

CONSULTATION ON REVIEW OF THE CROFT HOUSE GRANT SCHEME – RESPONSE FORM

Q1 – The Scottish Government proposes to replace the 3 present Geographical Priority Areas with 2 new areas. These new areas are suggested to be the Island and Non-Island Areas used for Common Agricultural Policy assistance. Do you have any comments on this proposal?

We find this in general to be an acceptable proposal, which is clear and simpler to understand than the previous scheme.

However, in having a simplified scheme there will be areas where the assistance offered is insufficient to incentivise crofting. For example, from our experience working with crofters in the Highlands and Islands, we could argue some mainland areas, such as parts of Wester Ross and North West Sutherland, are as disadvantaged as some of the islands, in terms of contractor availability and cost of works. This variation between mainland areas is not wholly represented in the proposed change: areas which are more disadvantaged in terms of contractor availability and cost of works should be included in the Island area.

Other considerations in remote or less popular areas are the limits on mortgage funding and cash flow implications. The valuation of the house plot and the valuation of the finished build have a bearing on mortgage amount obtainable.

Q2 - The Scottish Government proposes to increase the levels of assistance to £28,000 and £23,000 for the proposed new high and standard priority areas. This represents a significant increase in the available assistance and also future proofs that assistance. Do you have any comments on this proposal?

The increased level of assistance is a welcome incentive, as is the uplift for the islands.

However, the increase in build costs over the lifetime of the current scheme has increased disproportionately from the increases being proposed. A report carried out by Scottish Crofting Federation (SCF) of the 2008 review found that support had dropped from 82% of build costs to 14% and build costs were continuing to rise. (SCF, 2008 <http://www.crofting.org.uk/uploads/news/grant-review.pdf>)

The £5,000 differential is just sufficient to cover the cost of transporting materials to the islands.

Future proofing the scheme would require regular reviews of the levels of assistance to match increases in build costs, along with assessments of the impact of the scheme.

Although an increase in funding would help incentivise crofting, the level of funding offered doesn't necessarily allow a crofter to build – other issues relating to building

a croft house are the ability to secure a mortgage, find sufficient deposit funds or manage the cash flow during the build. Ultimately an increase in grant reduces the need to borrow, and the higher the rate can be, the more accessible building becomes.

In our opinion, a loan scheme would reduce the need for a commercial mortgage and further allow more crofters to build. However the previous loan scheme (Crofters Building Grants And Loans Scheme) was expensive to administer as noted in the 2003 consultation review of the crofters etc Building Grants and Loans Scheme (CBGLS) 2003. The general view at the time when it was abolished was that it was more efficient to offer a higher grant. Therefore, alternatives could be explored/developed to utilise existing loan options such as Rural Housing Burdens or Rent to Buy options.

Q3 – The Scottish Government considers that the costs of making improvements to housing is broadly similar irrespective of location; and therefore proposes to standardise the assistance offered to a maximum of 40% of the proposed £28,000 and £23,000 in the new geographical areas. Do you have any comments on this proposal?

We disagree that the costs of making improvements are similar.

It is assumed that the £28,000 and £23,000 respectively relate to the maximum grant award available.

We believe that a higher percentage of grant should be available to the islands.

Setting a 50% grant up to £28,000 and 40% up to £23,000 would broadly allow a similar amount of total expenditure.

Q4 – The Scottish Government shall continue to fund construction or improvement of houses appropriate to the immediate, or near future needs, of the applicant crofter household; with the requirement that all new houses, with rare exception, should have no fewer than 3 bedrooms. Do you have any comments on the continuation of this policy?

The requirement to have a minimum of three bedrooms places an additional financial burden on those who do not require the extra space, in terms of build costs and running costs (energy consumption, council tax, water use etc). Therefore, the requirement for 3 bedrooms should be removed. If subsequent occupants required additional bedrooms, one solution might be to allow use of the improvement grant.

A smaller house, in some instances, may be more aesthetically sensitive to the site.

