

## **Homes for Scotland – Ken Gillespie**

<b><i>Date and Time of Engagement</i></b>	Thursday 18 January 10.30am – 11.00am
<b><i>Where</i></b>	Scottish Parliament Minister's Office
<b><i>Key Message</i></b>	Scottish Government is providing support for new build housing across all tenures.
<b><i>Who</i></b>	Ken Gillespie, new chair of Homes for Scotland (and ongoing chair of Construction Scotland).
<b><i>Why</i></b>	<ul style="list-style-type: none"><li>• Reinforce importance Ministers place on delivering new homes across Scotland and relationship with industry</li><li>• Set out our investment and support for industry</li><li>• Gain understanding of HfS priorities under new Chair</li></ul>
<b><i>Official Support Required</i></b>	None required - [REDACTED] stands available
<b><i>Media Handling</i></b>	None – no announcements planned.
<b><i>Dress code</i></b>	Business attire
<b><i>Specific entrance car/parking arrangements</i></b>	Nil
<b><i>Briefing contents</i></b>	Annex A – Summary Annex B – Subject Briefing & Top Lines

## **Annex A – Summary**

This meeting was intended as an introductory meeting with the Ken Gillespie, new chair of Homes for Scotland (HFS). However you Homes for Scotland in the run up to the budget and prior to their Parliamentary Reception on 19 December 2017.

We sought to free this time in your diary as a result but Homes for Scotland were keen to maintain the meeting as an opportunity for Mr Gillespie to set out his position to discuss the forthcoming Planning Bill. This was also discussed at some length on 19 December and subject briefing for this is enclosed.

Although no specific topics have been proposed by HfS, we have included subject briefing on a number of issues prepared for the 19 December meeting which routinely exercise their member organisations:

**Planning reform:** HfS remain against any proposals to amend the Bill to include Third Party Right of Appeal would slow development further, impacting all-party housing ambitions.

**Help to Buy:** Although involved in the timetable for development of proposals, HfS will call for commitment to extending the scheme to 2021 (as in England and, separately, Wales).

**Land Reform:** Highlighting the need for an evidence base and clarity on purpose.

**Quality/Building Standards:** Highlighting the 90% customer satisfaction rate in Scotland.

Homes for Scotland may also seek further information on the **Building Scotland Fund** and on changes announced in the Budget to **Land & Buildings Transaction Tax**. Briefs are included on these subjects but these remain in early development.

## 1. Affordable Building Supply Programme

### Top lines:

- We are investing over £3 billion in affordable housing to deliver at least 50,000 affordable homes over the lifetime of this Parliament – a 76% increase on our previous five-year investment.
- 35,000 of the 50,000 homes target will be for social rent – a 75% increase on our previous social rented target.
- While we set targets for the Affordable Housing Supply Programme, we do not set targets for overall housing supply as this depends heavily on the activities of the house-building industry and is largely out-with SG control.
- We expect local authorities to take a lead in saying where development should take place – based upon local requirements, local need and capacity for growth – to ensure the right developments in the right places.
- We will continue to work closely with the sector to promote construction of new homes across all tenures, supporting jobs and inclusive growth in the wider economy. This includes a wide-ranging review of the planning system to improve the effectiveness of planning processes.

### Background:

#### ***2017-18 Budget for affordable housing***

- Over £590 million is available this year to increase the supply of affordable homes across Scotland. From that, all 32 councils will share £422 million to deliver more affordable homes in their communities.
- In addition, councils across Scotland have now received long term resource planning assumptions amounting to £1.754 billion to March 2021 [announced 13 June] – giving the certainty councils and housing associations need to deliver our ambitious target by March 2021.

#### ***We are investing over £3 billion in affordable housing to deliver at least 50,000 affordable homes over the lifetime of this Parliament – a 76% increase on our previous five-year investment.***

- 35,000 of the 50,000 homes target will be for social rent – a 75% increase on our previous social rented target.
- We increased housing subsidies by up to £14,000 for social and affordable homes for rent being delivered by councils and RSLs.
- The extra homes are expected to support, on average between 12,000 and 14,000 full-time equivalent jobs in the construction and related sectors across Scotland over the course of this Parliament.

