

MINISTERIAL ENGAGEMENT BRIEFING: KATE FORBES, CABINET SECRETARY FOR FINANCE

Briefing For: Scottish Property Federation, Annual Conference

<p>What</p> <p><i>(Stakeholder meeting – conference)</i></p>	<p>Scottish Property Federation are hosting their 13th annual conference which is themed this year around Building Sustainable and Inclusive Growth. They are keen to get a ministerial perspective on how the real estate industry can help to achieve these objectives as well as how the government sees the industry.</p> <p>This follows up from previous engagement Cabinet Secretary for Finance, Economy and Fair Work had with SPF at their offices in Glasgow in August to discuss this topic.</p>
<p>Where</p>	<p>Edinburgh International Conference Centre The Exchange 150 Morrison Street Edinburgh EH3 8EE</p> <p>(Entrance via Morrison Street)</p>
<p>When</p>	<p>Wednesday 4th March 2020, 13:30-14:10</p>
<p>Key Message(s)</p>	<ul style="list-style-type: none"> • Inclusive economic growth sits at the core of our approach to grow the economy sustainably and to promote the wellbeing of everyone in our society. • It is a commitment to deliver growth in a way that enhances the quality of life for all of our citizens and which is compatible with achieving net-zero emissions by 2045. • Doing so, will enable Scotland to create a distinct growth model that is equitable and sustainable from the outset. That idea is integral to our economic strategy, and it is at the heart of our national performance framework.
<p>Who</p>	<p>Scottish Property Federation have organised this conference and invited key stakeholders from the real estate industry as well as local authorities.</p>
<p>Why</p>	<p>An opportunity to speak at the annual conference to reinforce our messages regarding how we can effectively grow Scotland's Economy within this sector in a sustainable and inclusive way.</p>
<p>Expected outcome</p>	<p>Positive engagement with key business leaders and other stakeholders from this sector.</p>
<p>Speech details</p>	<ul style="list-style-type: none"> • 20 minute speech, 250 expected audience with a main attendance of private sector individuals from commercial and residential developers. Some Local Authority attendance. • Douglas Fraser, BBC Business & Economic Editor will facilitate and formally introduce you. • Speaking from a lectern with power sockets. • Q&A (produced from Slido) to follow the speech of 5-10 minutes. Stage to side of the lectern with soft seating for panel speakers.
<p>Supporting official</p>	<p>[REDACTED]</p>
<p>Briefing contents</p>	<p>Annex A (Page 3): Event programme Annex B (Page 4): Guest List/Attendees Annex C (Page 5): Top Brief – Inclusive Growth Annex D (Page 6): Speech Annex E (Page 7-9): Q&A Annex F (Page 10): Logistical Details, Maps etc</p>

Media Handling	<ul style="list-style-type: none"> • Business and Trade media representatives are expected to attend • Photo opportunity before leaving at 14:00 with Chair and Vice Chair
Social Media	@ScotGovEconomy Attending the Scottish Property Federation's Annual Conference this afternoon to discuss how property industry can contribute to growing Scotland's Economy and achieving Sustainable Inclusive Growth. #EAP2020 #InclusiveGrowth #WellbeingEconomy
Name of the Constituency MSP	Ruth Davidson, Scottish Conservative and Unionist Party
Name of Constituency	Edinburgh Central
Name of Region	Edinburgh
Local MSP contacted (Y/N)	N
Greeting Party and specific meeting point on arrival (if event is at a non SG Building)	You will be greeted by David Melhuish, Director, Scottish Property Federation.

Event Programme

Theme of the Conference

This is our 13th annual conference. Each year the SPF chooses a particular theme, for its annual conference. This year we have chosen the theme Building Sustainable & Inclusive Growth. The intention of this theme for the event is to identify the key contributions that our industry can make towards the objectives of economic and social sustainability and inclusion.

