

**MINISTERIAL ENGAGEMENT BRIEFING: DEREK MACKAY**

<b>Engagement title</b>	Meeting with Nicola Barclay, Homes for Scotland	
<b>Engagement timings</b>	1000-1045, Thursday 31 October	
<b>Organisation</b>	Homes for Scotland	
<b>Venue and full address</b>	T3.21, Scottish Parliament	EH99 1SP
<b>MACCS reference</b>	2019/0026860	
<b>Background/Purpose</b> (including invitation history)	Homes for Scotland sought this meeting to discuss house builder priorities, including Help to Buy (Scotland), consumer protection and a proposed new Ombudsman and potential changes to LBTT.	
<b>Relevance to core script</b>	Scottish Government works to drive sustainable and inclusive economic growth, working in partnership with businesses. Scottish Government regularly engages with businesses to co-create policy.	
<b>Meeting attendees</b>	Nicola Barclay, Chief Executive, Homes for Scotland	
<b>Supplementary information</b>	<p>Annex A: Suggested points to make</p> <p>Annex B: Nicola Barclay biography and photo</p> <p>Annex C: Consumer protection &amp; Ombudsman</p> <p>Annex D: Land &amp; Building Transaction Tax</p> <p>Annex E: Housing markets brief</p> <p>Annex F: Housing to 2040</p> <p>Annex G: Help to Buy (Scotland)</p> <p>Annex H: New First Time Buyer Scheme</p> <p>Annex I: Decarbonisation of new buildings</p> <p>Annex J: National Planning Framework 4</p>	
<b>Twitter handles of main representatives and organisations</b>	Homes for Scotland (@H_F_S)	
<b>Official support:</b>	[REDACTED]	

## SUGGESTED POINTS TO MAKE

There is no set agenda for this meeting; Nicola Barclay will look to discuss commitment of future funds from Help to Buy (Scotland) beyond 2021, potential changes to LBTT and may also wish to discuss your upcoming speech at their Annual Conference on 13 November.

### Points you may wish to make:

- You may wish to set out your vision for the Scottish economy and ask for Homes for Scotland's priorities and reflections.
- The Climate Change (Emissions Reductions Targets) (Scotland) Bill Stage 3 passed in September. This Bill sets the following targets: 75% reduction in emissions by 2030 and net zero by 2045. The house building industry has an important role to play. The Programme for Government committed to working with industry (consultation this year) on new standards in order to meet our ambition to phase out fossil fuel heating systems from new residential buildings from 2024.
- There will be a wide engagement on the development of the National Planning Framework 4 in early 2020.
- Consumer protection remains high on the political agenda with a new member's Bill and UK Government's intent to legislate made clear in Queen's speech. What are the industry's proposals?

### Questions you may wish to ask

- What are the biggest challenges and opportunities facing your sector?
- What is your view on the industry's preparations for Brexit? What are the biggest issues?
- You have raised LBTT and suggested linking that to energy efficiency – what are the gains you would expect to see from that and how would that work in practice?
- I'll be speaking at your conference shortly – what are the key issues your members will expect to hear about from me?

## NICOLA BARCLAY: BACKGROUND, BIOGRAPHY AND PHOTO

### Homes for Scotland background

- Homes for Scotland is the industry representative body for the house building industry in Scotland.
- It represents hundreds of builders, from the major pan-UK volume builders to start-up and micro SME developers.
- We have a positive relationship with Homes for Scotland, not least since Nicola Barclay has been in post.
- Homes for Scotland have been partners in developing and implementing Help to Buy in Scotland, alongside UK Finance & the lending industry and will also be involved in development of the new First Time Buyers Scheme announced in the Programme for Government.

### **Nicola Barclay MRTPI - Chief Executive**



Becoming Homes for Scotland (HFS) Chief Executive on 1 February 2016, Nicola Barclay has direct responsibility for managing the Executive Team, delivering business strategy and meeting the wide-ranging needs of member companies.