#### ***The Scottish Government exceeded its previous 30,000 affordable homes target by more than 10%.***

**Contact:** [REDACTED]

## **2. Building Regulations – Energy standard for new homes.**

### **Background**

Standards for new buildings introduced in October 2015 set targets that deliver an aggregate reduction in greenhouse gas emissions of 21% for new homes over previous standards. These follow previous changes in 2007 and 2010 to the energy standards applicable to new buildings and new building work.

At present, emissions from new buildings constructed to current are, on average, 75% lower than those constructed to 1990 standards (the baseline year for reporting on CO<sub>2</sub> emissions abatement).

The level of challenge presented by the current standards is relatively high. Standards in Scotland continue to be higher than the rest of the UK for new homes.

Standards for new homes are now at the point where further abatement is likely to result in a significant increase in development cost. Costs added to the purchase price of new homes will not often be recovered through reduced fuel bills over the lifetime of the building.

### **Proposals for further review of energy standards**

An intent to commence the next review of energy standards in 2017 is currently made within chapter 8 (residential) of our draft Climate Change Plan.

Following a submission in August 2017, commencement was deferred to support a clear focus on the current essential reviews of fire safety and of compliance and enforcement of building regulations in light of the Grenfell Tower tragedy.

It is anticipated, subject to approval by Ministers, that the review of energy standards will now commence in early 2018.

Given the relatively short period since the implementation of the current standards in October 2015, feedback from industry on the successes and problems encountered in designing and constructing to current standards will be an essential. Such engagement and a 'call for evidence' will form the first phase of the review.

Contact: [REDACTED]

### **3. Building Regulations – Fire Safety, Compliance and Enforcement**

As part of the Ministerial Working Group on Building and Fire Safety's work programme, reviews of building regulations are being undertaken in light of the findings of the Report of the Independent Inquiry into the Construction of Edinburgh Schools (February 2017) [Cole Report] and the Grenfell Tower fire in London (June 2017).

Mr Stewart recently appointed two leaders in their field to chair the groups –

- Professor John Cole will chair the review of enforcement and compliance of building regulations and
- Dr Paul Stollard will chair the review of fire safety in building standards.

#### **Compliance and Enforcement Review**

The Scottish Government is undertaking a review into the compliance and enforcement of building regulations.

This will investigate the roles of the relevant parties involved and the operational delivery of building warrant and completion certificate processes, together with associated enforcement practices.

#### **Top lines - “Cole Report”**

#### **What is the Scottish Government's response to the findings of the “Cole Report” on Edinburgh Schools?**

- SG Building Standards Division are taking forward a review to consider the compliance and enforcement of building regulations and the role of the owner and the local authority at key stages from pre-application to completion.
- SG Procurement are progressing their on-going review and updates to guidance on commissioning and procurement of public works. This includes reviewing “The Construction Procurement Manual”, independent certifiers and the baseline client skillset guidance and toolkit. The role of the Clerk of Works in public procurement is also being considered.

#### **Fire safety Review - Grenfell**

Scottish Ministers responded quickly by setting up a Ministerial Working Group.

- The focus for the Ministerial Working Group has been twofold:
  - to respond proactively and immediately to offer public reassurance of the fire safety of high-rise buildings, in particular high rise domestic buildings.
  - A wider range of measures to enhance and strengthen building regulations, enforcement, and compliance as well as fire safety.

Scottish Government will be taking forward a review of building standards related issues, enforcement and compliance, and fire safety in building standards. The initial focus of the review is on high rise domestic buildings and high rise residential buildings.

## **Top Lines - What is the Scottish Governments response to Grenfell fire?**

- SG have set up the Ministerial Working Group to provide public reassurance on fire safety issues for those living in high-rise buildings, and to consider a wider range of measures to enhance and strengthen the building standards system.
- SG Building Standards Division are taking forward two separate reviews on building standards, one on enforcement and compliance to be chaired by Professor John Cole, and the second on fire safety in building standards chaired by Dr Paul Stollard.

