

**ENGAGEMENT TITLE: UK Finance Annual Scotland Mortgage Dinner**

<b>Date and Time of Engagement</b>	Thursday 6 October 2022 18:30 – 23:00  Cabinet Secretary leaving following speeches at approximately 19:55  Alternatively, if delayed, arriving to deliver speech for 20.15 and leaving at approximately 20:30
<b>Where</b>	Prestonfield House, Priestfield Rd, Edinburgh EH16 5UT
<b>Key Message</b>	<ul style="list-style-type: none"><li>• Recognise importance of the finance and lending industry in supporting SG ambitions for housing and the economy.</li><li>• Recognise importance of healthy mortgage markets in supporting housing markets and helping people to meet their aspirations for homeownership.</li><li>• Emergency Housing legislation<ul style="list-style-type: none"><li>○ aims to support those most vulnerable to the cost crisis through a suite of measures including a temporary restriction on rent increases and temporary moratorium on evictions in the rented sector.</li><li>○ offer assurance that Scotland is a good place to invest, as recognised that measures may have wider consequences so safeguards are included and there is a commitment to ongoing engagement with all involved in the housing sector.</li></ul></li><li>• Scottish Government supports home ownership and has interventions in place to help first time buyers.</li><li>• We have a long-term strategy in place through Housing to 2040 including affordable housing supply programme.</li><li>• Access to good quality housing is a vital part of our drive to secure economic growth.</li><li>• UK Finance have asked that the speech addresses the Emergency Bill, Heat in Buildings Strategy, retrofit for net zero, Safer Buildings Accord/Cladding and building safety.</li></ul>
<b>Who</b>	UK Finance is a representative body for the banking and finance industry across the UK.  The audience is around 250 attendees from across building societies, banks, financial services firms, lenders, brokers and intermediaries.  To note, Alzheimer’s Research UK is the charity partner and its Interim Chief Executive, Shirley Cramer will speak following the Cabinet Secretary.
<b>Why</b>	UK Finance is a key stakeholder in building healthy mortgage markets, which are key to supporting housing markets and helping people to meet their aspirations for homeownership.

<b>Official Support Required</b>	Name: [REDACTED] Mobile contact: [REDACTED]
<b>Media Handling</b>	N/A
<b>Dress code</b>	Business attire
<b>Greeting Party and specific meeting point on arrival (if event is at a non SE Building)</b>	[REDACTED], Head of Operations - Events and Training will meet the Cabinet Secretary on arrival at the main entrance and will introduce her to attendees.  Contact number: [REDACTED]
<b>Specific entrance for Ministerial car/parking arrangements</b>	The Ministerial car will be able to drop the Cabinet Secretary off at the main entrance, and park in the hotel car park.

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**Event programme/agenda**

**18:30** Drinks Reception

**19:15** Guests called for dinner

**Option 1**

**19:30** Speeches

1. Charles Roe, Director of Mortgages, UK Finance
2. Cabinet Secretary
3. Shirley Cramer, Interim Chief Executive, Alzheimer's Research UK

**CABINET SECRETARY LEAVES**

**19:55** Dinner served

**Option 2 – In case Cabinet Secretary is delayed**

**19:30** Speeches

1. Charles Roe, Director of Mortgages, UK Finance
2. