

<b>MEETING BETWEEN CABINET SECRETARY FOR COMMUNITIES AND LOCAL GOVERNMENT AND HOMES FOR SCOTLAND</b>	
<b>TIMING</b>	16:15, 26 September 2018 T4.43, Parliament
<b>ATTENDEES</b>	Nicola Barclay, Chief Executive of Homes for Scotland  Ken Gillespie, Chair, Homes for Scotland  <b><u>Official Support</u></b>  [REDACTED]
<b>AGENDA</b>	An introductory meeting to welcome you to post and a chance to discuss current shared priorities for Government and Homes for Scotland, including: <ol style="list-style-type: none"> <li>1. Homes for Scotland's annual Conference</li> <li>2. Housing Construction Skills</li> <li>3. Support for SME house builders</li> <li>4. Help to Buy (Scotland)</li> <li>5. The Planning Bill</li> </ol>
<b>YOUR MAIN OBJECTIVE</b>	<ul style="list-style-type: none"> <li>• Homes for Scotland sought the meeting to introduce themselves and the industry contribution to sustainable economic growth.</li> <li>• Reinforce importance Ministers place on delivering new homes across Scotland and relationship with industry, demonstrated by joint working on Skills, SMEs and Help to Buy (Scotland)</li> <li>• To make clear Portfolio splits, that we are listening and interested to understand any precise concerns that Industry hold.</li> <li>• Want to understand what actions Homes for Scotland and its members are taking to meet their own target of increasing private housing supply by 10% year on year.</li> </ul>
<b>PRACTICAL ARRANGEMENTS</b>	Nil

<b>ITEM 1</b>	<b>Homes for Scotland Annual Conference</b>
<b>ISSUE/ BACKGROUND</b>	<p>Nicola Barclay wrote to you in early September shortly after your appointment to invite you to give the keynote address at their Annual Conference.</p> <p>Your predecessor spoke at the last Conference and the Minister for Local Government, Housing &amp; Planning spoke at their Annual Lunch in May this year.</p> <p>Broadly speaking, a single invitation per annum is made and this is a good opportunity to address the sector directly and to acknowledge ongoing good relationships with industry and Homes for Scotland in particular.</p>
<b>WHAT THE STAKEHOLDER MAY SAY/ASK</b>	<ul style="list-style-type: none"> <li>• Hope you will be able to accept our invitation to speak at Conference on 15 November</li> </ul>
<b>KEY MESSAGE(S)</b>	<ul style="list-style-type: none"> <li>• I know we have a good relationship with you and industry and I'm keen to take up the invitation if possible.</li> <li>• I have some other commitments that day so our offices may need to discuss further to juggle timetables.</li> <li>• As ever, you'll know Ministerial commitments are subject to Parliamentary business.</li> </ul>
<b>SUGGESTED QUESTION(S)</b>	<ul style="list-style-type: none"> <li>• Beyond the obvious and recurring themes, what are the main and emerging issues for the industry that you expect to arise between now and then?</li> </ul>
<b>CONTACT POINT</b>	[REDACTED]

<b>ITEM 2</b>	<b>Housing Construction Skills – Short Life Working Group</b>
<b>ISSUE/ BACKGROUND</b>	<p><b>Background</b></p> <p>The former Cabinet Secretary announced the creation of this independent Group in her speech at the Homes for Scotland (HfS) Annual Conference in November 2017. The role of Scottish Government has been limited to providing advice and direction on Government policy.</p> <p>This was in response to industry raised concerns regarding current and future availability of skilled staff within the housing construction workforce.</p> <p>The group has met regularly since March this year, chaired by Professor Sean Smith, Director of Sustainable Construction at Napier University. He has substantial expertise in skills mapping and has worked extensively with Skills Development Scotland and City Deals.</p> <p><b>Structure</b></p> <p>The first meeting (of five) took place on 26 April in Homes for Scotland offices. Invitees from industry, skills and higher education sectors attend, along with developers, Homes for Scotland and SG officials.</p> <p><b>Workplan</b></p> <p>Five meetings are planned with three held to date on immediate, medium and longer term considerations Two further meetings are planned in October and November before a report and set of recommendations later in the year are provided to Ministers that can be taken forward in partnership with industry stakeholders.</p>
<b>WHAT THE STAKEHOLDER MAY SAY/ASK</b>	<ul style="list-style-type: none"> <li>• The Homes for Scotland discussion paper ‘Delivering More Homes for Scotland: Barriers and Solutions’ (May 2018) includes seven key barriers to delivering new housing, including: <ul style="list-style-type: none"> <li>‘<b>an experienced workforce to supply the skills needed to deliver homes</b>’</li> </ul> </li> <li>• Homes for Scotland have been supportive of the SLWG, and feel this is a timely piece of work. However it will not be without its challenges. Agreement of members on some proposals will not be without its complexity, and there has been some lively group discussions.</li> <li>• Industry members are willing to engage in developing housing skills, however the current environment can seem overly bureaucratic and complex.</li> </ul>