**Contact:** [REDACTED]

## **4. Help to Buy (Scotland)**

### **Top Lines**

- Help to Buy (Scotland) represents one part of a wider and substantial package to support home ownership.
- Since 2013, Help to Buy (Scotland) has supported the purchase of over 10,000 new build properties and supported over £1.9 billion in sales.
- We have committed £195 million from 2016-2019, supporting up to 6,500 households buy a new-build home. This focuses provision on more affordable housing with ongoing support for houses built by smaller developers.
- We have worked closely with stakeholders, Homes for Scotland and Council of Mortgage Lenders, in delivering the Help to Buy (Scotland) scheme to monitor economic benefit and impact and continue to work with them on considering the future of Help to Buy beyond 2018/19. No decision will be made until early 2018.

### **Sensitivities**

- Builders may push for an early decision on the future of Help to Buy (Scotland) because of the planning of future developments. Uncertainty may lead to them focussing development in England and Wales where there is a commitment to HTB until 2020/21 - with the UK Government recently announcing an additional £10bn for the scheme.

### **Background**

- Total funding of £195 m across three financial years:
  - 2016-17 £80 m
  - 2017-18 £65 m
  - 2018-19 £50 m
- Small developers receive a growing share of support with a total of £58m over the three year life of the scheme.

### **Monitoring Information on Characteristics of Households Report (Sep 13 - Mar 16)**

- Around two thirds (66%) of Help to Buy (Scotland) households were first time buyers, whilst around a third (34%) were existing home owners.
- Approximately 32% of purchasers previously lived with relatives, 31% had previously been living in an owner-occupied property, 28% had previously been in the private rented sector, and 5% previously been in social housing.
- Around half (50%) of buyers were aged 30 years or under, with 76% of buyers aged 35 or under. The average (mean) age was 32.
- Nearly half (46%) of purchasing households had a gross household income between £30k and £50k per year.

[REDACTED]

## 5. Housing Infrastructure Fund

### Top lines

- We have made good progress on getting this scheme up and running but we know that these types of projects – often involving complex capital works – take time to deliver.
- It is for local authorities to identify key priorities for consideration as part of their SHIPs. Developers and RSLs should speak to the respective local authority regarding any project that they would wish to be put forward for support.
- Local authorities have now submitted their priorities for the Fund through their 2017 SHIPs and we are developing a programme of sites to support in future years.
- Community infrastructure, such as schools, is not eligible for funding as it is the responsibility of local authorities to plan for and provide schools.

### Background

- The fund was set up last year to support infrastructure (through grant or loan). All types and tenures of housing are eligible for support although priority is given to those projects delivering affordable and private rented housing within the next five years.
- The Housing Infrastructure Fund comprises two elements: Infrastructure loans (to non-public sector organisations) and Infrastructure grant available to local authorities and registered social landlords (RSL's) to support affordable housing deliver.
- In developing the fund we particularly chose to focus on strategically important sites to ensure that rural and or small sites in areas of high need or demand would be given the same level of priority as larger sites in urban areas.
- To support the identification of strategically important sites that are capable of being delivered we have asked local authorities, in line with revised guidance issued in July, to include sites in their 2017 SHIPs which were submitted in October.
- In 2016 / 17 we made up to £50m available from the fund and successfully supported projects at Grandhome in Aberdeen and Maryhill Locks in Glasgow
- **We have not announced our out turn figures for 2016/17 or our budget for this year.**