Timetable of Proceedings

12PM to 1PM	Registration & networking lunch
1PM	Formal proceedings open (Douglas Fraser)
1.10PM	SPF Chairman, Robin Blacklock addresses conference
1.20PM	Cabinet Secretary arrives
1.30PM	Cabinet Secretary for Finance addresses the conference
1.50PM	Questions from audience to Cabinet Secretary – SPF Chairman also on platform
2.00PM	Questions to Cabinet Secretary close – (please see notes below for photo request with SPF chair and vice-chair) Melanie Leech CBE, CEO of the British Property Federation addresses the conference
2.10PM	Deadline for Cabinet Secretary's departure for Holyrood

Subsequent Speakers & Panels

2.15PM	Clare Bailey, Associate Director (Commercial Research) Savills
2.30PM	Break
3.00PM	Keith Anderson, CEO ScottishPower
3.10PM	Panel Chaired by Douglas Fraser focusing on Sustainable Growth & Communities with Keith Anderson, Willie Kyle, Fund Manager, PfP Capital, Paul Curran, CEO Qmile Group.
3.50PM	Presentation by John Reid, CEO of the Michelin Scotland Innovation Parc
4.00PM	Panel discussion focused on inclusive growth with John Reid, Eve McCurrich, MD of Whiteburn Projects, Martin Zhdravkov, Head of Residential Investment & Impacts, LaSalle Investment Management
4.40PM	Summary and Close – Michaela Sullivan, SPF Vice-chair & Group Land Manager, CALA Group
4.50PM	Conference closes with informal Reception

Key Attendees

MILLER MATHIESON (CHAIR)

Chairman, SPF and Managing Director, CBRE Scotland & Northern Ireland Miller is the Managing Director of CBRE for Scotland and Northern Ireland with responsibility for offices in Edinburgh, Glasgow, Aberdeen and Belfast. He is a Chartered Surveyor with over 30 years' experience of the Scottish property market. He advises many UK corporate, institutional, public sector and pension fund clients on strategic investment matters. Recent projects have included the sale of both Westway Park in Renfrew and EcoCampus in Hamilton as well as the acquisition of 229-249 Buchanan Street, Glasgow. Development projects have included the new HQ for Aker Solutions in Aberdeen and the sale of over 1000 acres of land at Heartlands, West Lothian.

**ROBIN BLACKLOCK (VICE CHAIR)**

Managing Director, Dowbrae Property Consultancy Robin has been involved in commercial property in Scotland for over 20 years, initially in agency with positions at CBRE and Savills, before shifting his focus to development with Grosvenor. In 2012 he was one of the first in Scotland to focus on residential Build to Rent, when he introduced the concept at Grosvenor's Springside development at Fountainbridge in Edinburgh. Here he led the successful planning application for a mixed-use project anchored by 400+ build-to-rent units, before managing the sale of the asset to Moda Living in 2017. He has been instrumental in raising the profile of Build to Rent in Scotland, both promoting the concept to the industry, but also in the political arena around planning and tenancy reform. After leaving Grosvenor, Robin set up his own consultancy firm, Dowbrae, and one of his first commissions was to look after Interserve's interest at The Haymarket in Edinburgh, leading the successful sale to M&G in spring 2018. Robin continues to focus on development, and in particular Build to Rent, working with a variety of public and private sector clients.

**DAVID MELHUIH (DIRECTOR, SCOTTISH PROPERTY FEDERATION)**

Director with SPF, and nearly twenty years of experience in Government, Policy and Public Relations activities for both public and private sector focussed organisations. David's skills include policy and political analysis, property industry-related policy research and membership organisation and motivation to contribute to a variety of policy making agenda. His biggest achievement is to have been lead executive tasked with establishing the Scottish Property Federation in 2006-07 and since as a voice for the property industry in Scottish public affairs, both on behalf of BPF members with Scottish interests and for Scottish members of the Federation. His previous roles include Director of Finance and Investment with the British Property Federation and a Senior Policy Officer with the Royal Institution for Chartered Surveyors.



Top Brief – Inclusive Growth

Top Line: Inclusive Growth is central to Scotland’s Economic Strategy, which aims to increase productivity and reduce inequality through fostering innovation, increasing investment, and promoting internationalisation.

