

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?

Whilst there is merit in the geographical 2 tier, area approach to take account of the difficulties of Island locations the Crofting Commission are of the opinion that a further method of determining the payment rate, could be used via an applicant's specific circumstances.

For example, if the applicant were to fit a defined criteria for example a first time buyer, a key worker in the community or a person under the age of 41 and therefore being a young entrant¹ to crofting then they would be eligible to obtain a higher level of grant. The financial assistance available would therefore be targeted much better, being fairer, socially and economically to individual circumstances rather than just the broad brush geographical process which is currently in place.

The above approach should of course still be coupled very much with a business plan detailing their plans for cultivation and/or purposeful use for the particular holding that should be strictly adhered to.

This might mean that a higher more meaningful rate of grant could be given for those in the higher category who are more dependent on the grant, without there being any adversely negative effects on the actual cost of a croft tenancy

It is acknowledged that there is a difficulty within the agriculture industry regarding the average age of both farmers and crofters which is increasing and there is insufficient opportunities to attract numbers of new young entrants into farming /crofting.

It is a clear priority for Scottish Government to support generational renewal in agriculture in Scotland. Scottish farming needs to attract a steady flow of new entrants into communities and this proposed approach would therefore tie in well with the ethos of the other schemes within the current Pillar 1 and Pillar 2 schemes.

The difficulties perceived of having 2 geographical area payments is that it is too broad brush in its approach. There are a number of very remote crofting areas on the mainland as well, which would have similar costs and difficulties comparable to some Island locations.

¹ As the Croft House Grant Scheme is administered solely by the Scottish Government and therefore has no European involvement, the criteria could be worded to suit the crofting circumstances rather than using the more restrictive CAP 2014 – 2020 definitions.

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 Crofting Commission are fully supportive of any proposed increase in grant rates given that the current grant levels were determined in 2006 and there has no doubt been an overall increase in building costs since that time.

Another aspect that should be taken into consideration at this present time is the difficulties in obtaining a mortgage, especially pertinent to self-build mortgage cases.

In 1986 the average building cost for a croft house was approximately £27,860. Government support through the Croft Building Grant and Loan Scheme (CBGLS) was £22,200 (£8,700 grant plus £13,500 Therefore In 1986, Government support covered approximately 80% of croft house building costs.

In 2015 the rate of support had declined from 80% as stated above, using the total build cost stated in the Q5 proposal, £170,000 and the proposed grant rates, then support would be in the region of 13% to 16% support.

Given the increase in house building costs and the lowering of government contribution over the years, it would seem appropriate to provide a higher more meaningful grant in the £50,000 bracket for the higher category which would be more in line with the present cost of house building especially for the category of applicant as suggested in the Q1 response and perhaps a lower grant for the remainder of eligible applicants to compensate for the increase in the higher rate.

It should be remembered that this scheme has, compared to other rural housing enablers provided housing at a relatively low cost to Government with the bulk of expenditure being delivered by the applicants/people themselves.

The Scheme has hit multiple targets, such as retaining population and creating economic stimulus to development in rural area and so it would be fair to say the more money invested in the Scheme the better the overall outcomes for rural Scotland and the Scottish Government.

The Commission are also fully supportive of the future proofing of the scheme although it is not fully defined if it is just the scheme as a whole or will grant rates/scheme guidelines adapt to suit changes within the rural housing situation. We would anticipate the future proofing will apply to the latter rather than the former.

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 40% of the actual costs of improvement up to the proposed maximum of £28,000 in the proposed new Island geographical area; and up to the proposed maximum of £23,000 in the proposed new Non-Island geographical area. Do you have any comments on this proposal?

The Crofting Commission would welcome the proposed increases in the improvement grant rates but again feel that one grant rate of 40% would be a more appropriate avenue for assessment, rather than the geographical priority area approach for the same reasoning stated earlier. There are very remote places on the mainland which will incur similar costs much like island situations

It would also make for a less bureaucratic, simpler and more transparent scheme.

We would anticipate that this element would also be future proofed in a manner as described above, in that the scheme could be varied if required by the economic situation of the time.

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 Crofting Commission are off the view that there could be a perceived element of social engineering with this proposed approach and may result in applicants being forced to build a house that may exceed their actual needs or even their financial means.

It would therefore appear to be sensible to allow a measure of flexibility into the scheme to allow for the applicants own individual circumstances to dictate the house.

We believe that the applicants will determine themselves, the correct size of home to build to meet their own particular circumstance and there is no requirement to be too prescriptive with this element.

