

**LIST OF DOCUMENTS SUPPLIED**

Supporting Documents attached in response email

Supporting Document 1 – Minute

Supporting Document 2 – Briefing

**From:** [REDACTED]@gov.scot>

**Sent:** 14 November 2019 14:12

**To:** Cabinet Secretary for Finance, Economy and Fair Work <CabSecFEFW@gov.scot>; Minister for Local Government, Housing and Planning <MinisterLGHP@gov.scot>

**Cc:** Business Engagement <businessengagement@gov.scot>; [REDACTED]@gov.scot>; Director for Housing and Social Justice <DirectorHSJ@gov.scot>; [REDACTED]@gov.scot>; Brown GJ (Gareth) <Gareth.Brown@gov.scot>; [REDACTED]@gov.scot>

**Subject:** RE: Briefing for meeting with Innes Smith, Springfield, 1600, Tuesday 29 October

Dear all

Please find attached notes of Mr Mackay's meeting with Innes Smith, Chief Executive of Springfield Properties.

With best wishes,  
[REDACTED]

**From:** [REDACTED] <[REDACTED]@gov.scot>

**Sent:** 23 October 2019 16:44

**To:** Cabinet Secretary for Finance, Economy and Fair Work <CabSecFEFW@gov.scot>

**Cc:** Business Engagement <businessengagement@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]2@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>; [REDACTED] <[REDACTED]@gov.scot>

**Subject:** Briefing for meeting with Innes Smith, Springfield, 1600, Tuesday 29 October

Hello,

Please find attached a briefing for Mr Mackay's meeting with Innes Smith, Chief Executive of Springfield on Tuesday 29 October

With best wishes,  
[REDACTED]

[REDACTED]

**Strategic Engagement and Co-ordination Team**

**Business Engagement & Regional Economic Development Division | Economic Development Directorate**

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## **Mr Mackay meeting with Innes Smith, Chief Executive of Springfield Properties 29 October**

### Background to Springfield Properties (SP)

Mr Smith set out some key information on Springfield Properties (SP)

- [REDACTED]

### Reflections on the house-building system

- [REDACTED]

### Planning

- [REDACTED]
- Mr Mackay noted the plans around resourced processes to ensure there is a properly resourced system to expedite decisions.

### Land capture

- Mr Mackay invited views on land capture. [REDACTED]

### Housing and net zero

- [REDACTED]

### Skills

- [REDACTED]

### Brexit

- [REDACTED]

### Purposeful companies

- Mr Mackay invited Mr Smith's reflections on why SP was a purposeful company
- [REDACTED]

**MINISTERIAL ENGAGEMENT BRIEFING: DEREK MACKAY**

|  |   |          |
|--|---|----------|
| <b>Engagement title</b>  | Meeting with Innes Smith, Springfield Properties  |          |
| <b>Engagement timings</b>  | 1600-1645, Tuesday 29 October   |          |
| <b>Organisation</b>  | Springfield Properties  |          |
| <b>Venue and full address</b>                                    | T3.21, Scottish Parliament  | EH99 1SP |
| <b>MACCS reference</b>   | N/A   |          |
| <b>Background/Purpose</b><br>(including invitation history)      | <p>This is an introductory meeting which Scottish Government have asked for.</p> <p>As identified in our recent strategic business engagement analysis sectors you have had relatively few engagements with businesses from sectors that are the biggest employers in Scotland – therefore we have reached out to the construction sector to have initial discussions. We identified Springfield Properties following advice from housing colleagues.</p> |          |
| <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>   | Innes Smith, Chief Executive, Springfield Properties  |          |
| <b>Supplementary information</b>                                 | <p>Annex A: Suggested points to make</p> <p>Annex B: Company information and Innes Smith biography and photo</p> <p>Annex C: Construction Sector</p> <p>Annex D: Housing markets brief</p> <p>Annex E: Housing FMQ</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> | No organisational or personal Twitter accounts  |          |
| <b>Official support:</b>   | <p>[REDACTED], Business Engagement and Regional Economic Development, [REDACTED]</p> <p>[REDACTED], More Homes Division</p>   |          |

## SUGGESTED POINTS TO MAKE

There is no set agenda for this meeting. The letter you sent to Mr Smith gave the following context:

*Scottish Government regularly engages with businesses on economic policy and I would like to invite you to meet for an informal discussion.*

*With the recent publication of the Programme for Government and emphasis on Global Climate Emergency, along with the construction sector being a large employer in Scotland, now is a good opportunity to discuss the future of the sector.*

*I would particularly like to speak with you about growing and supporting the construction sector; the ambitions of your company and, how we can work together to deliver our mutual goals.*

### Points you may wish to make:

- You may wish to set out your vision for the Scottish economy and ask for reflections.
- You may also wish to highlight support Scottish Government offers for the economy and business, as detailed in the Economic Action Plan (EAP). The EAP will be refreshed and relaunched in November 2019.
- 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 construction industry has an important role to play. The Programme for Government committed to working with the construction 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.
- There are potential skills issues for the construction sector, particularly factoring in the potential ramifications of Brexit on workforce. You may wish to flag the publication of the Future Skills Action Plan and that the next series of propositions will be tested at the National Economic Forum in December, and invite Mr Smith to attend.

