

MINISTERIAL ENGAGEMENT BRIEFING: DEREK MACKAY

Engagement title	<i>Outcomes + Opportunities</i>
Engagement timings	<p>Wednesday 13 November</p> <p>12:00 – Arrival 12:05 – Key Note Address (15 minutes) 12:20 – Q & A (10 minutes) 12:30 - Departure</p>
Organisation	Homes for Scotland
Venue and full address	<p>Dynamic Earth Enterprises Ltd Holyrood Road, EDINBURGH, EH8 8AS</p> <p>Map on page 2</p>
MACCS reference	2019/0023709
Background/Purpose (including invitation history)	<p>You accepted an invitation from Homes for Scotland to be the keynote speaker at their Annual Conference.</p> <p><i>You will be speaking from a lectern with mic. You will also be provided with a mic for the Q&A session which will be conducted by HFS Chief Executive Nicola Barclay at the more informal seating area on stage).</i></p>
Relevance to core script	<p><i>'We need to plan for the future of our housing stock to make sure that everyone in Scotland has a high quality and sustainable home that they can afford and which meets their needs.'</i> (PFG 2019).</p>

Meeting attendees	<p>Nicola Barclay HFS Chief Executive will introduce you on to the stage to provide the keynote speech.</p> <p>There will be speakers on a number of topics related to housing, construction, planning, infrastructure and investment (see Conference Pack).</p> <p>Anticipating around 210 delegates, comprising senior level delegates from HfS membership of home builders and associates. There is also representation from councils (Fife Council, Argyll & Bute Council) and other organisations such as Heads of Planning Scotland, RTPi and ALACHO.</p> <p>Fionna Kell, HFS Director of Policy will meet all MSP speakers (Cabinet Secretary, Minister for Local Government, Planning and Housing, and Scottish Conservative: Graham Simpson MSP) at the HFS registration desk which will be visible on arrival through the main entrance at Dynamic Earth.</p> <p>Fionna's mobile no is: [REDACTED]</p>
Supplementary information	<p>Annex A: Background and agenda Annex B: Key Messages Annex C: Q&A – potential issues and responses</p> <p>Additional Information in conference pack: Biographies of key attendees Also attached: Full Delegate List</p>
Twitter handles of main representatives and organisations (& suggested tweet)	<p>@H_F_S twitter account</p>
Official support:	<p>[REDACTED], More Homes Division Office no: [REDACTED], Blackberry: [REDACTED],</p>

Venue address and map

Dynamic Earth Enterprises Ltd, Holyrood Road, EDINBURGH, EH8 8AS



ANNEX A

BACKGROUND AND AGENDA

1. Background

You have accepted an invitation to give the keynote speech at Homes for Scotland's 8th Annual Conference. Whilst there are no announcements to be made today, the conference is an opportunity to;

- Reinforce the value you place on the economic and housing contribution of the industry, providing quality homes and responding to the climate emergency; and
- Support the continued constructive relationships that we hold with Homes for Scotland officials; and

Homes for Scotland are also intending to 'soft launch' initial recommendations from their Small Scale Housebuilders Project at the conference. We have been working with industry on this project, 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.

- **We have already seen early progress made, including securing a lower minimum investment amount for SMEs as part of the SG's Building Scotland Fund housing criteria.**
- **Whilst we cannot make any formal commitments at this stage, we are looking forward to seeing HfS full report and recommendations.**

2. Homes for Scotland

Established in 2001, Homes for Scotland (HFS) is the representative body for the home building industry in Scotland. Their membership includes some 200 companies together building across market segments and tenures, providing the majority of all new homes built in Scotland.

They have consistently promoted an all-tenure approach to supporting the delivery of new homes.

Recent and Upcoming Ministerial Engagement

- **31 Oct 2019: you met with Nicola Barclay** of HFS to discuss a proposal to link energy performance to Land and Buildings Transaction Tax and other issues.
- You also met with the following housebuilders operating in Scotland; **Miller Homes (1 Oct)**, **Springfield (29 Oct)**, and are due to meet **Cala Homes on 21 November**.

Recent Press Articles

- **Scotsman, 5 Nov 2019: Chief Executive of Homes for Scotland responded positively to latest Housing Completion Statistics**, calls for more action to tackle development constraints and funding uncertainty to ensure affordable housing delivery into future years.
- **BBC Scotland Website, 5 Nov 2019: Mactaggart & Mickel has blamed "challenging market conditions" for a fall in annual profits.**
- **Scottish Housing News, 6 Nov 2019: Homes for Scotland appoint Gary Milne, technical & design director for Stewart Milne Homes Central Scotland** to their board.