Nicola's key objectives in helping to make sure Scotland has enough homes to meet the diverse needs of its growing population are:

- ensuring buyer access to mortgages for those who can sustainably afford them
- ensuring that local authorities allocate sufficient effective land in places people want to live and develop practical solutions to the matter of infrastructure provision
- highlighting the importance of new home development to sustaining local communities
- encouraging more young people, especially females, into the industry across both trades and professions

**New-Build Homes – Consumer Redress (Quality)****Top lines**

- People, quite rightly, want their homes to high quality and be assured that any problems will be resolved quickly and easily.
- Want to see the system strengthened to ensure buyers can purchase new-build homes with confidence - this is essential if we are to meet increasing demand.
- Working with the UK Government to explore how the proposed New Homes Ombudsman might operate on a UK basis and welcome the the new industry code.
- Continue to follow Graham Simpson MSPs proposal for a Members Bill with interest.

[REDACTED]

**LAND & BUILDING TRANSACTION TAX****LINKING TO ENERGY EFFICIENCY****Key Lines**

- Inclusion of energy efficiency considerations would add additional complexity to LBTT for purchasers and for Revenue Scotland – no plans to amend the arrangements at this time.
- Purchasers of new build property already benefit from increased energy efficiency through household bills.

**Background**

Nicola Barclay will raise a proposal from Homes for Scotland to take account of energy efficiency considerations in LBTT. No specific details have however been provided to support the proposal, so it is not possible to offer detailed commentary at this time. The assumption is however that any arrangement would result in lower tax for more energy efficient properties, including new build homes

In general terms, the addition of energy related considerations would add additional complexity to the arrangements for LBTT, requiring e.g. two or more different sets of rates and bands to operate or alternatively some form of partial relief or discount. Either approach would be likely to result in additional complexity for taxpayers and for Revenue Scotland, who would need to consider the implications for their compliance arrangements.

If HFS has a detailed proposal, Tax Division officials would be happy to discuss this in further detail if helpful.

[REDACTED]

29 October 2019

## HOUSING MARKETS BRIEF

## ISSUE: Housing market affordability and housing delivery targets

**Background:***Affordability*

1. The average (mix adjusted, geometric mean) Scottish house price in Q1 was £149k.<sup>1</sup>
2. Scottish house building still not fully recovered from 2007 peak:

	2007/08	2011/12	2018/19 <sup>2</sup>
Private	21,663	10,144	15,710
All	25,594	17,016	22,273

*Housing delivery targets:*

- There are occasional calls from industry and others for Ministers to set housing targets for private developers/delivery.

**Top Lines:**

- Access to good quality housing is a vital part of our drive to secure economic growth, promote social justice, strengthen communities and tackle inequality.
- We are determined to increase and accelerate housing supply across all tenures and support the industry and local authorities to deliver their housing priorities with quality homes in mixed communities that fit local needs.
- We have provided a range of support, from Help to Buy, to our LIFT schemes for first time buyers and through schemes like the Rural and Island Housing Funds.
- We are also working with industry to identify what further support can be provided to support SME growth, development and expansion – partly to help ensure delivery of homes across all Scotland and to increase resilience in the sector.
- Local authorities undertake housing needs and demands assessments to establish the number of homes that are required for their area, and this is used to inform the setting of housing supply targets and housing land requirements in development plans.
- Ministers are not willing to set targets for areas beyond control of Government.

<sup>1</sup> [Scottish Housing Market Review - Q2, 2019](#)  
[Housing Statistics for Scotland 2019](#)

## ISSUE: Market capacity and skills requirements

### Background:

- Some industry concerns have been raised regarding current and future availability of skilled staff within the housing construction workforce, and that stresses could intensify due competition from other industries and from Brexit.
- Last year Construction Industry Training Board (CITB) published a report estimating £8bn is being spent in 2018 on building projects (**across all construction**).<sup>3</sup> The report indicates requirement for 247,400 workers, with a current shortfall of 6,400. This varies regionally, with excesses and deficits in different areas.
- However, the construction workforce tends to be more flexible and mobile than other industries, with trades and specialisms capable of moving project to project. Many are also able to stretch into other areas of construction.