1. **The Scottish Government defines inclusive growth** as: “Growth that combines increased prosperity with greater equity; that creates opportunities for all and distributes the dividends of increased prosperity fairly”.
2. **Evidence shows that inequality can affect growth in many ways.**
 - The OECD note one of the main ways is income inequality undermines education opportunities for disadvantaged individuals, thereby lowering social mobility, hampering skills development and ultimately reducing their productivity and earning potential¹.
 - They also note that “inequality is a key driver of individual and country’s well-being”².
3. **A deepening body of international evidence supports our inclusive growth approach:**
 - The OECD estimated that rising income inequality had reduced UK GDP p/c growth by 9 percentage points between 1990-2010. (Angel Gurría, OECD Secretary General, 2015³)
 - The IMF note that tackling inequality is not only a social imperative; it is critical for sustaining growth⁴.
 - The economist Tony Atkinson noted “*less inequality is associated with greater macroeconomic stability and more sustainable growth*”⁵.
4. **Scotland performs well in a number of indicators used to measure inclusive growth:**
 - The Gender Pay Gap for all employees in Scotland fell between 2018 and 2019 from 15.0% to 14.3%, lower than the UK (17.3%) and the lowest on record. [ASHE 2019].
 - Scotland remains the best performing of all four UK countries with the highest proportion of employees paid the Living Wage or more - at 83.1%. [ASHE 2019].
5. **Despite this strong performance, there are still opportunities for improvement:**
 - The employment rate of disabled people in Scotland is 46.9% compared to an employment rate of 81.7% for those who are non-disabled [Annual Population Survey, Jul 18-Jun 19].
 - Income inequality as measured by Gini coefficient and Palma ratio has been fluctuating over the last two decades and appears now to be rising after a lower period in 2012-2015.
6. **This is why the Scottish Government is working with partners to address these inequalities and deliver inclusive growth across Scotland’s people and places** via:
 - The **Fair Work** agenda – to embed fairer work practices in all workplaces across the country. This includes **Fair Work First**, which attaches criteria (including payment of the real Living Wage and no inappropriate use of zero hour contracts) to public funding, and; The **Scottish Business Pledge**, a voluntary commitment by businesses commit to a range of elements that have been shown to improve productivity, competitiveness and build sustainable and inclusive growth.
 - The **Tackling Child Poverty Delivery Plan** which sets out the first steps towards achieving the Scottish Government’s ambitions of ending child poverty – this has a strong inclusive growth focus, with measures to improve employability and career prospects for parents.
 - Increasing **Modern Apprenticeship** opportunities to 30,000 p.a. by 2020.
 - Through the **Scottish Attainment Challenge**, by providing £750 million during the course of this parliamentary term to tackle the poverty related attainment gap.
 - Investing over £1.8 billion through **City and Growth Deals and associated investment** across Scotland with a strong inclusive growth focus.

¹ <https://www.oecd.org/social/Focus-Inequality-and-Growth-2014.pdf>

² www.oecd.org/social/inequality

³ <http://www.oecd.org/unitedkingdom/making-inclusive-growth-happen-in-the-uk.htm>

⁴ <https://blogs.imf.org/2018/01/23/5-things-you-need-to-know-about-inequality/>

⁵ Atkinson (2015), *Inequality: What can be done?*

Q&A**Q How will the Government support for investment into the real estate sector as whole including continued support for build to rent?**

Currently the Building Scotland Fund, a pre-cursor for the Scottish National Investment Bank, is available to non-public sector organisations including businesses, housing associations and universities, to support the development of housing across all tenures, develop modern industrial and commercial space; and support business-led research and development projects with a reasonably realistic prospect of commercialisation. Build to Rent schemes are eligible to apply to the Building Scotland Fund for loans or equity, as demonstrated by the Sigma Capital loan that was completed last year to deliver Family Build to Rent Homes across Scotland.