<b>KEY MESSAGE(S)</b>	<ul style="list-style-type: none"> <li>• I am delighted Homes for Scotland's are actively participating in the Working Group. Industry has a key role to play in ensuring we are positioned with a skilled and diverse housing construction workforce across Scotland that is fit for purpose.</li> <li>• I'm very grateful to the members of the Working Group for their work on considering the issues and (in due course) recommending solutions.</li> <li>• It is important to base recommendations on clear evidence.</li> <li>• Once the report is agreed with the SLWG members, we look forward to its findings being shared with Scottish Government, to help inform our thinking.</li> <li>• Ministers cannot make any formal commitments at this stage.</li> <li>• Any recommendations must be considered alongside other policies.</li> </ul>
<b>SUGGESTED QUESTION(S)</b>	<ul style="list-style-type: none"> <li>• As the group are moving to mid-way, can you give me a feel for what the major issues might be for Government?</li> </ul>
<b>CONTACT POINT</b>	[REDACTED]

<b>ITEM 3</b>	<b>Support for SMEs - Small Scale Home Builders Project</b>
<b>ISSUE/ BACKGROUND</b>	<p><b>Background</b></p> <p>The main objective of this industry-led group is to reduce barriers to allow small builders to build more homes and encourage new industry entrants, following a significant drop in this sector following the financial crisis. The Group is chaired by Andy Pearson, a volunteer with a career's experience as a small developer and former chair of Homes for Scotland. Other members include SG officials, small developers, agents and bodies who have grown from SME status to larger concerns.</p> <p>Picking up from previous work undertaken by HFS and the Scottish Government, this project intends to address specific constraints experienced by small scale builders and develop solutions.</p> <p>The first meeting of this project board was held in May 2018, followed by a number of sub group meetings, with the full group planning to reconvene in November 2018.</p> <p><b>Workplan</b></p> <p>The project is focused on two main obstacles:</p> <ol style="list-style-type: none"> <li>a) Improving Processes – looking more in-depth at the issues surrounding Planning, Road Construction Consents, Building Control and delivering infrastructure.</li> <li>b) Finance, Funding and Tax – focusing on issues around development funding and capital return, prolonged capital lock-in and impact on viability, and Land and Building Transaction Tax.</li> </ol> <p><b>Reporting</b></p> <p>These two sub-groups will feed in to the main group, which will report the project's findings to Homes for Scotland as project instigators and to Ministers via Scottish Government later in the year.</p>
<b>WHAT THE STAKEHOLDER MAY SAY/ASK</b>	<p>Homes for Scotland are keen to see this work progress. Their recently published discussion paper 'Delivering More Homes for Scotland: Barriers and Solutions' (May 2018) includes seven key barriers to delivering new housing, including:</p> <p><b>'home builders, especially of a smaller scale'</b></p>
<b>KEY MESSAGE(S)</b>	<ul style="list-style-type: none"> <li>• We are also keen to see this work progress. Since the economic crisis, the slowdown in private housing output across the board has affected us all.</li> <li>• 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.</li> </ul>

	<ul style="list-style-type: none"> <li>• This is a timely piece of work and I look forward to seeing the results of this project.</li> <li>• It is important to base recommendations on clear evidence.</li> <li>• Any recommendations must be considered alongside our other policies, support and reforms.</li> <li>• Once the report is agreed with the projects core members, we look forward to its findings being shared with Scottish Government, to help inform our thinking.</li> <li>• Ministers cannot make any formal commitments at this stage.</li> </ul>
<b>SUGGESTED QUESTION(S)</b>	<ul style="list-style-type: none"> <li>• Can you give me a feel for what are the key issues for Government to consider?</li> <li>• The Group is due to conclude later in the year. Will you be arranging a meeting with the Minister for Local Government, Housing and Planning to discuss progress and recommendations in advance of publication?</li> </ul>
<b>CONTACT POINT</b>	[REDACTED]

