



T: 0300 244 4000
E: scottish.ministers@gov.scot

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Dear [housing stakeholder]

The UK's exit from the EU has the potential to impact the housing sector in Scotland, and therefore our housing ambitions. I have discussed this with many of you already, and also wanted to write to you at this time to highlight what we see as the key risks, what we can collectively do as a sector to mitigate these risks, and to ask for your help in understanding and preparing for likely impact of a "no deal" exit from the EU.

Likely impact of a "no deal" exit

Across Government, intensive planning and preparation for a "no deal" exit is being underpinned by detailed work to identify the risks and potential impacts and the mitigating actions that government and others could take across a range of issues.

In 2018, we commissioned an analysis of the construction and housebuilding industry in Scotland to understand specific Scottish risks on housing demand, materials and workforce:
<https://www.gov.scot/publications/joint-housing-policy-and-delivery-group-meeting-november-2018/>

From our analysis, we know that Brexit has the potential to cause problems for housing sector in Scotland, including:

- investor confidence in residential assets and build to rent market;
- the impact of inflation and economic uncertainty on interest rates, rents, the financial health of RSLs and the availability and cost of finance for new build, renovation and energy efficiency;
- the availability and cost of materials for house building from non-tariff and tariff barriers. Some 60% of the UK's building material imports come from the EU - with a particular reliance in Scotland on imported timber for housebuilding; and
- the availability of EU national workforce in the construction and housebuilding sector, as well as housing support services.

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By 2030 our previous modelling indicates that, under a Free Trade Agreement – the closest proxy for the Prime Minister's proposals, Scotland's GDP would be around £9 billion lower than if we stayed in the EU, equivalent to £1,600 per person in Scotland than if we remained in the EU.

Scottish Government policy

As you are aware, the Scottish Government believes that the best future for Scotland is the one 62% of voters chose; to remain in the European Union. Nonetheless, we have consistently offered a compromise option: continued membership of the European Single Market and Customs Union. Despite our repeated efforts to discuss compromise alternatives for the UK as a whole or, failing that, for Scotland, our proposals have been ignored by the UK Government.

A 'no deal' outcome threatens to be catastrophic for jobs, investment and living standards across Scotland and the rest of the UK. It would have severe and disproportionate impacts on Scotland – on food supply, on medicines, on transport, and rural matters. It is expected that the availability and the price of food and drink are likely to be significantly affected – with a disproportionate impact on the most vulnerable in our society.

Despite the vote of the House of Commons on 29 January against no deal, the UK Government continues to refuse to take the necessary steps to rule it out. The only sensible solution to the current impasse is to delay Article 50, rule out a no deal exit and hold a people's vote.

In the face of the UK Government's continuing reckless approach, a no deal exit increasingly appears to be the most likely outcome and therefore as a responsible government we have stepped up our no deal preparations.

Scottish Government response

The Scottish Government is absolutely committed to safeguarding, as far as we are able to do so, the interests of businesses and communities in Scotland at this uncertain time. Our focus is about mitigating any drop in economic activity and removing constraints for businesses to trade. Ministers and senior government officials are in regular contact with banks operating in Scotland to discuss the implications of Brexit and wider economic issues.

Through ensuring information, support, training (skills) and ensuring access to finance remains open we can seek to keep businesses operating and as many people in employment or training as possible during this difficult period. We are working to protect strategic sectors, mitigating the impact on fragile communities, as well as those already suffering from in-work poverty.

In the Housing sector, the Scottish Government is committed to providing stability and certainty. More affordable homes are needed to meet Scotland's needs, and we have ambitious but deliverable plans to end homelessness, eradicate fuel poverty and improve the safety and quality of all our houses. We therefore remain committed to delivering 50,000 affordable homes by 2021. In addition, by 2021 we will have allocated over one billion pounds to energy efficiency improvements to existing homes, making them warmer and cheaper to heat. We must not allow the UK Government's approach to Brexit to jeopardise these commitments.