3. Latest Scottish Government Quarterly Housing Statistics

- 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.
- 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.
- 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, this includes over 17,000 homes for social rent and over 6,000 for low cost home ownership.
- Our spend per head on the Affordable Housing Supply Programme is three times higher than UK Government spending.
- In the 4 years to 2018, we have delivered 50% more affordable housing units per head of population than in England, and 75% more per head of population than in Wales. [137 homes per 100,000 population, compared with 86 in England and 76 in Wales]
- 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.

4. Agenda

This is a full-day event with a wide variety of speakers. You are scheduled to arrive at 12:00 and speak at 12:05 for 15 minutes. This will be followed by a 10 minute Q&A session. The rest of the day's agenda is included in the conference pack (Annex attached). Key messages relating to each section of the agenda can be found in Annex B with Q&A at Annex D.

The conference will cover 4 themes; **Delivering More Homes; Delivering Quality and Increasing Satisfaction; Capacity of Industry to Deliver More; and Planning, Land and Delivery.**

Session 2 - Delivering quality and increasing satisfaction (Chair: Jennifer Kennedy, HFS Head of Public Affairs) 11.00 – 12.30		
11.00	Jennifer Kennedy Head of Public Affairs Homes for Scotland	Chair's welcome back Introduce panel member – Graham Simpson MSP, Scottish Conservatives Spokesperson for Housing & Planning
11.10	[REDACTED]	<i>'Improving new homes quality and implementing a new homes ombudsman'</i>
11.25	Neil Jefferson Chief Operating Officer NHBC	<i>'Construction Quality – Raising the Bar'</i>
11.35	Ian Drummond Managing Director Taylor Wimpey East Scotland	<i>'An industry perspective'</i>
11.45	Panel Debate / Q&A	

12.05	Nicola Barclay HFS Chief Executive welcomes keynote speaker Derek Mackay MSP, Cabinet Secretary for Finance, Economy and Fair Work	
12.20	Q&A with Cabinet Secretary	

12.30-1.30	LUNCH	
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ANNEX B

KEY MESSAGES

Overall - Construction and Economic Development

- The Scottish Government is very aware of the importance of the construction sector and we are supporting plans for a more sustainable, productive and innovative industry.
- Our Economic Action Plan highlights our commitment to step up engagement with the construction sector to develop a shared action plan that supports the ambitions of the **Construction Scotland Industry Strategy (2019-22)**, including those on Quality and Standards, and delivers on our economic infrastructure and built environment aims.
- We have established a new strategic Leadership Forum between Scottish Government and Construction Scotland and we look forward to working collectively to form a refreshed and stronger relationship between the industry and government.

THEME 1: DELIVERING MORE HOMES

Housing Supply

- We want everyone across Scotland to live in a warm secure affordable home.
- 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.
- We have shown that housing across Scotland is a priority with our commitment to deliver 50,000 affordable homes including 35,000 for social rent over the course of this Parliament, backed by £3.3 billion investment commitment. The single biggest investment in, and delivery of, affordable housing across Scotland since devolution.
- In addition to the affordable housing programme our other funding mechanisms have included Help to Buy, LIFT schemes for first time buyers, and the Self Build Loan Fund.
- Ministers have always been clear they are not willing to set specific targets when they don't have control of the levers for delivery. That doesn't mean we are not ambitious to deliver more homes.
- We require local authorities to assess housing needs and to make provision to meet that in their plans – and if they do not, Ministers can and have stepped in in the past.
- But it is also down to industry to deliver these homes – and we put in place support across the system to help do that.

Innovative Finance

- Innovative funding solutions such as government guarantees, loans and grant recycling are enabling delivery of around 8,500 homes across Scotland which will help create communities that are inclusive, empowered, resilient and safe, while expanding the delivery of more homes across all tenures, contributing to the More Homes Scotland target of 50,000 affordable homes.