Q5 – The Scottish Government proposes to offer no assistance towards the construction of a 3 bedroom house costing more than £170,000. The Scottish Government also proposes that an additional £15,000 will be added to the cap for each additional bedroom required in a house to meet the immediate, or near future needs, of the applicant crofting household. For example, no assistance would be offered to a 4 bedroom house costing more than £185,000 or to a 5 bedroom house costing more than £200,000. Do you have any comments on this proposal?

In principle, a cap on expenditure is a favourable way of restricting project expenditure without means- testing. However, there are several issues such as the high cost of building in remote islands, the implications of self-build mortgages and the constitution of the 'construction cost'

The rate of £170,000 appears light, especially considering that self-build mortgages often require applicants to employ a main contractor rather than follow the more cost effective route of employing separate trades.

There should also be the option to make a case for ignoring the upper limit if the average cost of a regular three bedroom house in the locality exceeds the limit. An example of this would be on the outlying Shetland isles such as Fouya, Fair isle or Fetlar where £170,000 would be insufficient to build a three bedroom house because of the additional transportation and build costs.

Linking the cap to published average build costs would prevent unintentionally limiting size or quality of the build.

The suitability of the £170,000 cap furthermore depends upon the extent of the works it is intended to include. It is unclear for instance, whether or not internal fixtures and fittings are included as part of the expenditure; their inclusion or exclusion would have a significant bearing on the overall cost of a build. In its current format, the proposal appears open to abuse.

Q6 - The Scottish Government proposes that non-implementation of business plans will, in future, become a condition of grant that, where breached, may lead to action to recover grant amounts. Do you have any comments on this proposal?

We agree with this proposal as it helps to link the croft house to management of the land.

We suggest that there should be a template for business plans which would make the application and assessments processes easier to interpret.

All applications should be inspected by local Scottish Government staff to ensure there is crofting activity and that plans are being implemented. Consideration should also be given to the fact that plans can alter and so inspections should ensure there is an appropriate level of agricultural activity. The Single Application Form and other records could provide sufficient information on crofting activity for this purpose.

Q7 – The Scottish Government proposes to offer CHGS assistance on the construction of croft houses on land adjoining the croft, or adjacent if there is no adjoining land. Do you have any comments on this proposal?

This proposal would permit crofters to decroft a prospective house site in advance of the application for CHGS. This would be a welcome improvement to the scheme as it would reduce the number of processes which are time limited, such as application to CHGS, Croft Registration and decrofting, before application for a mortgage.

Q8 – The Scottish Government proposes to offer CHGS assistance for the improvement of houses whose historical link to the croft has been removed by decrofting. Do you have any comments on this proposal?

We agree on condition that the house is the principal residence of the crofter.

Q9 – Do you have any comments relating to other aspects of CHGS that you would like the Scottish Government to be aware of?

Claim timescale

The timescale between approval and claims should be extended to allow for: decrofting of a site; Crofting Register; mortgage approval; securing a builder; and seasonal variations in weather.

Increase stage payments

More stages should be available in order to submit earlier claims to aid cash flow. The valuation of the plot has a bearing on cash flow as initial mortgage borrowing is restricted to a proportion of the value of the plot. Therefore, a low plot value could restrict borrowing ability to the extent that the first stage of a build is unaffordable. This is especially important in the islands where plot values are lower.

Loan scheme

Obtaining an adequate mortgage is an issue for many, therefore a scheme to provide a loan would help those on a low income, for example a mechanism such as 'Help To Buy' for self-builds. To administer the loans a more cost effective model would need to be developed to ensure that it was more manageable than the previous loan scheme.

If there is insufficient space above for your response, please continue on a further sheet.

All non-English responses should be accompanied by an English translation of the text.

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RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

Scotland's Rural College (SRUC)

Title Mr Ms Mrs Miss Dr Please tick as appropriate

Surname

Ramsay

Forename

Sandy

2. Postal Address

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3. Permissions - I am responding as...

Individual

/

Group/Organisation

Please tick as

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please tick as appropriate

Yes No

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please tick **ONE** of the following boxes

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please tick as appropriate

Yes No

Yes, make my response,
name and address all
available

or

Yes, make my response
available, but not my
name and address

or

Yes, make my response
and name available, but
not my address

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate

Yes