<b>ITEM 4</b>	<b>Help to Buy (Scotland)</b>
<b>ISSUE/ BACKGROUND</b>	<p>Government and Homes for Scotland (alongside UK Finance) worked together to develop and deliver Help to Buy (Scotland) over the last five years. This very successful programme and the joint working helped deliver the positive working relations we enjoy with Homes for Scotland.</p> <p>Recently, Homes for Scotland Board members have requested renewed access to Help to Buy monitoring information. This information was previously shared with Homes for Scotland board members and a reference group but ceased following a leak of sensitive information to the press resulting in an <a href="#">article</a> on Common Space in June this year.</p> <p>We continue to share data with Homes for Scotland and UK Finance officials as members of our Help to Buy monitoring group. The number of Help to Buy units and expenditure is also published annually in June.</p> <p>A closure date for this year's Help to Buy main scheme and Help to Buy smaller developer's scheme will be set according to demand. This is normally around end December – after this point properties purchased off plan cannot normally be completed by the end of the financial year. A slightly earlier closure date for the main scheme may be necessary this year. Homes for Scotland are aware of this and may use it as an opportunity to request additional funds.</p> <p>Additional capacity from the More Homes FT budget of up £10m has already been made available for Help to Buy this year.</p>
<b>WHAT THE STAKEHOLDER MAY SAY/ASK</b>	<ul style="list-style-type: none"> <li>• Our members are keen to have access to monitoring information restored</li> <li>• We are concerned that funds could run out this year and our members feel undervalued given this has come as a surprise.</li> <li>• It would be helpful to have a longer-term view of the Scottish Government's commitment to Help to Buy (Scotland)</li> </ul>
<b>KEY MESSAGE(S)</b>	<ul style="list-style-type: none"> <li>• We remain committed to Help to Buy. We will work with you to ensure the scheme continues to meet Scotland's needs, as well as supporting those who need it most.</li> <li>• We are content to share monitoring information with Homes for Scotland staff but the unfortunate leak of information earlier this year means this cannot be shared more widely. Statistical information on scheme performance is published annually.</li> <li>• We will continue to monitor demand for the scheme closely during the rest of the year to ensure maximum opportunity to spend available funds. Builders will be given a months' notice about closure dates.</li> </ul>
<b>CONTACT POINT</b>	[REDACTED]

<b>ITEM 5</b>	<b>Planning Bill</b>
<b>ISSUE/ BACKGROUND</b>	<p><b>ISSUE:</b> Stage 2 of the Planning (Scotland) Bill started on 12 September. Around 270 non-government amendments lodged so far.</p> <ul style="list-style-type: none"> <li>• The Local Government and Communities Committee has passed the majority of amendments considered over the first two weeks, largely voting against the Government. Stage 2 is expected to run until late October or early November.</li> <li>• The Bill is part of a package of reforms responding to the Independent Review of the planning system which reported in May 2016.</li> <li>• There has been criticism that this is a centralising Bill; for example by seeking to remove Strategic Development Plans and enhancing the National Planning Framework; a Government amendment including an alternative approach to strategic planning was defeated on 12 September; and non-government amendments were passed on 19 September to retain Strategic Development Plans.</li> <li>• A large number of Stage 2 amendments seek to implement specific policy issues in primary legislation; many have been passed against Government wishes.</li> <li>• There is a widespread and longstanding campaign for communities to have an “equal right of appeal” against developments that are approved.</li> <li>• There are increasing calls for purchase of land at existing value, to allow the public sector to capture the increase in value from development.</li> <li>• Scottish Environment Link published a report ‘Changing Tracks’ (18 September), calling for permitted development rights for agricultural tracks to be removed, so requiring planning applications. Andy Wightman has lodged an amendment to the Planning Bill raising similar issues and seeking stronger controls over some tracks.</li> </ul>
<b>WHAT THE STAKEHOLDER MAY SAY/ASK</b>	<ul style="list-style-type: none"> <li>• What is the government’s strategy after the early exchanges on the Bill at Committee?</li> <li>• Will you continue to press against third party right of appeal?</li> <li>• How can we work with you to support areas of common interest during the remainder of the Parliamentary process?</li> </ul>
<b>KEY MESSAGE(S)</b>	<ul style="list-style-type: none"> <li>• The Bill needs to result in an improved, effective planning system – stronger and empowered to lead positive change in creating quality places with the housing, infrastructure and investment that people need.</li> <li>• We have lodged amendments at Stage 2 to address the issues raised during Stage 1; for example effective early engagement in development planning.</li> <li>• We want planners to focus their talents on delivery of great places, rather than just preparing plans or being bogged down in formal processes.</li> </ul>