### Q&A

***Q: How much of the £50m was spent last year?***

**A:** We have not announced our outturn figures for 2016/17.

***Q: What is the budget for HIF this year?***

**A:** We have not announced our budget for 2017/18.

**Contact:** [REDACTED]

## **6. Planning**

### **Top Lines**

- We are bringing forward ambitious reforms to significantly improve the effectiveness of planning in Scotland.
- Planning is not the barrier to housing delivery – in 2015-16 planning authorities approved more than 40,000 units but 14,000 were built.
- A package of reforms, rather than a single solution, is needed - we need to strengthen development planning, give people a stronger voice in the future of their place and work much more collaboratively to deliver more homes
- We are working towards a Planning Bill this winter to bring forward a package of improvements. Our proposals to streamline development planning will give more clarity on where development will take place and how it can be delivered.
- We will introduce new measures to strengthen community engagement in planning the future of our places so that we can have much wider and more productive discussions on where new homes should be built.
- We will improve the focus of planning on delivery – including through clear and costed delivery programmes, stronger infrastructure planning, more Simplified Planning Zones, support for alternative housing delivery models, and greater clarity on the amount of housing that is required.
- We are also looking at how we can improve resourcing of the planning system to help them enable development – we have already raised planning fees and will consider fees again when the shape of the new system has been decided.
- We continue to work with COSLA, Heads of Planning Scotland and others to monitor and improve the performance of planning authorities.

### **Third party / equal right of appeal**

- We agree with the independent panel that stronger community engagement at an early stage in the process is much more constructive than an adversarial appeal at the end.
- We also do not propose to remove applicants' right to appeal against planning application decisions.
- The Bill's provisions are geared towards stronger engagement in development planning, and in communities' own local place plans, as a better means to influence future development.
- Substantial risk of delaying and discouraging investment in development – running counter to the policy thrust for planning to support development delivery.
- Particularly damaging to the clear need for significantly more housebuilding.
- Loss of any right of appeal could have a similarly negative impact on the economy – significant numbers of homes have been approved through appeal.

Contact: [REDACTED]

## **7. Support for the House-building Industry**

### **Top lines**

- 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 housing infrastructure fund to aid unlocking new sites for private development.
- We have a good relationship with industry and remain ready to address concerns as they arise.

**Contact:** [REDACTED]

## 8. Land Reform

### Top Lines

- Implementation of the **Land Reform (Scotland) Act 2016** is well under way with our Programme for Government reaffirming our commitment to land reform.
- The Act takes forward land reform across **urban and rural Scotland** and demonstrates our intention to secure a more equal and socially just Scotland for the 21st century.
- We published the **Scottish Land Rights and Responsibilities Statement** on 28 September. This is the **first such Statement in the world**. The Statement will help support increased diversity of ownership and use, sustainable development and social justice, and to protect and enhance the environment.
- The Land Commission's **first three-year Strategic Plan**, published on 28 September, sets out its priorities. These include examining the unusually concentrated pattern of land ownership in Scotland.
- Together, the Statement and the Plan lay the foundations for continuing land reform in Scotland.
- Overall funding for land reform will be increased by **£3.4 million in 2017/18**, with the existing Scottish Land Fund budget maintained at £10 million.

### Scottish Land Commission

- The Commission became operational on 1 April 2017 with a remit to **review the effectiveness and impact of laws and policies relating to land**, and to make recommendations to Scottish Ministers.
- Its establishment demonstrates the Scottish Government's commitment to a **long-term programme of land reform**.
- Andrew Thin is Chair, and is supported by Professor David Adams, Megan MacInnes, Lorne MacLeod and Dr Sally Reynolds who serve as Land Commissioners; Dr Bob McIntosh serves as Tenant Farming Commissioner.
- Hamish Trench became Chief Executive of the Scottish Land Commission on 31 July 2017.
- The Land Commission has undertaken a wide programme of meet and greet events across urban and rural Scotland to engage with the public on priorities for land reform.
- The Strategic Plan reflects the commitments on land reform in the Programme for Government 2017-18 and is consistent with this government's Scottish Land Rights and Responsibilities Statement.
- A key part of the Plan is to examine options for future land reform including the concentration of land ownership in Scotland. The Commission will also review tax and fiscal arrangements, including the potential for a **land value tax**; examine constraints on the supply of land for housing, including **land banking**; and look at options to bring **vacant and derelict land** into productive use.
- It will also assess whether better use could be made of common-good land and review the effectiveness of right to buy mechanisms.