Mortgages and Mortgage Lending

- Healthy mortgage markets are key to supporting housing markets and helping people to meet their aspirations for homeownership
- We are all still conscious of the effects of the financial crisis – they're still being felt
- Scottish Government intervened to provide support when it was needed through Help to Buy (Scotland) – and will through the new First Time Buyer scheme.
- However, we are proud of the way we developed this as a partnership between the Government and the Mortgage and housebuilding industries
- We're also pleased to see some recovery in Loan-to Value (LTV) rates – industry rightly taking back some risk and re-opening markets to buyers
- High deposits are still seen as a barrier to buyers – we would like to see more done to reduce those barriers

Sensitivities – if raised

- **Recent guidance from MHCLG on higher-rise buildings with non-ACM cladding has led to a reduction in availability of mortgages as lenders and surveyors look to adapt. *(This includes instances where applicants in Scotland have been asked to meet English standards and certification requirements).***
- **UK Finance and RICS are working on guidance (expected imminently) with MHCLG to react and SG officials have engaged to ensure Scottish Standards are reflected and mortgage availability continues.**

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

Help to Buy

- 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.
- £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 8 in 10 of Help to Buy (Scotland) households were first time buyers - an increase on the percentages seen in previous years
- 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, which will include the future of Help to Buy in the longer term.
- A formal evaluation of our shared equity schemes, including Help to Buy, is now taking place 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]**

Shared Equity Schemes

- £80 million is available this year for our Open Market Shared Equity (OMSE) schemes to provide an up to 40% equity contribution for around 1,800 first time buyers on low to moderate income.
- Over 32,000 households supported via our home ownership schemes since 2007.

New First Time Buyer Scheme

- 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.

THEME 2: DELIVERING QUALITY AND INCREASING SATISFACTION

New-Build Homes – Consumer Redress (Quality)

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

[REDACTED – formulation or development of government policy]

Innovation – Overall Construction Sector

- We are investing over £20 million, through the Scottish Funding Council and our enterprise agencies, in the Construction Scotland Innovation Centre. The first of its kind in the UK.
- We recognise that there is real scope for growth in more efficient and ‘greener’ construction methods, with the Construction Scotland Innovation Centre already doing valuable work to encourage and facilitate innovation within Scotland’s construction industry. We recognise the efficiencies that can be made in the sector through innovation in product and process and that even relatively small improvements in construction productivity can drive significant gains for the Scottish economy.
- As well as building things we want to transform the construction sector and that is why we are working closely 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.

Offsite Construction

- At present the Scottish Government does not have a specific policy in relation to offsite manufacturing in housing. However, it is recognised that such approaches may potentially help address some of the challenges that the sector faces (such as skills and labour shortages, aspirations for higher quality in areas such as energy efficiency, reduction of waste and speedier delivery, etc.).
- For this reason, Scottish Government has jointly commissioned research (along with Scottish Enterprise and Construction Scotland Innovation Centre (CSIC)) to inform policy in this area.
- The work is being done by Edinburgh Napier University and Glasgow School of Art will report shortly. The study will consider how offsite approaches are used across the globe, the capacity of the offsite manufacturing sector in Scotland and how the housing development and construction process might be changed in order to maximise the benefits of offsite.

Land and Buildings Transaction Tax: Link to Energy Efficiency

- Inclusion of energy efficiency considerations would add additional complexity to LBTT for purchasers and for Revenue Scotland, without necessarily improving the energy efficiency of Scotland’s housing stock – no plans to amend the arrangements at this time.
- Issue was considered during both Stages 2 and 3 of Parliamentary scrutiny of the LBTT Scotland Bill – concerns raised by the Scottish Government at that time remain relevant.
- Expect that purchasers of more energy efficient homes, including new build properties, already benefit through lower energy bills.

Decarbonisation Of New Buildings

- 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.

THEME 3: CAPACITY OF INDUSTRY TO DELIVER MORE

Housing to 2040

- In our 2019-20 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.
- It is clear that 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 reimagine a housing system and create a vision for housing between now and 2040 that will stand the test of time.
- 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.
- The draft vision and principles, which we published in July, push us to think radically and differently about the housing system.
- We are consulting on our draft vision and principles later this year.

Funding assurance beyond 2021

- We are moving away from an approach based on parliamentary cycles and have a long term vision that everyone can support.
- 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 but no future plans can be decided until the UK Government's budget has been published.
- Our aim is to publish a new Infrastructure Investment Plan and the Capital Spending Review by June 2020.

