

UK Finance Annual Scotland Mortgage Dinner

10 minutes = 1,500 words. Current total: 1869

Outline

- Introduction – Current challenges, Housing to 2040 scene setting
- Home ownership / first time buyer support / affordable housing programme
- Emergency Bill/PRS reform – engagement with sector
- Heat in buildings strategy/retrofit for net zero/Green Heat Finance Taskforce
- Scotland's Green and Sustainable Financial Services Taskforce
- Cladding / Building safety – Safer Building Accord
- Close

Speaking note

Introduction

Thank you Charles, and thank you for inviting me here this evening.

I was told in preparing for this speech to cover some of our key policies, which I'll attempt in the space of about 10 minutes, so hold tight while I attempt the impossible. There is certainly a lot going on just now and I am grateful to be here to share some of our work with you. Unfortunately I will need to leave you shortly but I'm sure you will have a good evening ahead of you.

I speak to you tonight at a time of some significant challenge in the housing market and beyond, with the continued recovery from the pandemic, the impact of the war in Ukraine, the cost-crisis and recent events in the financial markets following the so-called UK Government's Fiscal Event. However I want to reassure you that the Scottish Government is wholly committed to doing all that we can to tackle these pressures, both in the immediate and longer term.

I should also acknowledge before I go on, the important role insurers and mortgage providers have played in the Homes for Ukraine scheme, responding flexibly to enable those who want to participate in our Super Sponsor Scheme to do so. We have extended a warm Scots welcome to people from Ukraine; indeed, Scotland is providing a place of safety to more displaced people per head of population than any other part of the UK. Thank you all for your support in this humanitarian response.

Housing to 2040

In our housing strategy, Housing to 2040, we have developed a *long-term* strategy for housing in Scotland.

We also recognise the vital role that housing plays in meeting other objectives, such as our drive to secure economic growth, tackling poverty and inequality, creating and supporting jobs, ensuring we meet our energy efficiency and fuel poverty targets, as well as making sure we have connected, cohesive communities to live in.

Ownership / First Time Buyer support

Our ambition for housing, as set out in Housing to 2040, covers all housing regardless of tenure, and I'll come on to speak about some of our necessary action in the rented sector shortly. But we know that for many people home ownership in particular is a strong aspiration.

Healthy mortgage markets are key to supporting housing markets and helping people to realise that aspiration. You have a key role in delivering those aspirations and we greatly value the engagement we have with you, particularly in these uncertain times. We will use the levers we have available to support households through this period but am also sure you will want to take an approach that maximises security for homeowners and businesses.

We remain committed to helping as many people as possible to access home ownership where it's affordable for them. We're supporting first-time buyers through our 'LIFT' scheme, which have helped over 19,000 households into ownership since 2007. Our home ownership schemes are responsive – and I am pleased that we have recently been able to increase thresholds under our Open Market Shared Equity Scheme in response to market conditions. Additionally our first-time buyer relief for Land and Buildings Transaction Tax saves first time buyers up to £600.

Affordable housing programme

Our affordable housing programme is a key part of helping people access home ownership and Scotland has led the way in the UK in the delivery of affordable housing.

£3.6 billion is being made available in this Parliamentary term towards the delivery of affordable homes. This allows us to continue the important work we started in 2007, with nearly 113k affordable homes delivered since then.

This significant and long term investment in the sector, alongside our track record in delivery, should offer certainty to lending partners, even in these uncertain times.

We are, of course, also continuously looking to see how we can go further and develop innovative finance models to build more homes, drawing on the expertise of the sector.

Emergency Bill/PRS

We recognise though that for many, home is in the rented sector. It is clear that our work to deliver a New Deal for Tenants is more important than ever, especially in the midst of the current cost crisis.

As a responsible government, we are determined to act to mitigate the impacts of the crisis. You will be aware of the Emergency legislation just considered in the Scottish Parliament. Through the measures in the legislation we are taking exceptional steps in exceptional circumstances to safeguard those most at risk across Scotland.

It introduces a temporary freeze on in-tenancy rent increases and a temporary moratorium on evictions which is expected to continue until 31 March 2023, and will help give protection over the winter period. However, we do also recognize the concerns raised about what the impact might be on landlords. As Charles has mentioned we have quite a lot of things to balance and get right, and believe we have taken steps to ensure that the right balance is struck. One thing is absolutely clear: we will continue to work very closely with everyone in the sector, recognizing in particular the importance of increasing housing supply, improving quality and maintaining affordable rents.