### The Scottish Government is committed to improving transparency of land ownership in Scotland

- We will introduce regulations to Parliament for a **new public register of controlling interests** in land owners and tenants.
- Our proposals will seek to ensure that land in Scotland is sustainably used and developed in the interests of landowners, communities and wider society by

**delivering increased transparency** about the individuals taking decisions about Scotland's land.

- We are liaising closely with UK counterparts on their related proposals and will seek to avoid placing requirements on companies and other legal entities that could result in double reporting. Our proposals will take account of the UK position as more details of their legislative intentions become clear.

### **Land Rights and Responsibilities Statement**

- The Scottish Government is required to publish a statement on land rights and responsibilities and **review this every 5 years**. We published the first **Scottish Land Rights and Responsibilities Statement** on 28 September 2017.
- This is the **first such statement about land rights and responsibilities in the world**. It takes a human rights approach and will play an important role in shaping the thinking on land issues in Scotland in the years to come.
- The Statement comprises a **vision and six principles**, is supported by advisory notes and case studies, to ensure that the full public benefits from land in Scotland are realised.
- There is a **requirement on Scottish Ministers** to promote the principles of the statement when exercising their functions, so far as is reasonably practicable.

### **Engaging communities in decisions relating to land**

- The guidance on engaging communities in decision relating to land will be **published early in 2018**.
- We consulted on draft guidance between March and June 2017. Responses have been published on Scottish Government webpages.
- Many **landowners recognise the benefits of working with local communities** but good practice is not uniform across Scotland.
- This is an important piece of work that aims to make **positive and constructive engagement** between land owners and communities the norm across rural and urban Scotland.

### **Right to buy land to further sustainable development**

- Will empower communities to buy land where this is necessary to **further sustainable development**, providing certain conditions are met.
- The new right to buy will **apply equally to urban and rural areas** and is not pre-emptive.
- Consideration is being given to the precise timings for the implementation of regulations required for commencement of the new community right to buy land.
- The right to buy 'abandoned, neglected and detrimental land' contained in the Community Empowerment Act 2015 will be brought into effect in this Parliamentary year.

### **Land Reform Act 2003**

- Changes made to the LRA 2003, by the Community Empowerment Act 2015 opened up the community right to buy legislation to **urban groups**.
- The Scottish Government strongly supports community ownership which is why we extended the right to buy to urban areas.
- We currently have **2 urban registered interests** from Helensburgh.
- An application from InSpire East End, for a church on London Road was rejected (on 2 November) on the grounds that the group did not meet the criteria for a late application
- An application from Action Party was approved on 2 May 2017. The group concluded the purchase on 6 September 2017. This is the first urban purchase of

land using the Community Right to Buy and we were pleased to support the successful purchase of Bellfield Church in Portobello by Action Party.

- On Tuesday 10<sup>th</sup> October, FM announced that North West Mull community group had been given approval to continue with their right to buy over Ulva.
- The owner's son has written to officials complaining of the insensitive handling of the announcement, as they only found out via the media. Officials had sent emails to all parties 30 minutes before the speech.
- **The LRA 2003** contains provisions to allow communities to apply to buy abandoned, neglected and detrimental land, and we will introduce secondary legislation to bring this into force in due course.
- The **Scottish Land Fund (SLF)** was opened up to urban groups from April 2016.
- The fund has remained at **£10m for this year**, as well as a commitment to continue at this level until 2020.

[REDACTED]

## 9. UK Construction Sector Deal

**ISSUE** : The UK Business Secretary, Greg Clark, announced on Monday 27 November 2017 that the construction sector is one of the first industries to secure funding from the UK Government to spend on innovation and research and development through a Sector Deal.

Key points:

- The UK Government will invest £170 million over three years, through the Industrial Strategy Challenge Fund, in the Transforming Construction programme with industry committed to match-funding with a £250 million investment.
- The key aim of the construction sector deal is to prepare the UK construction sector for the future, helping companies build better performing buildings and infrastructure at greater speed and reduced cost.
- It will bring together the construction, manufacturing, energy and digital sectors in a new hub to commercialise technologies capable of building assets which are both cost effective and energy efficient.
- Included in the deal is a pledge to invest £64 million to improve digital and construction training as part of a new National Retraining Scheme.
- Full details of the Sector Deal agreement will be published in the coming weeks.