The Building Scotland Fund was launched in 2018, as a response to evidence that insufficient finance was inhibiting developments, the £150 million Fund across three years to 2021 provides loans or equity, supporting housing across all tenures, modern industrial and commercial space, and industry-led research and development.

Q How do the Scottish Government envisage meeting the challenge of investing in the climate change agenda and what support or incentives will there be for the built environment sector in Scotland?

Our Resource Efficient Scotland (RES) Programme provides support to businesses on implementing energy efficiency measures, with the aim of reducing carbon emissions, cutting running costs for organisations and thereby increasing economic competitiveness.

As part of this support, the Resource Efficient Scotland SME Loans Scheme provides unsecured, interest free loans from £1,000 of up to £100,000 to SMEs to finance the installation of energy efficiency measures, and loans at a 5% interest rate for the installation of renewable energy technologies where the applicant is planning to claim the Renewable Heat Incentive.

Cashback is available for installation of energy efficiency measures (subject to availability) at 15% of the total value (up to a maximum of £10,000) and is payable after the measures have been installed.

In the Draft 2020-21 Budget we announced an ambitious and broad package of capital investment aimed at making demonstrable progress towards decarbonising our homes and buildings.

This package includes:

- a £120 million Heat Transition Deal to boost the scale and pace of growth in decarbonising our homes and buildings – including a £50 million Heat Networks Early Adopter Challenge Fund for local authorities and a £10 million fund to support hydrogen heat demonstrator projects;
- additional funding for energy efficiency, bringing total spending in 2020-21 to £151 million.

This builds on the £30 million Low Carbon Heat Funding Invitation announced in the Programme for Government. We have already increased support for renewable and low carbon heating through our funding programmes, for example via Warmer Homes Scotland, and recognise the need to phase out support for fossil fuel heating, which we will do between now and 2024, where it is appropriate and does not adversely affect achieving our statutory fuel poverty targets.

The Scottish Government also provides interest free and low cost loans for renewable technologies. Households can receive up to £17,500 interest free and SMEs up to £100,000 at 5% interest. The Low Carbon Infrastructure Transition Programme and District Heating Loan Fund have together invested around £40 million in renewable heat since 2013.

Q What is your position on LBTT and future policies on rates and reliefs (the government announced consultation on LBTT reliefs in its recent draft Budget)?

A

- Rates and bands for LBTT were set out as part of Scottish Budget 2020-21.
- The Scottish Government's policy priorities for residential Land and Buildings Transaction (LBTT) remains to protect those purchasing their first home and support people as they progress through the property market.
- Almost half of residential property transactions (48,700) were below the £145,000 LBTT threshold in 2018-19 and therefore paid no LBTT at all. In addition, our First-time buyer relief, which has the effect of raising the zero rate band to £175,000 for first time buyers has benefited 18,500 purchasers since its introduction in June 2018.
- Our progressive approach is not putting off buyers at the top end. Total residential transactions above £325,000 higher in 2018-19 (9.7%) than previous 12 months.
- Investment related reliefs announced as part of the Scottish Budget are intended to help safeguard investment in Scottish real estate and increase the attractiveness of Scotland as an investment destination. The Scottish Government now plans to publish a consultation on draft legislation in 2020-21, following earlier consultation in 2018.

Q How will the recent Non-domestic rates legislation and the business growth accelerator in particular impact on this sector?

A The Scottish Budget introduces progressivity into the rates system by providing three property rates (Basic, Intermediate and Higher), making Scotland's rates system fairer and more competitive.

The Non-Domestic Rates (Scotland) Bill delivers:

- More frequent revaluations; delivering less volatility in Rateable Values (RVs);
- Improvements to the Business Growth Accelerator providing clarity to ratepayers by greater consistency across the country;
- More information gathering powers to assessors to ensure more accurate rateable values;
- More information being provided to ratepayers on their RV calculation;
- More reactive debt recovery powers for councils;
- The devolution of empty property relief to councils;
- Greater council discretion on second homes;
- A more accessible two-stage appeals process to encourage earlier resolution for ratepayers;
- A level playing field for public and private schools;
- More public accountability for assessors; and
- Stronger powers to tackle tax avoidance.