### Questions you may wish to ask

- What are the biggest challenges and opportunities facing your company, and more widely for the sector?
- What are your preparations for Brexit? What are the biggest issues in a No Deal scenario?
- What is your experience of the Scottish business environment, for example, agency (e.g. SDS) support?
- What does the decarbonisation of buildings by 2024 mean for your company?
- Scottish Government consults widely with businesses. We also work closely with the Construction Scotland Industry Leadership Group (ILG). What is your view on, or engagement with, the Construction Scotland ILG?

## COMPANY INFORMATION AND INNES SMITH BIOGRAPHY AND PHOTO

### Company background

- The company only builds homes in Scotland. The Chairman, Sandy Adams, is the founder's grandson
- The company began in 1956 and moved into house building in the 1990s.
- In the latest set of annual accounts group revenue reached £190.8M (a 35% increase on the previous year) and group completions reached 952 homes (a 24% increase on the previous year). The split is 322 of affordable housing and 630 private housing
- There are over 700 employees and more than 400 sub-contractors associated with Springfield
- The company expanded out of Moray in 2010 and now has coverage as shown in the map. It is headquartered in Elgin
- In 2017, Springfield floated on AIM (Alternative Investment Market), raising £25M in new shares
- The company has made a number of recent acquisitions including Walker Group and Dawn Homes in the past two years



### Latest news

- In September 2019, it was announced that Sigma (the private rented sector residential development and urban regeneration programme) and Springfield signed a new Collaboration Agreement targeting the delivering of hundreds of new rental homes for Sigma in five Scottish cities (Dundee, Edinburgh, Inverness, Perth and Stirling)

### Involvement in national groups

- Innes Smith is on the Board of Homes for Scotland
- Springfield Properties were part of the Short Life Working Group on future new housing and construction skills (see page 7 of this briefing for details)

### Innes Smith biography

After graduating from Heriot Watt University in 1991, Innes qualified as a chartered accountant with KPMG before moving into industry as financial controller at SGL Technic, a subsidiary of RK Carbon Fibres (now called SGL Carbon Fibres Limited), a NASDAQ and Deutsche Bourse listed company. Innes was promoted to finance director at SGL Technic and after five years moved to Gael Force. Innes joined Springfield in 2005 as Finance Director and was appointed Chief Executive Officer in October 2012 after seven years with the Company. In his role as Chief Executive Officer Innes has grown the scale of the Springfield family of companies with annual revenue increasing from £53.5 million in 2011/2012 to £140 million in 2017/18. Innes was appointed to the board of Homes for Scotland in 2016.



## CONSTRUCTION SECTOR

### Construction Sector - Key Stats

- Output in Scotland's construction sector expanded by 0.4% over the latest quarter (Q4 2018 to Q1 2019). (Scottish Government Quarterly GDP Index).
- On an annual basis, output in the construction sector in Scotland expanded by 2.7% (between 2018 Q1 and 2019 Q1). (Scottish Government Quarterly GDP Index).
- More recent survey data indicates that sales and new orders remained positive in Q2 2019, as did expectations of sales revenue in Q3, while business confidence remained largely steady. However, a majority of firms reported no change to investment activity in Q2 and they also do not expect investment to increase in Q3, suggesting they have put investment on hold. Cost pressures remain significant with more than half of firms reporting cost pressures arising from raw material prices (Scottish Chambers of Commerce Quarterly Economic Indicator).
- Survey data relating to the overall UK construction sector suggests that there has been a slowdown in activity levels at the UK level recently. In each of the four months to August 2019, the index was below 50 (the no-change threshold), which means that more respondents had experienced a decrease in activity than had experienced an increase (IHS Markit / CIPS UK Construction PMI).
- In 2017 total employment in the construction sector was 147,000, accounting for 5.7 per cent of all construction jobs in Scotland.

### Construction Sector Support – General

- Our Economic Action Plan highlights our commitment to take steps to form a refreshed and stronger relationship between government and the construction sector around a set of common goals to help the sector grow.
- We are working with Construction Scotland through the Scottish Government/Construction Scotland Leadership Forum to form an action plan that will deliver on both the ambitions of the Construction Scotland Industry Strategy 2019-2022 and the Scottish Government's economic infrastructure and built environment aims.
- We recognise that public sector investment continues to be important for sustaining output and key skills in the construction sector and we are committed to infrastructure investment as a key factor in securing economic growth. This is reflected in our Economic Strategy, Programme for Government and Infrastructure Investment Plan.
- Our £5 billion commitment to infrastructure investment in 2019-20 will support 50,000 new homes, delivery of the extension of early learning and childcare, new roads and railways, electric vehicles and delivery of 100% superfast broadband across Scotland. It will support around 35,000 full time equivalent jobs across Scotland both directly and through supply chain.