### Top Lines:

- Ministers are aware that any shortage in skills will be a concern for the sector. That is why the then Cabinet Secretary announced a Short-Life Working Group to work with industry to better understand the scale of the skills challenge and to recommend action.
- The Housing Construction Skills Short-Life Working Group, was made up of a cross representation from a range of organisations with an interest in housing construction skills and was chaired by Professor Sean Smith of Napier University.
- We are grateful to the members of the Working Group for their work on considering the issues and recommending solutions<sup>4</sup>.
- This is a critically important time for Scotland's skills system. We know the nature of work is changing, as is the make-up of Scotland's workforce, and our labour market faces potential disruption through a range of factors, including Brexit and technological advance.
- It is critical to base any actions on clear evidence for implementation and to fully understand it's links to other policy areas. Officials will be need to work across Directorates on this.
- Success will lie in there being genuine partnership working, industry support and ensuring organisations such as Construction Scotland's involvement.
- The progress being made in some areas already is encouraging.
- We cannot make any formal commitments at this stage. We would be looking to publish our official response to recommendations towards the end of the year.
- The Scottish Parliament Construction Sector Inquiry has also submitted their findings to SG, and it's interesting that others are also focusing on this area (albeit part of a wider all-construction context).
- Any recommendations must be considered alongside other policies. When considering recommendations Ministers will obviously have to consider wider range of interests for example - (i) Resources (ii) Impact on local authorities (iii) Impact on Further Education (iv) Impact on industry (including different delivery vehicles). As well as possibility of future legislative or process changes

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<sup>3</sup> [Local Construction Skills Needs for Scotland](#)

<sup>4</sup> [New Housing - Future Construction Skills Adapting Modernising Growth](#)

## **ISSUE: Support for SMEs to improve market capacity and resilience**

### **Background:**

- For some time the house building industry has outlined concerns about the difficulties facing some SMEs. SME house builders were disproportionately hit by the financial crisis with numbers and output declining amongst smaller and medium-sized builders, while remaining more static in the volume sector.
- Whilst there has been overall recovery in the sector since the financial crisis, the recovery of larger builders has been stronger. The environment has been and remains tougher for smaller and medium size enterprises.

### **Top lines:**

- The Scottish Government is well aware of the important role that SMEs play in both rural and urban communities in providing homes, supporting communities and supporting the economy.
- A stronger and larger SME sector will provide additional resilience in the overall market, securing more sustainable delivery of homes and provide homes in areas where volume house builders are unable to deliver due to business models and demand levels.
- Through our More Homes approach we already provide schemes that benefit SME house builders. These include: Help to Buy (Scotland) Small Developers Scheme; the Rural and Islands Housing Fund; and the Self-Build Loan Fund Highland Pilot and forthcoming National scheme.
- We are also happy to contribute to an industry-led (Homes for Scotland) working group on support and development of the SME sector - and will respond accordingly when this Group makes its recommendations later in the year.



## **ISSUE: Funding and financing issues facing SME home builders**

### **Background:**

- Some industry players have expressed the view that there is a lack of economies of scale and proportion affecting SMEs delivering smaller sites compared to those building out larger sites.
- Both the cost of accessing private finance, and the availability of funding has been raised as an issue affecting the viability of projects. There is also a hesitancy from some parts of the SME sector to borrow from commercial banks again as a result of the experience they had in dealing with these lenders during the financial crisis.
- LBTT Additional Dwelling Supplement has also been raised as an issue for those looking to buy small residential sites with existing properties on them (where these are to be demolished to make way for new homes). We expect these matters to be raised when the SME Working Group reports in later in the year.

### **Top lines:**

- We need more homes in communities across Scotland. What is clear though is that while the larger builders have been in a stronger position to recover and return to delivering volumes of houses, the environment has been tougher for smaller and medium size enterprises.
- We lost a number of smaller enterprises during this time. We know we have always relied on smaller builders to deliver homes, but especially in rural and small town Scotland.
- We are currently engaged in work with Homes for Scotland on how to grow and encourage new entrants back into the housebuilding sector. This process, chaired by Andy Pearson (formerly Tweed Homes and past Chair of Homes for Scotland), involves builders from across Scotland, and Ministers look forward to seeing the results of that later in the year.