The Business Growth Accelerator suspends rates liability for new build properties with buildings until 12 months after first occupation. It also ensures that properties where improvements have been made to buildings will not see increases in their rates bill resulting from improvements until one year after completion of the works.

Q The UK Government have committed to funding Help to buy until 2023, when will the SG confirm future plans for Help to Buy (Scotland)?

A. We are committed to Help to Buy (Scotland) to 2021. We are working with the housing sector to look at how best to deliver affordable homes beyond 2021 onwards, which will include considering the future of Help to Buy (Scotland) in the longer term. This includes an independent evaluation of our shared equity schemes with input from buyers, builders and lenders. This will be published conclude in the spring and the results will inform decisions about the future of Help to Buy (Scotland).

Q. What's being done to address the fact that three builders (Barratt, Taylor Wimpey and Persimmon) are responsible for almost 50% of the sales in the scheme?

A. The number of sales by big builders in Help to Buy (Scotland) reflects the market share of these builders. Support is provided direct to home buyers. Builders receive no support from the Scottish Government. It is for home buyers to choose which builder they buy from.

Q. Will any homes delivered through the First Home Fund count towards the 50k affordable housing target?

A. No, this scheme has a different aim from the existing shared equity schemes, in that it will help first-time buyers purchase a property that meets their needs and is located in the area where they want to live.

In contrast, the Open Market Shared Equity scheme counts toward the 50k target because it enables the purchases of only what is regarded as “affordable” homes – defined as the lowest 25% of house prices in urban areas and the lowest 50% in rural areas.

Q. How will the First Home Fund add to this Government’s housing achievements to date?

A. The scheme will support at least 6000 first time home buyers onto the property ladder, enabling them to buy a home that meets their needs and is located in the area where they want to live.

It will complement our existing home ownership schemes that have helped over 32,000 households purchase their own property since 2007.

We are working to increase the number of homes across Scotland so that everyone has a good quality home that they can afford and that meets their needs. We will spend over £3.3 billion to deliver at least 50,000 affordable homes by March 2021.

Q. What are the SG doing to prevent the use of retentions within the construction sector?

A. • The Scottish Government has never prescribed the use of cash retentions or any particular assurance processes. While defects realistically occur in most construction works and project owners therefore need to protect the public purse from becoming liable for defective or sub-standard work, measures should be proportionate to the specific circumstances of the project and applied consistently along the supply chain.
• We have launched a public consultation on the use of retentions in Scotland which opened in December 2019 and closes on the 25th March 2020.

Q Why is Scotland at MIPIM?

A Scotland has taken a modest pavilion at MIPIM in order to promote to the widest possible audience investment opportunities that can drive jobs and growth for local communities.

Q Won’t foreign investment into property just push prices up?

A We are at MIPIM to encourage companies to build more new buildings in Scotland, thereby driving jobs and growth for local communities. This should not be confused with foreign investors buying existing buildings.

Q: What will the key drivers of the new National Planning Framework (NPF4) be?

A 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.

Q: How will the SG move to a policy approach that will put into effect the principles outlined in the Housing to 2040 vision and the outcomes from the consultation?

A: Officials will work with policy colleagues across government to consider policy options for taking forward the Housing to 2040 vision and the outcomes from the consultation. The route map, which we will publish in summer, will set out how we intend to realise the vision and principles.

LOGISTICAL DETAILS, MAPS AND GOOGLE STREET VIEW OF VENUE

Logistical detail

The meeting will take place at the Edinburgh International Conference Centre. Please report to reception and ask for 'Scottish Property Federation Annual Conference'.

Brief refreshments will be available upon arrival.

Maps

The full address for the building is Edinburgh International Conference Centre, The Exchange, 150 Morrison Street, Edinburgh, EH3 8EE

Map: [click here](#)

Google Satellite View of Venue