Building Scotland Fund

- The Building Scotland Fund (BSF) is a precursor to the Scottish National Investment Bank (SNIB) and reflects the principles behind it, including supporting the transition to the zerocarbon society and the promotion of ethical and inclusive business practices.
- The BSF has a portfolio of agreed investments and an active pipeline, delivering housing, industrial, commercial and regeneration investments - in the process creating new markets.
- BSF has unlocked major developments, delivering innovative tailored interventions to fill financing gaps such as providing finance that is not currently being provided by the market, looking to complement rather than crowd-out existing or potential investment. We require applicants to demonstrate that they have already made efforts in good faith to source the requested funding from private lenders or investors.
- The Fund is actively seeking eligible opportunities for investment.

SNIB

- The Bank has the potential to transform Scotland's economy, providing patient and growth capital for business and important infrastructure projects to catalyse private sector investment.
- The Bank will be a cornerstone institution in Scotland's financial landscape.
- The Scottish National Investment Bank Bill was introduced to the Scottish Parliament in late February 2019.
- In September 2019, the Scottish Parliament approved the Bill in principle after the Stage 1 debate.
- The Bill underpins the establishment and capitalisation of the Bank and places a duty on Scottish Ministers to establish the Bank as a public limited company. Ministers will also be given the power to set the strategic direction of the Bank by the setting of Missions that will address socio-economic challenges.

- The Scottish Government will provide £130 million in 2019/20 to establish the Scottish National Investment Bank and finance its early activities.
- The Programme for Government 2019/20 confirmed that the Bank will work with partners from across our economy to deliver investment, with the transition to net zero its primary mission. We are also exploring other areas of focus / missions for the Bank.
- We expect to announce the appointment of the Chair soon.
- The advert for the CEO is currently live.
- The Bank will be operational, investing in businesses and communities across Scotland, from the second half of 2020.
- The Scottish Government has committed to providing £2 billion over 10 years to capitalise the Bank. This is both ambitious and achievable.
- The Scottish Government is committed to ensuring that the way the Bank operates – its culture, governance, and approach to businesses and individuals – will define it as an ethical, inclusive and trusted institution.

Build to Rent (BTR)

- The emerging BTR sector provides opportunities to diversify delivery and expand housing choice and we have undertaken a programme of work to support its delivery.
- This has taken the form of advice, training and awareness-raising and published online case studies of active BTR projects in October 2018.
- [Planning Delivery Advice on Build to Rent](#) was published in September 2017 and followed by a [Build to Rent training event](#) in April 2018 which raised awareness of the key opportunities and challenges of the BTR sector.
- We hosted a 1-day visit by Planning Convenors to BTR developments in Manchester and Liverpool in late February 2019, and we will also update and add to the online case studies of BTR projects in Scotland.

Small Scale House Builders - market capacity and resilience

- The Scottish Government is 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 Funds; and the national Self-Build Loan Fund.
- We have also been happy to be involved in Homes for Scotland's working group on supporting SME builders and how they can be better supported to thrive and grow – we look forward to seeing the outcomes of that process.
- **We have already seen early progress made, including securing a lower minimum investment amount for SMEs as part of the SG's Building Scotland Fund housing criteria.**

Developing the Housing Construction Workforce

- Ministers are aware that any shortage in skills will be a concern for the sector. That is why in April 2018 we developed 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 SLWG, chaired by Professor Sean Smith of Napier University, published their report 'New Housing and Future Construction Skills' May 2019.
- Whilst we cannot make any formal commitments at this stage, we are looking to publish our official response to recommendations next year.
- Progress being made in some areas is already widely encouraging. However, this also remains an 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, Climate Change issues and technological advance. We will continue to work with the sector, to ensure the long term supply of a skilled housing construction workforce in Scotland.

Apprenticeships

- Construction accounted for 22.4% of Modern Apprenticeship total new starts in 2018/19, the largest proportion of MA starts.

MA Starts	2014/15	2015/16	2016/17	2017/18	2018/19
Construction and Related Occupational Grouping	4409	4894	5934	6104	6111

Foundation Apprenticeships

- We are also significantly expanding the provision of **Foundation Apprenticeships** which combine the benefits of school, college and work-based education for senior phase pupils and focus on STEM.