[REDACTED]

## HOUSING TO 2040

### Top Lines

- In our 2019 Programme for Government, we re-affirmed our commitment to plan together with stakeholders for how our homes and communities should look and feel in 2040 and the options and choices to get there.
- We face a number of demographic, fiscal and environmental challenges which mean that **business as usual is not an option.**
- This is a time to shape a resilient housing system and create a vision for housing between now and 2040 – **nothing is off the table.**
- To do that, we need to build on the wisdom across the wide and varied housing sector – tenants and residents, academics, councillors, councils, housing associations, third sector, landlords, lenders and house builders.
- We need to challenge ourselves about what our vision is for housing in Scotland in 2040, and be ambitious in our aims.
- And we need to work together to ensure this is a shared vision for Scotland so that we can put a route map in place that will stand the test of time.
- We have been engaging extensively with a variety of stakeholders, including local government, businesses, the third sector, home owners, tenants and others to help shape a draft vision and principles for 2040
- The draft vision and principles, published in July, push us to think radically and differently about the housing system.
- **We be consulting on our draft vision and principles, and how to make them a reality, later this year.**

### Stakeholder Engagement & Timings

- This first phase of stakeholder engagement, in Autumn 2018, attracted contributions from over 800 people representing more than 100 organisations, and has provided a comprehensive dialogue around the future of housing.
- In May 2019, we published our Housing to 2040 stakeholder engagement report which sets out what people told us in response to our 2018 discussion paper.
- In July 2019, we published a draft vision for 2040 and the principles which will underpin and inform the development of policy choices and options.
- The Scottish Government will continue to build on the knowledge and expertise of the wide and varied housing sector, as part of further consultation later this year on the draft vision and principles and outline policy options for the route map.
- We want to hear from a wide range of people across Scotland: rural, urban and island Scotland and communities of interest that face particular challenges when it comes to housing.
- The outputs from the next round of consultation will help us to inform the vision and a route map to 2040, which we will publish in spring 2020.
- The Housing to 2040 vision and route map will provide clarity on our long-term objectives to the housing sector for the next Parliament and beyond.

### Housing Exhibition

- To support further consultation, a mobile housing exhibition is planned to run from 4 November to 16 December 2019, visiting 12 sites across Scotland, including urban, rural and island locations.
- The housing exhibition will help to convey some of the messages around Housing to 2040, as well as exploring themes through workshops.
- We will be engaging with communities, including young people, as part of the housing exhibition workshops.

### **Affordable housing supply beyond 2021**

- We have provided record investment of £3.3 billion for affordable housing over this parliament to ensure delivery of our ambitious target of 50,000 affordable homes.
- We are committed to continuing to promote increased supply across all tenures, building on our More Homes Scotland approach. But we need to recognise that public resources are finite and face many competing priorities.
- As part of the Housing to 2040 discussion we recognise the importance of providing ongoing support for affordable housing. We will engage widely as we carefully consider the best balance of future housing priorities, and the best ways to ensure supply across all tenures and build on our More Homes Scotland approach.
- We know that we still need to deliver more affordable homes but we need to move away from numerical targets towards more of a focus on outcomes.
- It will be difficult to sustain the current level of spend (50,000 homes over the next parliament would cost £4 billion), which means we need to think carefully about our approach considering not just how to deliver new homes, but also how to maintain, look after, and improve the ones we've got.
- We need to consider how we will strike the balance of realising the fiscal challenges ahead along with keeping up a strong pace on the delivery of affordable homes.
- Housing is a key component of Scotland's infrastructure. The Scottish Government's aim is to publish a new Infrastructure Investment Plan and the Capital Spending Review by June 2020.