### Background

The announcement follows the launch of the UK Industrial Strategy white paper which sets out a long-term plan for how Britain can build on its economic strengths. The pursuit of a deal was driven by the Construction Leadership Council (CLC) and construction was selected from forty two sectors of the economy that initially bid for deals in the summer. Construction Scotland, the Industry Leadership Group in Scotland were not involved in its development, however since the launch of the Construction Scotland Innovation Centre on 11 September (attended by Andrew Wolstenholme, Chair CLC) discussions have taken place to consider how Scotland might benefit from the deal. Four Sector Deals were announced on Monday 27 November 2017, the other three being artificial intelligence, the automotive industry and life sciences.

### Sector Deal Objectives

The deal has four clear objectives:

- 33% reduction in the cost of construction and the whole life cost of assets
- 50% reduction in the time taken from the beginning to end of new build and refurbished assets
- 50% reduction in greenhouse gas emissions in the built environment
- 50% reduction in the trade gap between total exports and total imports of construction products and materials

## **Construction Scotland Innovation Centre**

In Scotland, we are already addressing many of these issues. The Construction Scotland Innovation Centre (CSIC) is one of eight industry led and demand driven Innovation Centres in Scotland, supported by Scottish Funding Council, Scottish Enterprise and Highlands & Islands Enterprise. CSIC provides businesses in the construction sector with a one-stop shop for accessing a team of experts and public support, to encourage and facilitate innovation within Scotland's construction industry. The new centre at Hamilton International Technology Park in Lanarkshire enables SMEs to access equipment that allows them to develop new products and modern methods of construction.

Although the details of the construction sector deal have still to be made clear we understand that there is a preference to establish "centres of excellence" to deliver some of the key requirements. Stephen Good, Chief Executive Officer, Construction Scotland Innovation Centre will represent Scotland's interests on a newly established CLC working group which will consider "centres of excellence" and Ken Gillespie, Chair, Construction Scotland will meet with CLC representatives in January 2018.

### **Lines to Take**

- **We welcome the UK Government's announcement and intention to help modernise the UK construction industry.**
- **We recognise the efficiencies that can be made in the sector through innovation in product and process.**
- **That is why we are investing £7.5 million, through the Scottish Funding Council, in the Construction Scotland Innovation Centre. The first of its kind in the UK.**
- **We look forward to hearing more about the construction sector deal in the coming weeks and in particular how Scotland might benefit from this investment.**

[REDACTED]

## 10. Scottish National Investment Bank/Building Scotland Fund

The use of Financial Transactions to capitalise the Scottish National Investment Bank and establish the Building Scotland Fund.

### Top Lines

- Ministers are committing to provide initial capitalisation to the Scottish National Investment Bank of £340 million over 2019-21. This is coming from consequential Financial Transactions from the UK Government.
- The Building Scotland Fund uses Financial Transactions (FTs) and it is new money which has come to the SG from the recent UKG budget (22nd November).
- The Building Scotland Fund starts with investment of £70 million in 2018-19 and there is a further £80 million earmarked over the following two financial years.
- FTs have to be used for private sector investments, either as debt (loans) or equity (a form of medium-long term investment) and need to be repaid. The Bank and building Scotland Fund are good routes for using this funding to provide finance for or invest in firms and businesses.

### Background

#### Scottish National Investment Bank

- Ministers are committed to doing what it needed to ensure the Bank's success.
- As the Draft Budget states, the first steps in 2018 will be appointment of a shadow board. The Bank is expected to be operational from 2019-20.
- Capitalisation of the bank will take several years – the details of this will follow after receipt and consideration of the Implementation Plan from Mr Benny Higgins in February 2018.
- The SG investment should be the cornerstone for additional private sector investment – either directly through the Bank or as co-investment.