Year	Civil Engineering Starts	Engineering Starts
Cohort 1 (2016-2018)	47	71
Cohort 2 (2017-2019)	87	232
Cohort 3 (2018-2020)	93	305

Graduate Apprenticeships

	2017/18	2018/19
Construction and the Built Environment	n/a	64
Civil Engineering Level 8 and 10	47	125

Brexit

- **We know Brexit poses risks for the housing sector – from the impact of inflation and economic uncertainty on interest rates and rents, to the availability and cost of finance and investment for new build, renovation and energy efficiency.**
- We have engaged, and continue to engage, with the housebuilding and mortgage lending industries in Scotland, directly, as well as through members of the Joint Housing Policy and Delivery Group.
- Like all sectors, we have been encouraging the housing sector to prepare as best as possible and to better understand and mitigate Brexit risks.
- Our Affordable Housing Supply Programme grant subsidy benchmarks are flexible rather than fixed and so we are able to respond to changes in costs.
- With the ongoing Brexit uncertainty, we are looking at what sector specific support could be useful. We have a strong track record of responding to changed economic conditions with new,

tailored Government financial support e.g. guarantees, equity and loans to support housing. This gives us a strong basis to build on.

Homelessness

- We are committed to ending rough sleeping and homelessness in Scotland, ensuring that everyone has a safe place to live.
- We are taking forward actions recommended by the Homelessness and Rough Sleeping Action Group through our Action Plan, which is backed by our £50 million ending Homelessness Fund.
- We are continuing to invest money into ending homelessness, including a total of £32.5 million on Rapid Rehousing and Housing First.

THEME 4: PLANNING, LAND AND DELIVERY

Housing and Inclusive Growth

- The Scottish Government is committed to creating a more inclusive form of growth that tackles inequalities whilst driving competitiveness.
- Inclusive Growth is a core priority of Scotland's Economic Strategy and is a place-based agenda. Achieving it requires an understanding of opportunities and priorities across all parts of Scotland, and what our communities and businesses need.
- Housing is a key driver of inclusive growth, and ensuring people have quality and affordable homes in the right locations, that enable them to access jobs and local services is key to unlocking our inclusive growth ambitions.
- International evidence increasingly shows that higher levels of inequality can have a negative effect on economic performance, and on economic and social resilience. The Scottish Government estimates the cost of our inequality has been a total loss to the UK economy of £100 billion – around £1,600 for every person in the country.
- Making growth more inclusive is therefore important for improving both Scotland's economic competitiveness, reducing wider inequalities, and improving opportunities for all.

Infrastructure

- The Scottish Government is committed to promoting an infrastructure first approach to the delivery of development and is committed to supporting stakeholders in this process;
- To achieve this, a number of infrastructure work streams are being progressed as part of the planning review; including work on an infrastructure levy, reviewing the operation of S75, coordination of infrastructure providers and education delivery.

Planning

- Scotland's economy needs a planning system that can create quality places with the housing, infrastructure and investment that people need.
- Our planning reforms will strengthen planning's contribution to inclusive economic growth, delivery of development and empowering communities.
- Work on NPF4 is now underway. Co-production will be at the heart of the process, and it must link in with wider national policies and strategies.
- We have published our programme setting out the next steps in our substantial reform of planning.
- The Planning Act must lead to a better planning system for all – in how people are engaged and processes are managed; in the standards of decision-making; and in quality of outcomes for our communities.
- We will continue our approach to strong collaboration that has been a theme throughout the planning reform programme; involving planning stakeholders in the details of the new system.
- This is everyone's planning system. We want to hear what people have to say.

Vacant and Derelict Land (VDL)

- Scottish Planning Policy supports the development of housing in sustainable locations and the re-use of existing brownfield sites before greenfield ones.
- Optimising the use of existing sites, particularly within or adjacent to existing settlements and infrastructure will continue to be important in supporting the delivery of sustainable development and directing the right development in the right place.
- We established the VDL Task Force in 2018, a multi-agency group set up in response to a Programme for Government commitment to develop a strategic, place-based approach to unblocking development so that vacant and derelict land can be brought into productive use, including for housing.
- The Task Force recently published its Phase One report, which identifies ways to tackle systemic and persistent problems.

Q&A – POTENTIAL ISSUES AND RESPONSES

Theme 1: Delivering More Homes

AFFORDABLE HOUSING SUPPLY PROGRAMME

Q. What is happening with funding for affordable housing beyond the end of this parliament?

A. 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, and we are proud of our record on delivery of social housing.

As part of our current 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.

Q. What is the Scottish Government doing to encourage home ownership?

A. We are working to ensure those who aspire to home ownership are able to achieve it. And since 2007, over 32,000 households have been supported via our home ownership schemes.