## HELP TO BUY (SCOTLAND)

### Top Lines

- A strong and growing house-building industry is key to Scotland's future economic prosperity. Help to Buy (Scotland) represents one part of a wider and substantial package to support home ownership more generally.
- Since 2013, Help to Buy (Scotland) has supported the purchase of over 15,000 new build properties and supported over £2 billion in sales.
- The current scheme focuses provision on more affordable housing with ongoing ring fenced support for houses built by smaller developers.
- To ensure continued investment by the house-building industry in Scotland, a further £110 million has been committed for Help to Buy (Scotland) from 2019-2021 - supporting over 4,000 households buy a new build home.
- We are committed to Help to Buy (Scotland) to 2021.
- A formal evaluation of our shared equity schemes, including Help to Buy, will take place over the summer and will seek input from owners, developers and lenders. We would encourage your full participation. This work is expected complete in December this year, and will inform decisions about the future of Help to Buy beyond 2021.
- **[If pressed:** a decision on the future of Help to Buy (Scotland) will be made in early 2020]

### Sensitivities

- UK Government announced in October 2018 that they will extend Help to Buy in England to 2023. Builders and lenders are keen to see a similar commitment in Scotland.
- Concerns around the type of households receiving support – perception that wealthy households benefit at the expense of lower income households.
- Concern about the percentage share of sales by big builders. 47% of sales are with three large builder (Barratt, Taylor Wimpey and Persimmon).

### Key Stats

- Over 8 in 10 of Help to Buy (Scotland) households were first time buyers and 79% were aged 35 or under in 2018/19
- The large number of sales by big builders in Help to Buy (Scotland) reflects market share. Shared equity support is provided directly to buyers and builders receive no support from the Scottish Government.
- Income levels for Help to Buy (Scotland) are based on household income not personal income. The average household income for recipients of the scheme in 2018/19 was £41,000 (a reduction from £46,000 in the first three years of the scheme).

### Background

- Help to Buy (Scotland) is a shared equity scheme, launched in September 2013, which aims to support Scotland's house-building industry following the financial crisis as well as help people to buy a new build home in Scotland.
- It is made up of two parts - the Affordable New Build and the Smaller Developers Schemes. The scheme currently provides up to 15% equity towards the purchase of new build homes up to a value of £200,000. £18m of each year's budget is ring fenced for smaller developers.
- Over the next two years the funding commitment is
  - 2019-20 £60 m
  - 2020-21 £50 m (subject to review in next spending review)

## NEW FIRST TIME BUYER SCHEME

### Top Lines

- Alongside our existing shared equity schemes, we will create a £150 million national pilot scheme which will provide first-time buyers with up to £25,000 towards the purchase of a home.
- This new national pilot scheme will help first-time buyers purchase a property that meets their needs, is located in the area where they want to live and will help tackle intergenerational inequity.
- We are developing the details of the scheme with our stakeholders.
- The scheme will be launched as a pilot and will run from the end of the year until March 2021.
- We will have a robust and comprehensive evaluation in place throughout the pilot period which will help us make decisions on future support for home buyers in Scotland.

### Background

1. On 28th April the First Minister announced that the Scottish Government will create a £150 million national pilot scheme, starting this year and running until the end of this parliament, to provide first-time buyers with up to £25,000 towards the purchase of a home.
2. Buyers will be required to fund a minimum of 5% of the value of their new house from their own funds as a deposit. The Scottish Government contribution will be secured on the equity of the home; is repayable in full at any time; and must be repaid if the home is sold. No monthly payments will apply.
3. The new scheme is to run in conjunction with the current shared equity schemes. While the scheme shares many aspects of the Open Market Shared Equity Scheme (OMSE) and Help to Buy (HTB), there will be clear public differentiation between the schemes.
4. Officials are working with stakeholders to develop the detail of how the scheme will operate, including determining the eligibility criteria.
6. The scheme will be funded using financial transactions.
7. The scheme will help fund the purchase of homes sold on the open market, and will include both existing properties and new builds.

[REDACTED]

**18 October 2019**

## DECARBONISATION OF NEW BUILDINGS

**ISSUE:** The 2019 Programme for Government sets out the Scottish Government's ambition to phase out fossil fuel heating systems from new residential buildings from 2024. For non-domestic buildings, our ambition is to **phase in** this approach from this date. The proposal will apply to all new buildings consented from 2024. The immediate next step is to work with the construction industry to develop the new standards, starting with a consultation in 2019/20.

