapt their management systems to cope with change, will they lose their caring reputation if they grow markedly in scale? Financial inhibitions to transfer are considered further below.

Transfer votes for a potentially transferring area, are to be organized independently but paid for by the new potential landlord. A majority of tenants have to vote against the transfer proposal for it to fall. That is abstentions/non-votes count as 'yes' votes. Government may have been better to stick to basic democratic principles on this issue and to have devised a more intensive promotion strategy.

Obviously tenants will not transfer solely on the issue of service quality of municipal/anti-municipal ideology. They will be concerned with tenants' rights, their security of tenure, rents and future rents, opportunities for involvement and prospects for modernization. The Government, after much internal discussion, came to the view that tenants in transfer schemes would not have a 'Social Housing Tenancy' but rather rely upon selecting the contractual terms of assured tenancies. This decision, may demonstrate a lack of understanding of how many tenants perceive such issues – if they have a complaint or grievance they will generally prefer to visit their councillor or area housing manager rather than have recourse to lawyers and contract enforcement. Such a view pays scant regard to the income and indeed educational levels which now prevail in many of our worst housing estates. In the absence of Social Housing tenancies, securing customer confidence may take a long time and much patience on either side.

The prices at which estates transfer will be critical in determining the attractiveness of transfer. Currently it is proposed that 'tenanted' values are set but clearly this is an area for much dispute where councils are hostile to

transfers. Naturally, central government can encourage stock transfer through finance and subsidy systems. As long as central government controls overall housing capital spending, it may shift potential modernization resources from councils to other investors through 'Scottish Homes'. However, major changes in capital grants to housing associations (see below), could compromise the potential rate of transfers. In autumn 1988 the Government produced its consultation documents for housing revenue accounts and capital spending. These papers suggest quite major changes which could increase council rents and discourage rent pooling, all of which facilitate transfer policies.

There is now a potential for a major reorganization of social housing in Britain. Poor promotion and conflicting financial decisions could compromise such changes. And where changes do take place, care will have to be taken that competition continues and we do not see the formation of new, local and non-municipal monopolies. In general growing pluralism will not mean extensive privatization. Private landlords such as 'Quality Street', are not likely to have access to higher modernization subsidies than associations and co-operatives (in my view they should have equal subsidy rights if competition is to be tenure-neutral) and they do have a requirement to make a surplus. Unless private landlords are going to be more efficient than social landlords by a considerable margin they will not be able to compete extensively.

Housing Association Finance

Housing associations, in spite of their past and likely future dependence of public subventions, are now to form an "Independent Rented Sector" along with Private Rental Housing. This grouping makes no real sense, but let us leave aside the labels and examine the substance of the movement. There are more than 180 associations in Scotland, providing homes for more than 50,000 households. Aside from a few large national associations they have been accustomed to operating on a small, often local scale, building houses and rehabilitating homes with the support of communities and municipalities. Most have little experience, in recent years, of fast growth and of coping with local political hostility.

Housing associations, as a number of recent studies have shown, do not now constitute a "privileged" sector of social housing provision. Their resident populations are as poor as council tenants, unemployment rates are similar and age structures are not dissimilar. As associations mature, some of them are also showing some signs of inadequate maintenance, serious mismatches of stock size and household type and symptoms of wider neighbourhood deterioration. Set beside this, however, the majority of associations have achieved impressive levels of customer satisfaction. Rent levels approximate those of authorities, although capital grants (HAG) have commonly financed 80 percent (and more) of development

work. As indicated above, associations, apart from lower cost regionals/nationals, are good but expensive managers. It is not surprising that government has often chided councils to aspire to the service performance levels of associations (at least on most management indicators). But government advocacy of the virtues of associations has peaked, just as a new financial regime for associations is being devised. Government discussions of associations, throughout 1987 and 1988, stressed that neither capital grants (HAG) nor current subsidies (RDG) and external rent setting encouraged efficient resource use. In general the marginal additional costs of capital projects fell upon HAG expenditures rather than rents or association surpluses. External rent-setting and the clawback of surplus revenues (Grant Redemption Fund) meant that associations had minimal incentives to economize on current spending until allowance levels were reached.^{(4), (5)}

If government were correct in the identification of these problems there are fewer grounds for being convinced by the proposed solutions, particularly in relation to capital grants. Private finance, whether raised by individual associations (expensively) or the Housing Finance Corporation (less expensively through economies of scale and expertise), can only be raised where investors are satisfied by investment returns and risk prospects. The value of existing housing as an asset base against which to secure further borrowing is a concept which has gained a fresh currency since 1987, and major finance institutions are showing a renewed interest in funding housing in the rental sector. Even if the security of the asset base reduces risk, rates of return still have to be earned. Early "mixed funding" schemes in England were financially viable through a number of ad hoc financial adjustments. Land and property was made available to associations at below market values, some subsidized new investment from existing surpluses and assured tenancies allowed rent levels above "Fair Rent" levels. Clearly such ad hoc arrangements could not underpin a major expansion in private financing.

To secure more widespread use of private finance, government has proposed that HAG levels be reduced and rents increased. Scottish housing associations are now expected to have an average HAG level of 75 percent, some 10 percent below those of 1987. Where schemes contain at least a 50 percent share of private money the government will class this proportion of investment as "private"; if the private share is less, the whole project will be regarded as public (as the public sector will be regarded as bearing the investment risk). Associations could choose to build upmarket schemes with low HAG rates, say in rehabilitation activity competing with grant aided private landlords (whose investment is all regarded as "private" even with 50 to 75 percent improvement grants)! These could then be "mixed" with schemes for more traditional client groups. Naturally if HAG is reduced rents will rise, even if major economies in management and maintenance could be secured, and the proposed HAG reductions are

likely to increase rents by 50-100 percent on new projects.

At this juncture the exercise becomes frustrating for central government. A series of surveys, albeit that none of them recorded income levels in the exhaustive but expensive fashion of government surveys, has revealed that almost two-thirds of association tenants in Scotland and England alike receive Housing Benefit and for those in employment wages are sufficiently low that more than half of tenants in employment would have rent to income ratios in excess of 30 percent in the new financing regime. It might have, in retrospect, been easier to stretch association finance if a revised (correct) conception of "public" spending had been adopted by the Treasury and some of Hill's suggestions on index linked financing has been adopted. As a result of these proposed changes, government now faces some very difficult choices. If HAG rates are reduced with no change in Housing Benefit arrangements associations and their tenants will face considerable difficulties. And if these difficulties are severe, there is little prospect that associations can become the new landlords for disintegrating council empires. If that is the case the bold conception of the 1988 Bill will not give birth to a new order for social housing in Scotland.

CONCLUSION

During the next decade we are likely to see a marked reduction in the role of municipalities in the Scottish housing system. Home-ownership growth will continue, transferring households from municipal to private sectors. Investment in social rental housing will be aimed at upgrading the quality of the sectors rather than expanding its role. To the extent that modernization capital is channeled via non-municipal agencies and that council tenants pick alternative landlords, then the municipal role will diminish.

The pattern of response will differ from area to area but the management systems and financial structures of council housing will have to be altered markedly if councils are to compete. Local authorities will have to upgrade their performance as housing planners if they are to be regarded as the key strategic housing planners.

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