	<ul style="list-style-type: none"><li>• Third Party Right of Appeal risks delaying and discouraging development that our communities need and want. We know you'll want to work with us in this area in particular.</li><li>• We appreciate we have some different interests in parts of the process – but grateful for ongoing engagement with Planning Officials as we progress through parliament.</li></ul>
<b>CONTACT POINT</b>	[REDACTED]

## ADDITIONAL BACKGROUND INFORMATION

### Support for the House-building Industry and relationship with Homes for Scotland

- We have a good relationship with Homes for Scotland, in particular in recent years under the tenure of Nicola Barclay as Chief Executive
- We have worked together on a number of areas of joint interest, including development and delivery of Help to Buy (Scotland), which differs in many respects from other UK Support of this nature, being more keenly targeted at lower-earners and lower-value purchases, ensuring support reaches those who need it most.
- We have shared interests in growing the sector, with many SMEs disappearing following the financial crisis. We seek a higher market share for SMEs to ensure lower reliance on the major builders. [REDACTED]
- Joint work on this and on an independent working group on industry skills delivery, led by Professor Sean Smith of Napier University, are current priorities and areas of joint working for both Government and Homes for Scotland.
- In the last parliament we had a higher per capita build rate than England and Wales. Between 2007-08 and 2015-16, this higher per capita rate of house-building in Scotland has enabled 44,600 more homes to be built under this government than would have been built at England's lower per-capita rate (25,000 less private homes and 19,600 less affordable homes).
- We've helped to stimulate growing confidence in the private housing market and support people into home ownership – in particular through the Help to Buy (Scotland) scheme. This year alone we have invested £160 million to support a further 5,000 households to buy a home through our Open Market Shared Equity and Help to Buy (Scotland) Affordable New Build schemes.
- In addition we have launched a number of funds and mechanism to provide industry support, including a housing infrastructure fund to aid unlocking new sites for private development, a rural & Island Housing Fund, the Building Scotland Fund (for which Housing is a stated priority) and most recently a National Self Build Fund in September.
- We have a good relationship with industry and remain ready to address concerns as they arise.

[REDACTED]

## **ADDITIONAL BACKGROUND INFORMATION**

### **Biographies**

#### **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

#### **Ken Gillespie, Chair**



Ken Gillespie was appointed chair of Homes for Scotland in October 2017, having previously served as Chair of Construction Scotland.

With over 33 years' experience in the UK construction and home building industries with, Ken has been responsible for the development and delivery of residential, commercial and infrastructure schemes both nationally and overseas.

Most recently he was chief operating officer of FTSE 250 company Galliford Try where he oversaw revenues of more than £2 billion before he stood down from the Board in 2016.

## ADDITIONAL BACKGROUND INFORMATION

### Building Standards – Verification performance / resources

#### Top line

- There are no immediate plans to extend building standards verification to any organisation other than local authorities at the present time.

#### Background

### APPOINTMENT OF VERIFIERS

#### First appointment period in 2011

- In 2011, SG publicly consulted on introducing private sector verification. This concluded that “there is no widespread appetite for change”. From this Ministers decided not to widen verification to the private sector.
- In 2011, Scottish Ministers re-appointed local authorities as verifiers for six years until 2017, on the basis of an improved performance agenda.
- SG recognise that some house builders were disappointed with the decision in 2011 to retain local authorities as the only verifiers. However, SG officials are monitoring the position and always open to dialogue for the future.

#### Appointment in 2017 – Based on Verifier performance

- In 2012, in order to inform the next appointment of verifiers, Scottish Ministers committed to reviewing the performance of local authority verifiers.
- In March 2017, the Minister for Local Government and Housing appointed all 32 local authorities as building standards verifiers for their own geographical areas. The appointment periods differed depending on their performance under the performance framework.
  - Strong performance – six years (17 local authorities)
  - Good performance – three years (12 local authorities)
  - Poor performance – one year (3 local authorities) – Edinburgh; Glasgow; and Stirling  
(first appointments in 2017 from 1 May 2017 to 30 April 2018, and extended for a further year in 2018 from 1 April 2018 to 31 March 2019)

All re-appointments were dependent on the verifier meeting the Verification Operating Framework 2017 and the Verification Performance Framework 2017. This included satisfying Scottish Ministers that the verifier is meeting, and continues to meet, performance measures.

The Operating Framework 2017 sets out the key functions of the verifier and requires that ‘Verifiers must adhere to legislative procedures and deadlines, appeals processes and complaints processes.’ This includes having:

- processes and controls in place to meet legislative procedures and deadlines;
- measures in place for managing decisions and non-compliance; and
- pro-active communication with applicants regarding key decisions.