**ISSUE:** UKG announced in March 2019 that it would begin developing a 'Future Homes Standard' that would in effect ban fossil fuel heating systems in new homes from 2025. Further details on exact operation have yet to be published. UKG have not yet announced any plans to require new non-domestic buildings to use low carbon/renewable heat.

**ISSUE:** The Climate Emergency Response Group of stakeholders has called on Scottish Government to ban fossil fuel heating systems in new buildings from 2021, and these calls are likely to be backed by Existing Homes Alliance, Scottish Renewables and other renewable heat stakeholders.

### Top Lines:

- We must reduce emissions associated with heating our homes and buildings and we need to end the contribution that new buildings make to our changing climate.
- It is important that we design new standards in partnership with the construction sector to ensure that they are deliverable, lead to comfortable healthy buildings, and do not drive investment away from Scotland.
- New buildings are already very energy efficient and work is already underway to review and further improve energy standards for all new buildings, which will come into force from 2021.

### **Any new standard must be deliverable. We are committed to working with urgency in partnership with the construction sector to get it right.**

- Many of the buildings that will be built in the early 2020s are already in planning and we must give the sector time to adjust and adapt to new standards.
- The scope of the new standard is yet to be determined and we will begin work with the sector this year on its development.
- New buildings are already built to be highly energy efficient and emit far less greenhouse gas emissions than existing buildings.

### **Low carbon and renewable heating technologies already are already being used in many buildings right across Scotland.**

- The technologies already exist and include heat pumps and district and communal heating.
- In new buildings which are energy efficient, these can offer similar running costs to fossil fuel based heating systems like gas and oil.

### **We are already investing in reducing emissions from our existing buildings.**

- We are on track to delivery our 2016 Programme for Government commitment to make half a billion pounds available during this parliament to improve the energy efficiency of Scotland's homes and buildings.
- Through Energy Efficient Scotland we are putting in place a framework of standards to make it the norm to invest in energy efficiency which will reduce emissions from our existing buildings.
- We will publish a Heat Decarbonisation Policy Statement in summer 2020 setting out the steps we will take to reduce emissions from heating our buildings.
- In the meantime we continue to support deployment of low carbon heating through our low cost loan schemes and the Low Carbon Infrastructure Transition Programme.

[REDACTED]

## NATIONAL PLANNING FRAMEWORK 4

### **Top lines**

- National Planning Framework 4 (NPF4) is highlighted as a major commitment in response to the climate emergency in the Programme for Government.
- NPF4 will look to 2050 and help to deliver development that meets our long term needs
- Work to prepare NPF4 has commenced and we aim to have a draft to Parliament in summer 2019. NPF4 will be approved by Parliament, before it is adopted by Scottish Ministers.
- NPF4 will for the first time incorporate Scottish Planning Policy (SPP) and will take into account regional spatial strategies which will be prepared by local authorities.

### **NPF4 will need to address a very different set of circumstances from NPF3 (adopted 2014)**

- There is a shift from sustainable economic growth towards sustainable and inclusive growth that requires a fuller spatial understanding of our economy and communities.
- We need a spatial response to the climate emergency.
- There are opportunities to align with ongoing infrastructure and transport work and officials are liaising closely.
- There is a renewed focus on rural development and rural repopulation.
- We need to set targets for land for housing and update housing policy.
- We need to look beyond our boundaries and consider future connectivity, markets and investment to respond to Brexit and wider global change.

### **We are committed to ensuring we involve a wide range of stakeholders**

- The development of NPF4 is reliant on strong collaboration with stakeholders.
- We will soon set out details of engagement opportunities in our Participation Statement.
- We will carry out extensive engagement in early 2020 and aim to involve a wide range of stakeholders including those who may not have had involvement in planning previously.

### **We aim to produce a draft NPF4 by late summer 2020**

- We aim to do intensive early engagement from January to March/April 2020 in line with the participation statement.
- We will lay a draft in Parliament for consultation around September 2020.
- Public consultation will run alongside Parliament's consideration.
- Following this formal consultation, we aim to lay a final version in Parliament in 2021.

[REDACTED]