More than 80% of households helped by the schemes in 2018-19 were first-time buyers and more than 70% were aged 35 and under.

The number of younger households owning with a mortgage has been increasing since 2014. Between 2015 and 2018, there has been a decrease of approximately 20,000 younger households aged 16-34 renting privately, and an increase of approximately 30,000 younger households owning a property with a mortgage.

From the end of this year we will introduce a new £150 million national pilot scheme providing up to £25,000 to first-time buyers towards the purchase of their first home. The scheme will be open to all first-time buyers in Scotland.

Q. Are you confident that the 50,000 affordable homes target will be met and within it the 35,000 homes for social rent?

A. We are on track to deliver this ambitious target by March 2021. Recently published statistics to June 2019 show that 26,581 affordable homes have been delivered. Of these, over 17,000 are homes for social rent. We knew that such an ambitious increase in our target would mean that completions would show a more gradual growth in the earlier years.

We are continuing to work hard with the housing sector to deliver these homes and are confident that the target will be delivered - but we are in no way complacent.

Q. How are you ensuring that you are delivering the right homes in the right places?

A. As the statutory housing and planning authority for their area, local authorities are responsible for assessing housing need and demand and setting out how the requirement

for housing will be met through their Local Housing Strategies and Strategic Housing Investment Plans, including the size and type of housing required.

The Scottish Government supports the delivery of these priorities with resources allocated through Affordable Housing Supply Programme.

A needs-based allocation method, agreed with CoSLA, takes into account the four indicators of affordability, deprivation, rurality and homelessness.

Q. What progress has the Scottish Government made on deciding plans for housing supply beyond the current target period?

A. In last year's Programme for Government, we committed to work on a vision for how our homes and communities should look and feel by 2040 and the options and choices to get there. This year we reaffirmed that commitment.

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 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. Housing is a key component of Scotland's infrastructure but no future plans can be decided until the UK government's budget has been published. The Scottish Government's aim is to publish a new Infrastructure Investment Plan and the Capital Spending Review by June 2020.

HELP TO BUY

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 will include an independent evaluation of our shared equity schemes with input from buyers, builders and lenders. This will conclude later this year and the results will inform decisions about the future of Help to Buy (Scotland).

Q. The majority of the funding available supports sales to the largest builders. What is the Scottish Government doing to help smaller homebuilders?

A. Funds have been ring fenced for smaller home builders since November 2014. This equates to £18m per year for the remaining years of the scheme. The scheme is, however, demand led by consumers who will purchase their home from a builder of their choice.

Q. The wealthy are benefiting from Help to Buy. Are you planning to refocus the scheme to those on lower incomes?

A. The average household income of purchasers supported in Help to Buy Scotland is £41k. Only those who cannot afford to buy without Help to Buy support are eligible. We have progressively reduced the price cap over the period Help to Buy has operated. The maximum purchase price in the scheme is now £200k - assisting the purchase of more affordable properties and those in most need.

As well as Help to Buy, the LIFT (Low-cost Initiative for First-time Buyers) scheme aims to support first time buyers on low to moderate incomes.

Q. What % of the overall new build market do Help to Buy (Scotland) sales represent?

A. Help to Buy sales represent 45% of new build sales under £200k, just under 20% of all new build sales and 2% of all house sales in Scotland.

FIRST TIME BUYERS SCHEME

Q. How will this new scheme add to this Government's housing achievements to date?

A. The pilot 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. Is this scheme a good use of taxpayer money, particularly if it assists people who can already afford to buy a property?

A. The scheme will help first time buyers purchase a home. It is being run as a pilot which will be subject to robust and comprehensive monitoring. The pilot will be evaluated throughout and the results will help inform decisions around future support for home buyers in Scotland.

Q. What will happen if the pilot scheme runs out of money?

A. The pilot scheme has a budget of £150 million and will be open to applicants from December 2019 to the end of this parliament. If this budget were to be fully drawn down before the end of the pilot then the early findings of the ongoing evaluation of the pilot scheme would inform decisions going forward.

Q. Will this scheme replace the existing Help to Buy (Scotland) scheme?

A. The existing home ownership schemes are currently being evaluated. This work is expected to conclude in December and any decisions regarding the future of these schemes, including Help to Buy, will be based on the outcomes of the evaluation.