#### Building Scotland Fund

- The £150 million for the Fund is part of the Financial Transaction (FT) consequentials from the UKG Budget in November.
- This new £150 million fund will offer private sector investments either debt (loans) or equity (a form of medium-long term investment) which will need to be repaid
- operational details about how the fund will work are being developed and we will be liaising with industry and the construction sector on that early next year
- The Fund will be managed as a pooled fund rather than through having separate pots allocated to different portfolios

- The Fund will have the potential to eventually roll into the new Scottish National Investment Bank. As the Draft Budget sets out, the Fund is a pre-cursor to the National Investment Bank.
- The Fund's focus for investment anticipates the Bank's expected priorities. It enables early investment in key areas (such as low carbon/high tech) during 2018-19 and beyond, whilst the Bank gets established.
- In the meantime, it will have a strong housing, regeneration and infrastructure focus, particularly "help to build" housing interventions to support acceleration of new house-construction.
- The House building industry in Scotland will also have access to the new Fund - interventions are likely to include scaling up of approaches capable of using this type of funding and attracting institutional investment – examples would be the SG's support for proven affordable mid-rent models and private 'Build to Rent' market housing; housing-related infrastructure and regeneration financing; and further promotion of financing and construction innovation across all tenures.
- Through a cross-portfolio approach the fund will focus on improving integration across interventions to maximise impacts on the economy, particularly to facilitate successful, thriving regional economies

[REDACTED]

## 11. Residential Land And Buildings Transaction Tax (LBTT)

- LBTT introduced 1 April 2015, applying to **residential and commercial** land and buildings transactions (including commercial purchases and commercial leases)
- **Additional Dwelling Supplement (ADS)** applies from 1 April 2016, payable on the purchase of additional residential properties (such as buy-to-let properties and second homes) at a rate of 3% of **entire** purchase price – on top of LBTT.
- In the 2018-19 Draft Budget the Scottish Government (SG) will introduce a new LBTT relief for first-time buyers (FTBs) up to £175,000 from June 2018.
- The relief raises the LBTT zero tax threshold for FTBs from £145,000 to £175,000. 80% of FTBs will not pay tax and will benefit by up to £600.
- This is comparable with the equivalent £300,000 threshold introduced under the SDLT relief at the UK Autumn Budget in November 2017
- Property sector stakeholders, including **Rettie, Savills, Homes for Scotland and the Scottish Property Federation** have continued to call to review residential rates given their concerns about the impact of LBTT on high end transactions.
- These stakeholders and Scottish Conservatives calling for increase in 10% residential LBTT threshold from £325k to £500k lowering LBTT burden on more expensive homes but reducing overall tax revenues by **up to £36m**
- Cabinet Secretary for Finance and Constitution has announced no wider changes to LBTT rates and bands for 2018-19 in the Draft Budget in December

### Residential LBTT: helping FTBs and home movers progress through market

- We will introduce a new LBTT relief for FTBs up to £175,000.
- Benefits all FTBs in Scotland and take 80% of first-time buyers out of tax altogether.
- FTBs will benefit by up to £600 each and by an average of £290
- The Scottish Fiscal Commission conclude this measure will have a modest impact on overall house prices over time
- Alongside measures to increase housing supply, this will provide further support to FTBs in Scotland, helping them to own their own homes.
- Between April 2015 and October 2017 LBTT has taken more than 25,000 house purchases out of tax compared to Stamp Duty Land Tax by setting a nil rate threshold of £145,000 (£20,000 above Stamp Duty Land Tax threshold).
- 93% who have bought a property for £40,000 or more between April 2015 and October 2017 either paid less tax compared to UK Stamp Duty or no tax

### Evidence from the top end of the market does not currently suggest a change in rates and bands is required but we will continue to monitor the market

- Revenue Scotland data shows sales between £325,000-750,000 are rising at an annual rate of 18% and tax revenues from these sales rising by 23%.
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- Registers of Scotland (RoS) data for July-September 2017 shows 2,576 residential sales between £325,000 and £750,000 – the highest quarterly total since 2003.
- Latest Registers of Scotland (RoS) data showing that, year-on-year, £1M sales in Scotland increasing by 6.4%, faster than the market below £1M.

- Transactions/revenue in the upper market maintaining share of the overall market.
- Continue to monitor the market closely. Officials engaging with property sector.

[REDACTED]