### Construction Sector – Innovation

- We know that efficiencies can be made in the sector through innovation in product and process and even relatively small improvements in construction productivity can drive significant gains for the Scottish economy.
- That is why we established the Construction Scotland Innovation Centre (CSIC). We are continuing to support the CSIC. Mr Lochhead announced phase two funding for CSIC on 28 February 2019 (£10.98 million over five years from various sources – Scottish Funding Council (SFC) £7.98m, SE £2.5m, HIE £0.5m) This builds on previous core funding from SFC of £7.5m with an additional £1.8m of capital funding.

- We are working with the Construction Scotland Innovation Centre to ensure our £150 million Building Scotland Fund acts as a catalyst for skills development and innovation across the sector. This aims to support the development of housing across all tenures, industrial and commercial property, and R&D led-projects.
- We have welcomed the UK Government's £170 million investment through the Industrial Strategy Challenge Fund via the Transforming Construction programme (announced by UK Business Secretary, Greg Clark on 27 November 2017) to support innovation in the construction sector. There are examples of businesses in Scotland accessing funding for collaborative R&D projects, most notably Stewart Milne Group who are leading on the £6.5 million Advanced Industrial Methods for the Construction of Homes project funded by Innovate UK.
- We want to make sure Scottish companies are well placed to take advantage of the opportunities that are available both through the Building Scotland Fund and through the Transforming Construction programme. Applications are currently open to both and details on how to apply can be found on the Scottish Government website for the Building Scotland Fund and the UK Government website for the Transforming Construction programme.

**[REDACTED], 0300 244 [REDACTED]**

## HOUSING MARKETS BRIEF

## 1. Housing Markets

**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 its 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], 0131 244 [REDACTED]**

## HOUSING FMQ

**ISSUE: 25 Sept – Greenock Telegraph – Councillor would have rejected application for proposed affordable homes development at former Ravenscraig Hospital if he had known toxic land truth**

- Article refers to tests at the former Ravenscraig hospital which claim to show the site is contaminated, despite previous reassurances provided by the developer.
- Site at former Ravenscraig Hospital is earmarked for large-scale social housing.
- Link Group is set to receive £15 million grant from Scottish Government and is committed to a remediation strategy on the site.

**ISSUE: 24 Sept – Homes for Scotland and Scottish Federation of Housing Associations responded positively to latest Housing Statistics**

- However, both organisations called for future funding certainty after 2021 to ensure affordable housing delivery after the current Parliamentary period.

**ISSUE: 24 Sept - Latest Scottish Government Quarterly Housing Statistics show:**

- Total housing supply in 2018-19 is up 15% on the previous year to 22,273 homes, driven by increases in private-led and housing association new build completions, although there are ongoing risks of Brexit related impacts on this area, in particular the private housing sector and workforce.
- A total of 9,128 affordable homes have been delivered in the latest year to June 2019, an increase of 7% on the previous year, and 26% more than 2017.
- 26,581 affordable homes have now been delivered in the first 3¼ years of the 5 year 50,000 target period, equating to 53% of the homes required at a point in time in which 65% of the target period has elapsed.
- The number of households on local authority or common housing register housing lists as at March 2019 has increased slightly in the latest year by 633 (0.4%) to stand at 158,439, although this is 22% below the figure of 202,235 recorded in 2008.
- Local authorities reported 7,409 units of vacant stock as at March 2019, an increase of 4% (269 units) on the 7,140 units in the previous year.

**TOP LINES – Ravenscraig: The Scottish Government’s role in this development is to help fund much-needed social housing – if and when Inverclyde Council decides it is happy with the remediation strategy for the site proposed by Link Housing.**

- The development will only go ahead once Inverclyde Council, as the statutory body, is satisfied that all the correct procedures are in place to ensure remediation is handled appropriately.

**TOP LINES - Homes for Scotland and SFHA funding certainty March 2021.**

- As the latest housing statistics show we have now delivered over 87,000 affordable homes since 2007.
- Our record investment of £3.3 billion over this Parliament is keeping us on track to deliver our ambitious target of 50,000 affordable homes.
- As part of ongoing engagement on our Housing to 2040 plans, we want to ensure supply across all tenures and build on our More Homes Scotland approach.
- We want to move away from parliamentary cycles and have a long term vision that everyone can support.
- Housing is a key component of Scotland’s infrastructure. We plan to publish a new Infrastructure Investment Plan and the Capital Spending Review by June 2020.