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The Scottish Housing Regulator has written to all housing associations <https://www.scottishhousingregulator.gov.uk/sites/default/files/publications/Brexit%20letter%20.pdf> to underline the importance of compliance with Regulatory Standards in the context of the uncertainty caused by Brexit.

We have engaged, and will continue to engage, with the housing sector on Brexit-related risks - with construction, housebuilding and mortgage lending industries in Scotland, directly, as well as through the Joint Housing Policy and Delivery Group and as part of Ernst and Young's sectoral analysis.

Where we can act pre-emptively, we have done so. To ensure the continuity of our flagship Warmer Homes Scotland programme, we are have worked with Warmworks, our delivery partner to increase the stock of central heating boilers from 6 to 18 weeks. This ensures that the vital work of helping some of the most vulnerable people out of fuel poverty will continue, even in the worst-case scenario.

We are looking at what sector specific support could be useful. We have a strong track record of responding to changed economic conditions with new, tailored Government financial support e.g. guarantees, equity and loans to support housing. This gives us a strong basis to build on. We will also be considering our Housing Construction Skills Working Group recommendations to ensure the long term supply of a skilled housing construction workforce in Scotland.

As a responsible government, whilst we will do everything we can to prepare, we will not be able to mitigate all of the impacts of a no deal exit on Scotland. It is vital that all sectors, including the housing sector, make the necessary preparations and are as resilient as they can be, particularly in the face of a potential no deal scenario.

Supporting the public

On 6th February the Scottish Government launched a public information website to provide important advice around issues such as transport, food, medicines and citizens' rights. It is available at www.mygov.scot/euexit. This will be regularly reviewed and updated, in order to ensure that the latest information is available.

As part of our support for business, the multi-agency Prepare for Brexit website www.prepareforbrexit.scot offers practical advice which can help to safeguard, as much as possible in these circumstances, a company's own growth, and that of the Scottish economy. Businesses can access advice, online self-assessment toolkits, book onto learning events and apply for a £4000 readiness preparation grant.

As the representatives of the housing sector in Scotland, I would draw your attention to these resources. It is vital that your members understand the need to be prepared and to ensure they are as resilient as they can be in the face of a potential no deal scenario.

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Working together to prepare

The potential impacts go beyond housing development and improvement. Many of your members will have a strong interest in the challenges communities will face in the event of a no deal exit. In the event of a sharp – or longer term – economic down turn, there could be increased unemployment, rises in food and fuel costs and a squeeze on public services. More people may be faced with impossible choices between spending their limited income on food, heating or housing costs.

Many of you are “anchor organisations” in your communities. I know you will be thinking about how best to support local community resilience, working with partners in your area. It is vital that we ensure that our response for disadvantaged or vulnerable communities is joined-up and makes the maximum use of available resources.

I would therefore urge you to consider your own resilience, the key risks to your work that a no deal exit presents, and what can be done to mitigate or minimise them. And, as you gather that evidence and understanding, please share it with the government. We will need to work collaboratively to plan effectively, identify new or emerging trends, and do what we can to mitigate the worst impacts of a no deal exit.

Within government, we are exploring further a range of financial support including the Scottish Welfare Fund budget, as well financial support to organisations responding to food insecurity. In addition, £500,000 this financial year has been invested in FareShare to develop greater community resilience to respond to household food insecurity, whatever the outcome of the Brexit negotiations.

Conclusion

We do not accept the suggestion that no deal is somehow inevitable, and nor should we allow anyone to ‘normalise’ it. However, unless and until the UK Government takes the necessary steps to rule it out, the Scottish Government must go on with, and indeed intensify, our work to prepare.

I would strongly encourage you and your members to do the same; to share your concerns and insights with us, so that we might all work to prepare as best we can.

AILEEN CAMPBELL MSP

KEVIN STEWART MSP