

Kevin Stewart MSP  
Minister for Local Government, Housing & Planning  
Scottish Government  
St Andrew's House  
Regent Road  
Edinburgh EH1 3DG

by email only

3 February 2021

Dear Kevin

### **Help to Buy / First Home Fund Budget decisions**

I write further to our discussion following last week's budget. Your personal briefing was helpful in setting the wider context.

As you will appreciate, the budget decisions regarding Help to Buy and the First Home Fund were received with shock and concern by our members, and their immediate focus was to protect their existing customers who may have been caught up in this issue. We were able to explain that sufficient funds have been set aside for those already in the system, and for those who transact before the cut-off date on Friday. Your continuing reassurance on this matter would be helpful.

We have also been made aware, as potentially have you, that a public petition has been started by worried customers who describe Help to Buy as "a lifeline to many first time buyers who are trying to buy their first home". They also note that, when the limited funding for the First Home Fund runs out, "many families are going to be stuck without credible options to get themselves on the property ladder".

This is a concern that we share, and we would urge you and your Finance colleagues to reconsider how the reduced Financial Transaction (FT) monies are divided at a time when, as Kate Forbes said herself while delivering the budget, "COVID has further underlined the value of a safe, secure and affordable home and our homes will also now be somewhere many of us work from".

Per your request, we are currently in the process of assembling all the information necessary for us to lobby Westminster regarding the reduction in FT funding which has led to the Scottish Government's decisions. As I am sure you can appreciate, we are keen to ensure we have all the relevant facts in front of us before doing so.

Whilst the Finance Secretary's written response to Jackie Baillie's recent question on the disbursement of FTs received is helpful in this regard, we also seek clarity from the UK Government to inform our approach.

In the meantime, the enclosed paper sets out the facts as we understand them at the present time. It would be helpful if you or officials were able to clarify or confirm that we have understood this situation correctly.

With things moving so quickly last week, we have not yet been able to share with you directly a copy of the [HFS Scottish Parliament election manifesto](#) which was published the day before the budget and builds on our [Recovery Plan](#) of September.

I enclose a copy of it with this letter from which you will see the jigsaw analogy we have used to illustrate the many different elements that need to come together to achieve successful housing delivery outcomes.

As I know you understand, the importance of financial support for home buyers to move onto and up the housing ladder is an absolutely vital piece of this puzzle.

In this context, we again strongly urge the Scottish Government to reconsider its decisions on Help to Buy and the First Home Fund in order to ensure this loan funding is directed at areas where there is a track record of achieving maximum return on investment, while helping this country to recover economically from the pandemic.

Yours sincerely

[REDACTED] 

Nicola Barclay  
Chief Executive

Encs

cc: Cabinet Secretary for Finance  
Cabinet Secretary for Economy, Fair Work and Culture  




## CLOSURE OF HELP TO BUY (SCOTLAND) AND 70% FUNDING REDUCTION FOR FIRST HOME FUND

The below has been prepared in response to the Scottish Government's draft budget announcement and sets out Homes for Scotland's understanding of the position.

1. Following last week's Budget, the Scottish Government announced that:
  - (a) Despite a [previous £55m commitment](#), it is unable to run the main 2021-22 [Help to Buy](#) Affordable New Build scheme, giving one week's notice of its closure with Friday 5 February 2021 the final date for receiving applications.
  - (b) Despite the First Home Fund being a huge success, with the initial £150million allocation and a further £50m being spent by October 2020, it will not re-open until 1 April with an extremely limited budget of £60m – 70% less than that previously allocated. This scheme supports first time buyers to purchase in both the second-hand and new build market.
2. We understand that these decisions are due to a 66.5% cut to the total Scottish Government Financial Transactions (FTs) budget in 2021-22 arising from the UK Government's Spending Review on 25 November 2020. HFS understands that:
  - (a) in 2020-21 the Scottish Government received £620 million in FTs from HM Treasury, with £208 million in FTs allocated for 2021-22. HFS is preparing to lobby Westminster to reverse this decision.
  - (b) housing officials had no visibility of the implications of this on their funding until the week before the budget.
3. Both schemes have proved hugely successful since their introduction. Together they have already enabled at least 17,500 households to move onto and up the housing ladder. As well as providing accessible and affordable routes into home ownership to help realise the aspirations of thousands of Scots (particularly young people), they have also helped relieve pressure on social housing.
4. The timescales for each decision results in a two month gap of support measures for home buyers. For second steppers and those above the First Time Buyer (FTB) threshold, this is further compounded by the end of the increased threshold for the nil rate of LBTT.
5. The availability of higher LTV mortgage products at 90-95% is already severely constrained and removal of this government support at this time is a major blow for purchasers, especially at the FTB and more affordable end of the market. This will have repercussions throughout the entire housing market at a time when it is a major driver in Scotland's economic recovery.

6. The news has been met with disbelief and alarm by would-be customers, and a customer-led petition calling for the reversal of the decisions has been started [here](#).

They describe Help to Buy as “a lifeline to many first time buyers who are trying to buy their first home”.

They also note that when the limited funding for the First Home Fund runs out “many families are going to be stuck without credible options to get themselves on the property ladder”.

7. Statistics for Help to Buy for 2019-20 show that:

- 83% of purchasers were FTBs
- nearly 50% had been living with family or friends prior to their purchase
- 9% came from social housing, thus freeing up much needed social homes

The removal of the scheme puts more pressure on other forms of housing.

Help to Buy (Scotland): Sales and First Time Buyer Households:			
Financial Year(s)	Help to Buy Sales	First Time Buyers (Households)	FTB (%)
2013-16	8,160	5,385	66
2016-17	2,370	1,730	73
2017-18	2,290	1,854	81
2018-19	2,370	1,943	82
2019-20	2,060	1,709	83
<b>TOTAL</b>	<b>17,250</b>	<b>12,621</b>	<b>73</b>

Help to Buy (Scotland): Previous Tenure of Households				
Financial Year(s)	Help to Buy Sales	Living with Family / Friends	Private Rented Sector	Social Housing
2013-16	8,160	2,611	2,284	408
2016-17	2,370	900	663	142
2017-18	2,290	1,053	664	183
2018-19	2,370	1,090	687	189
2019-20	2,060	967	576	185
<b>TOTAL</b>	<b>17,250</b>	<b>6,621</b>	<b>4,874</b>	<b>1,107</b>

Information characteristics of households using Help to Buy can be found [here](#).

8. [According to Scottish Government projections](#), the First Home Fund was “expected to support more than 8,000 households into home ownership by the end of the financial year”. The results of the pilot’s evaluation were “expected to be published in January”, but are still awaited.

9. As well as generally making the purchasing of a home in both the new build and second-hand markets more difficult, by removing a fundamental piece of [“the housing jigsaw”](#), Homes for Scotland is concerned that these moves will:

- ultimately result in fewer homes of all tenures being delivered (consequently impacting house prices and rents)
- mean mortgages will become even less accessible due to ongoing high deposit requirements, placing even greater pressure on social housing / forcing more people into the private rented sector
- severely constrain Scotland’s post-Covid recovery as confidence and certainty for both consumers and business are adversely affected