**TOPLINES - Official statistics published on 24 September show that we have now delivered more than 87,000 affordable homes since 2007.**

- Nearly 60,000 [59,783] were for social rent, including 12,219 council homes.

- Across all sectors, there were 21,292 new build completions in 2018-19, an increase of 3,669 homes (21%) on the 17,623 completions in the previous year.
- Total housing supply (new builds, conversions, and rehabilitations) in 2018-19 totalled 22,273 homes, an increase of 15% on the previous year.
- In the latest year to June 2019, we have delivered 9,128 affordable homes - an increase of 633 homes, or 7% on the previous year.
- Our spend per head on the Affordable Housing Supply Programme is three times higher than UK Government spending on their Affordable Homes Programme.
- Housing makes a valuable economic and social contribution to Scotland and we have a number of measures in place to support the provision of affordable, social and private homes and we work in partnership with industry to deliver these.
- Whilst it is disappointing to see an increase in Council housing lists - the first increase we have seen since 2008, it is encouraging to see Local Authority sector vacant stock has fallen significantly since 2001.

### **Brexit impact on affordable housing delivery**

- I am deeply concerned that all our good work towards increasing Scotland's housing supply could be significantly undermined by a no-deal Brexit.
- Private house builders are particularly vulnerable to the implications of Brexit. Construction material imports to the United Kingdom from European Union member countries accounted for more than 60% of the total value of construction material imports to the United Kingdom in 2018.
- Furthermore, 7,000 EU nationals were employed in the Scottish construction sector in 2017 and a no-deal Brexit could pose significant risks to builders' supply chains and the Scottish construction workforce.
- The Scottish Government is committed to providing stability and certainty in the housing sector, so everyone can have a safe, warm, affordable place to call home.
- We remain committed to delivering 50,000 affordable homes by 2021.
- We will continue to engage directly on Brexit related issues with the construction, housebuilding and mortgage lending industries in Scotland, as well as through the Joint Housing Policy and Delivery Group and Ernst and Young's sectoral analysis.
- We will consider what sector specific support could be useful.
- We are also considering labour force issues as we take forward our Housing Construction Skills Working Group recommendations.

### **Our 50,000 affordable homes target is backed by more than £3.3 billion - a 94% increase on our previous 5-year investment.**

- This is the single biggest investment in, and delivery of, affordable housing since devolution.
- From the £827 million budget available this year, a total of £633.602 million is being allocated to council areas across Scotland, taking the total for this year and the coming year to £1.3 billion.
- We have given councils and housing associations the long-term certainty they need by allocating full resource planning assumptions to March 2021.
- Our investment in housing, will, on average, leverage economic output in the region of £1.4 billion per year, supporting around 10,000 to 12,000 jobs per year in the construction and related industries in Scotland.

### **Programme for Government commitments**

- As mentioned by Scottish Federation of Housing Associations this Programme for Government contains a number of measures to support the housing sector
- Housing is a key component of Scotland's infrastructure. We plan to publish a new Infrastructure Investment Plan and the Capital Spending Review by June 2020.

- At the end of April, I announced that the Scottish Government will create a £150 million national pilot scheme which will provide first-time buyers with loans of up to £25,000 to help fund or top up their deposit.
- The scheme will launch in December 2019 and will be open to all first time buyers, regardless of income or eligibility for other existing schemes.

### **Decarbonisation of New Buildings – Programme for Government**

- 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.
- 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.

### **Through the Affordable Housing Supply Programme we have various housing initiatives designed to increase the number of affordable homes for rent or purchase which will benefit rural Scotland.**

- The Rural Housing Fund launched in February 2016, provides £25 million over five years (2016-17 to 2020-21) to increase supply of long term affordable housing in rural Scotland.
- A complementary £5 million Islands Housing Fund was announced in September 2016, to focus on the housing needs of our island communities.
- We exercise flexibility within our grant subsidy benchmarks for higher cost rural projects where justifiable, for Local Authority, Housing Association and Rural housing fund projects.

### **We are working to ensure those who aspire to home ownership are able to achieve it**

- £80 million is available this year for our Open Market Shared Equity schemes to provide an up to 40% equity contribution for around 1,800 first time buyers on low to moderate income.
- £110 million is available for the Help to Buy scheme over two years to March 2021 to help over 4,000 more households into home ownership.
- Over 32,000 households supported via our home ownership schemes since 2007.
- Over 8 in 10 of Help to Buy (Scotland) households were first time buyers - an increase on the percentages seen in previous years.
- Nearly all (99%) of Open Market Shared Equity (OMSE) scheme purchasers were first time buyers.

**[REDACTED] 0141 242 [REDACTED], [REDACTED], [REDACTED] 0141 242 [REDACTED], [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]**

**More Homes Division**

**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.

## 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.

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