The framework sets out the key legislative procedures. SG Officials will be monitoring and engaging with all local authorities over the term of the appointments.

The poorest performing verifiers (Edinburgh, Glasgow and Stirling) have been appointed for a period of one year only from 1 April 2018 to 31 March 2019. These appointments are conditional upon service improvements being made. Scottish Government officials are monitoring and engaging with these authorities on a monthly basis and report progress to the Minister.

The Minister agreed that a more intensive approach be adopted in the case of Edinburgh and a service improvement team using external consultants has been engaged and is currently working with them to assist in improving their service. A detailed improvement plan was submitted on 31 July 2018 which sets out the broad range of improvements underway. This plan is being monitored closely by SG officials on a monthly basis.

## **ISSUES WITH A COMPETITIVE MARKET FOR VERIFICATION (WHICH OCCURS ELSEWHERE IN UK)**

- In December 2016 the report from the Commission of Inquiry of the House of Commons into the quality and workmanship of new housing in England raised concerns that their competitive market for verification services may be 'fuelling a race to the bottom' in terms of standards.
- We need to learn from England's experience. If it is the case that standards are slipping, then the public interest is not best served by a competitive market, where verifiers bid for work.
- In October 2017 The UK Government consulted on consumer redress in the housing market, and although the scope of the consultation primarily relates to England, it states that the UK Government will be discussing issues with devolved administrations where existing legislation extends out with its boundaries. The consultation covered the following issues:
  - The current complaints and redress landscape, how it is working and if more can be done to improve it.
  - What standards and services should be expected of a redress scheme and/or ombudsman
  - How to fill the existing gaps between current services
  - Whether a single ombudsman service is needed to simplify access to redress across housing, and if so, what form that should take and what its remit should be

## **CURRENT OBSERVATIONS ON LOCAL AUTHORITY PERFORMANCE**

- At the present time local authority building standards are performing reasonably well, however, as with other local authority services, this is not consistent across all geographical areas.
- Research (March 2016) indicates substantial progress and investment made in delivering a high quality and customer-focused building standards service since 2011. However it also concludes that there is still work to do to create the conditions for strong performance across all 32 Councils (e.g. turnaround times, customer focus, and consistency). This is the main aim of introducing the operating framework and making enhancements to the current verification performance framework.
- SG officials have agreed an engagement strategy with the Minister to carry out a targeted approach of all verifiers based on their performance. The initial engagement has been on the three poor performing verifiers, and the current focus is on the twelve good performing verifiers to be completed by January 2019.

## **Q and A**

### **Does the Scottish Government have any plans to extend building standards verification to any organisation other than a local authority?**

There are no immediate plans to extend building standards verification to any organisation other than local authorities at the present time.

### **Under what circumstances would the Scottish Government choose not to reappoint a local authority as a building standards verifier and how would building standards verification then be carried out in that area?**

Only three local authorities were initially considered to be providing a poor service and I am pleased to report that all three are now showing improvement.

In the unlikely event that there is a need to consider withdrawing verification status from any local authority, another authority would be approached in the first instance to provide the necessary verification.

### **Is the Scottish Government satisfied with the current performance of local authorities as verifiers?**

In 2017 local authorities were appointed as verifiers for different periods of one, three or six years based on their previous six years of verification performance.

Local authority performance, can on occasion be an issue. Where issues are highlighted, officials engage with the appropriate verifier to resolve the issue. Officials monitor verifiers through their performance returns to Scottish Government, and if they identify any such issues, they take this up with the verifier.

### **What is the Scottish Government doing to drive forward improvements?**

Officials have audited the three poorest performing local authorities (Edinburgh, Glasgow and Stirling), and are currently liaising with them on a monthly basis. A more intensive approach has been adopted in the case of Edinburgh and a service improvement team has been engaged using external consultants to assist them improving their service.

Any extension to the current appointment periods will be subject to demonstrating satisfactory performance. This is expected to be demonstrated through the quarterly performance reporting, the audit programme and any other intelligence received.

### **Is the number of inspections on new buildings and work sufficient?**

Research has shown that there are inconsistent practices across local authorities both with regard to the number of inspection and also the appropriateness of the timing. The level of inspection and scrutiny of the person signing the completion certificate has been considered. Going forward there will be more focus placed on the person signing the completion certificate and carrying out inspections of safety critical elements such as structure and fire safety by the verifier.

[REDACTED]