Q. Does the Scottish Government think the scheme could have an inflationary impact on the housing market?

A. The monitoring and evaluation of the pilot will look at a number of factors, including any impacts on the housing market.

Q. Would the Financial Transactions (FT) funding used for the new scheme not be better spent tackling other issues such as homelessness?

A. There are strict rules on how FTs can be spent. They can only be provided in the form of loans or shared equity as they need to be repaid to HMT. This means that FT funded projects need to either have an income stream attached to them or, in the case of the new first time buyer scheme, a capital repayment when the house is sold to redeem the loan. Additionally, FTs can only be issued to private sector organisations or individuals.

Q. What steps are being taken to ensure those in rural areas are able to utilise support through the new first time buyer scheme?

A. The new scheme is open to all first-time buyers in Scotland, with no restrictions on location or value of property, and is available for both new build and existing properties. Buyers will have a free choice in buying a property that meets their needs and is located in the area they want to live in.

Q. How does this scheme fit in with the Housing to 2040 policy?

A. This scheme is a pilot running until March 2021. Our work to develop a vision for our homes and communities in 2040 and route map to get there covers the period from 2021 to 2040. Our experience of this pilot scheme, as with all our existing programmes, will help inform our future housing supply interventions.

Q. What scrutiny has there been of the proposed new scheme?

A: The first time buyer scheme is subject to the same internal controls and scrutiny as other similar schemes and will be evaluated in due course. The Scottish Government is engaging with a range of stakeholders to develop the new first time buyer's scheme, including mortgage lenders, UK Finance and Homes for Scotland, to ensure the scheme is fit for purpose and helps first-time buyers purchase their own home.

Theme 2: Delivering Quality and Increasing Satisfaction

QUALITY IN CONSTRUCTION

Q. What is the industry doing to help the sector improve the quality of building projects?

A. As part of the pledge within the Economic Action Plan to form a refreshed and stronger relationship between government and the construction sector, we have established the Scottish Government / Construction Scotland Leadership forum and are currently agreeing a set of common goals to help the sector grow. These goals will focus on quality, sustainable pricing and on establishing managed procurement arrangements that support engagement with SMEs in Scotland.

OFFSITE CONSTRUCTION

Q. Does the Scottish Government favour offsite approaches over traditional ones?

A. At present we are neutral. Scotland is relatively advanced in that 83% of all new homes are built using timber frame systems (which are offsite systems) and this compares with less than 30% across the UK as a whole. But we are aware that more advanced systems are increasingly available (such as modular or volumetric) and we would like to understand the pros and cons of those approaches.

Q. Will the Scottish Government give financial incentives to increase the use of offsite?

A. At the moment, decisions on the use of offsite are made by councils and housing associations. The Scottish Government looks forward to considering the research findings to help inform future policy in this area.

Q. Are you aware that some of the offsite projects in Scotland have been quite problematic?

A. I am aware of issues such as transport logistics, some manufacturing quality issues and some issues about getting the slabs built precisely so that the house is able to deliver on energy standards, etc. However, there are issues from some traditional projects too and I

am keeping an open mind at the moment. If Scotland does embrace new approaches then it will be important that everyone involved – at each stage of the design and construction process – is properly trained so that the potential of these new systems is achieved.

Theme 3: Capacity of the Industry to Deliver More

2040

Q: What are next steps with housing to 2040?

A: We are hoping to announce next steps on housing to 2040 shortly.

We will be discussing housing to 2040 at the next meeting of the Joint Housing Policy and Delivery Group (JHPDG) on 5 December. My colleague, Aileen Campbell, is attending and I know she'll be keen to hear your views.

BUILDING SCOTLAND FUND

Q: What is the Building Scotland Fund?

A: The Building Scotland Fund is a precursor to the Scottish National Investment Bank and reflects the principles behind it. 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: Who are our Delivery Partners?

A: The Fund takes a unique cross-departmental, cross-sector, cross-agency approach. We are working with Scottish Enterprise, Highlands and Islands Enterprise, Scottish Funding Council, Scottish Government More Homes and the Scottish Futures Trust to advance a strong pipeline of significant investment projects.

Q: Who is the Fund available to?

A: The Fund 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.

Q: How much can be invested in an individual project?

A: The amount of funding available to individual projects varies and is being decided on a case by case basis. Investments are likely to be over £1 million although we retain discretion to consider applications under this amount (for example we have published a threshold of £350k for SME housing applications.) Scottish Government investments are through making loans and/or acquiring equity. These will be at commercial rates or made in compliance with EU State Aid regulations.