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?

The Crofting Commission have a number of very real concerns with this proposed approach.

Given some of the remote locations involved and difficult ground conditions there could be very high costs incurred overall, which might cause the house build to exceed normal parameters resulting in an abnormally cost. Utility connection costs in remote areas for a single house can be extremely high.

This approach would also have the effect of making the scheme more bureaucratic with much closer scrutiny of applications/claims by staff who would need to be qualified in this area looking at the actual build costs/quotes/receipting.

This could be a real impediment to legitimate crofters building on or close to their croft holding.

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?

The Crofting Commission are fully supportive of this approach to make the implementation of the business plan a condition of grant.

This has been one of the criticisms of the CBGLS and CHGS in the past with applicants not carrying out any activity that they stated in their application once they had obtained the financial grant assistance, and so this approach would address the situation/criticism.

The proposal would also tie in with the duties as stipulated in the Crofting Reform (Scotland) Act 2010 which requires a crofter to cultivate or put the land to purposeful use.

The Commission would add that non implementation of the business plan be pursued rigorously and that any monies/interest recovered be ring fenced for the Crofter Housing Grant Scheme to allow other applicants to benefit especially given that there is a fixed pot of money available.

There should also be an element of force majeure allowed in circumstances where non-compliance is a result of circumstances which are out with the applicant's control much like other schemes operated by SGRPID.

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?

The Crofting Commission are fully supportive of this proposal. This approach would provide a valuable option for applicants and could potentially have the benefit of retaining important in by croft land which would be lost to crofting forever when there is a perfectly good site available nearby.

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?

In the past many crofters were forced down the route of decrofting purely to obtain a mortgage from the financial lenders to allow the house build to proceed.

Provided the applicant still fits the eligibility criteria, and there is a business plan produced for the croft to justify the expenditure and that plan is subsequently adhered to, then it is considered that this is a sensible approach.

Again any breach of the condition would require recovery unless there is a force majeure reason.

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

This would be an opportunity to ensure that a grant assisted new house site is sited in a position that is appropriate for the future working of the croft.

It is important to ensure that there is no unnecessary or excessive loss of important or better quality in by land. This should be incorporated into the assessment criteria when applications are being processed. This approach would also correlate with the planning system and the work of the Crofting Commissions regulatory process's involving decrofting.

Regarding the collection of legacy Loan Collection from the previous scheme, the Commission would be supportive of this outstanding money (£10,000,000) being recovered unless there are valid reasons/cases of real hardship involved.

Furthermore that any monies recovered are re invested in the Croft House Grant Scheme to allow others the opportunity to build a house on their croft.

With this recovery of outstanding loans in mind, the Scottish Government may wish to use this money to provide for short term loans to applicants to allow them the cash flow to enable a house to be built.

One of the main inhibitors appears to be the lack of finance available for self-build

mortgages until the new property is at the stage of being wind and watertight.

It would therefore seem appropriate if some sort of funding package as described above could be made available to allow applicants to cover this period.

Whilst the Commission accept that the long term loan has resulted in 1489 loans still being outstanding, that a short term loan might be a more appropriate and successful option or failing that approach an extension of finance to partner agencies such as the Highland Small Communities Housing Trust who have the ability to access Scottish Government funding for short term loans.

If this could be done in conjunction with the Croft House Grant Scheme this would be a very real and positive step to help the rural/croft housing situation.

The timing of the payments should also be given consideration. It is currently 3 stage payments with the first being paid at the wind and watertight stage. Given the current mortgage problems as discussed earlier it may be worth considering reducing the stage payments to 2 payments with the first payment paid out once confirmation of the build has begun and then a final payment at completion. This approach would provide a far better cash flow situation for the applicant and also there is less bureaucracy/processing involved.

Finally it may be appropriate rather than pursuing applicants who sell their property within the tie in period, if they can demonstrate that they have sold their property, for below the market value by the grant amount, to a new croft tenant and that the benefit has been passed on, then no recovery of grant with interest be reclaimed. This option of a housing burden is used in other housing initiatives and could be considered as a possible condition of grant under the new scheme.

This would potentially assist the affordable housing situation in the crofting Counties/rural situation and would potentially make the grant assistance in theory stretch further resulting in better value for the public purse.

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.

CONSULTATION ON REVIEW OF THE CROFT HOUSE GRANT SCHEME



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

Crofting Commission

Title Mr Ms Mrs Miss Dr **Please tick as appropriate**

Surname

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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

(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 ONE of the following boxes

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