We are also very aware that it is important that lenders have confidence in the sector in Scotland so that they continue to invest. I am grateful to UK Finance for engaging with my officials and am sure that these constructive conversations will continue.

Heat in buildings strategy

As well as building more homes, through our ambitious programme on affordable housing, Housing to 2040 sets out our aspirations for how our homes can help in meeting our climate change targets. All the more important given the impact of the recent energy price shocks.

To meet our 2030 interim climate change target, at least one million Scottish homes and the equivalent of 50,000 non-domestic buildings will need to change their heating system for a zero-carbon one.

Our Heat in Buildings Strategy sets out our ambitious programme to deliver our legislated climate change targets – which is equivalent to a 68% reduction in building emissions by 2030 below their level in 2020, and net zero by 2045.

Over the course of this Parliament, we are committed to investing at least £1.8bn to accelerate deployment of heat and energy efficiency measures and to support those least able to pay.

However, we have made clear that the public sector alone cannot bear the full cost of converting homes and buildings. We will also need to see increasing levels of private finance and innovative business models to support individuals and organisations spread the higher upfront cost of making their properties warmer, greener and more efficient.

As mentioned by Charles, The Green Heat Finance Taskforce has been set up to recommend, and where possible, pilot ways to increase individual and private-sector investment.

Some of the approaches might include exploring tried and tested models, including Public-Private Partnerships or Regulated Asset Based-type models, and emerging and established business models, such as Heat as a Service, Energy Performance Contracting, green mortgages and salary sacrifice schemes.

Retrofit for net-zero

We are also creating a broad, co-ordinated package of policies and support programmes, and accelerating our framework of standards to deliver the change required and provide future certainty to the market around retrofit for net-zero.

This includes developing plans for legislation and regulations to accelerate zero emission heat and energy efficiency in Scotland's buildings, with a consultation due early next year.

We will also soon publish our 'Heat in Buildings Supply Chain Delivery Plan' which will detail actions focused on strengthening the broader supply chains needed to deliver at the pace and scale we need.

Scotland's Green and Sustainable Financial Services Taskforce

The transition to net zero is not just an environmental imperative but an economic opportunity - one where Scotland can become world leading and secure first-mover advantage. But as we recognize in our National Strategy for Economic Transformation, realising our potential requires a strategy and a plan. The Scottish Government hopes that Scotland's Green and Sustainable Financial Services Taskforce will provide a clear route map for Scotland – one of the world's oldest financial centres – to seize the opportunities presented by the transition to a net zero economy for financial and professional business services.

Our plans are ambitious, and necessary. Everyone has an important part to play and I am pleased to see the positive engagement we have had so far from everyone in the sector and am looking forward to this continuing.

Cladding/building safety

As well as the steps we must take in meeting our climate targets, we must also work to ensure that our homes are safe for those who live in them, which I am sure is something that we would all agree on.

We remember all too vividly the Grenfell Tower fire and lives that were lost. Following the fire we immediately set up the Ministerial Working Group on Building and Fire Safety to identify and take action to ensure that people are not only safe in their own homes, but also feel safe.

Action has followed to improve fire safety standards, and our Futures Board is taking forward an ambitious programme to strengthen the building standards system in Scotland. The benefits we will deliver include enhanced compliance and more effective enforcement so that those who flout the rules are properly held to account.

We've also introduced requirements on interlinked fire alarms to ensure that owner-occupied and social rented homes meet exactly the same standards that have been in place for new build properties and the private rental sector for a decade.

I must recognise the work that is underway on cladding remediation. I want to thank those of you who represent the finance industry on our cladding stakeholder group and the insight that you bring to the needs of homeowners. It is essential that government and industry work together, including the Royal Institution of Chartered Surveyors and the Fire Engineers, to deliver practical solutions for owners and tenants in the short and long term.

As you will know, I am working with the developer industry to create an Accord where we can find solutions for those who find themselves stuck in that position and I thank them for their goodwill.

I hope for similar support from the finance industry to continue to work with us – the important principle here is that homeowners should not be penalised for a situation that they did not create. Working towards unlocking lending and insurance as soon as we have an agreed remediation plan will be a huge comfort to many. I look forward to a Scottish solution being established as this programme progresses.

Close

In closing, we recognise that there are significant challenges ahead but I also want to end on a positive note.

Our immediate, and necessary response to support the most vulnerable in the housing sector together with strong, long-term focus, through Housing to 2040 and our drive to secure economic growth stands us in good stead to respond to the challenges we face.

We cannot deliver these ambitions alone and we look forward to working with you and others across the sector as we move forward.