Q: What is the current position?

A: BSF has agreed investments of £100 million, unlocking projects in excess of £238 million. These investments support the delivery of over 5,500 homes across all tenure, together with other regeneration, industrial and commercial property investments. This includes £75 million of housing investment supporting the development of 5,500 new homes and around 600 full time jobs.

Taken together, **the six housing projects** (Winchburgh, Stewart Milne, Sigma and 3 SME investments) **are supporting the development of 5,500 new homes and around 600 full time jobs**. Investment of £30 million with Sigma Capital is expected to deliver the first family homes for Build to Rent in Scotland.

The Fund has established its eligibility criteria, governance and delivery arrangements.

Q: How does the Building Scotland Fund link with the Scottish National Investment Bank?

A: The Bank has the potential to transform Scotland's economy and will be a cornerstone institution in Scotland's financial landscape providing capital for business at all stages in the investment life cycle. The Bank will address the challenges facing the Scottish economy with a focus on long-term patient capital, its focus will be shaped by missions set by Government and it will create and influence new markets. BSF will potentially provide £150 million of the Bank's anticipated initial total capitalisation.

HOUSING SKILLS

Q. Do we have the necessary skilled workforce to deliver these homes?

A. We established an independent short-life working group on Skills, chaired by Professor Sean Smith of Napier University. This included representatives from industry, private and social housing providers, and examined current workforce issues as well as future requirements. This report was published on 17 May.

The ongoing progress being in some areas is encouraging. However, this also remains an important time for Scotland's skills system, and we will continue working with the sector, to ensure the long term supply of a skilled housing construction workforce in Scotland.

APPRENTICESHIPS

Q. The Scottish Government isn't doing enough to support young people from priority groups to participate in Apprenticeships.

A. Skills Development Scotland (SDS) published its second annual update on its Apprenticeship Action Plan (EAP) in August 2018, and reflects progress across a range of indicators.

More importantly includes details of further efforts to;

- Reduce gender stereotyping
- Increase the number of Apprenticeship starts from minority ethnic communities
- Optimise the chances of a successful transition for care experienced people into apprenticeships
- Increase the number of individuals starting apprenticeships who have a learning or physical disability

But we know there is more to do to address barriers to work and training for some young people to tackle inequality and ensure all of our young people have equal chances and choices to succeed in life. The Equality Action Plan Year 3 Update will be released in the coming weeks, outlining progress to date and SDS's focus for activity for 2019-20.

Theme 4: Planning, Land and Delivery

Q. What is being done to address Vacant and Derelict Land?

A. We established the Vacant and Derelict Land Task Force in 2018 to develop a strategic, place-based approach to unblocking development so that vacant and derelict land can be brought into productive use, including for housing.

The Task Force recently published its Phase One report, which identifies ways to tackle systemic and persistent problems. This was supported by a Statement of Intent on the approach the Task Force will take to ensure this land is brought into productive use.

Q. What is the SG view on capturing land value uplift, and using that to fund infrastructure?

A. We are interested, that is why we asked the Scottish Land Commission to investigate this issue and I welcome the report they published in May.

It was however right to remove the provision on this that was added at Stage 2 of the Planning Bill.

This issue deserves careful examination and consultation following the Scottish Land Commission report.

Q. What is SGs position on Compulsory Sales Orders and to the reform of Compulsory Purchase Order Powers

A. We remain committed to bringing forward proposals for Compulsory Sales Orders and to the reform of Compulsory Purchase Order Powers.

Given the pressure for space in the legislative programme, and the potential implications of Brexit on parliamentary time, the Minister for Planning has said we do not expect to be in a position to progress a CSO Bill in this parliamentary session

Nevertheless we remain committed to introducing a new CSO power for local authorities.

There are a number of issues and challenges with the current proposals that stakeholders have identified. For example, we must ensure that the process is compatible with the ECHR. We will therefore now bring forward a package of proposals that addresses how authorities can assemble land, tackle problem properties and capture land value uplifts ready for the next administration to introduce legislation.

Some local authorities are already using their Compulsory Purchase Order powers to tackle empty homes. Over the last 3 years 13 CPOs have been submitted under Housing legislation. All 13 were approved and 9 involved the compulsory acquisition of empty homes in some form. We are working with the empty homes partnership to support authorities to use their existing powers.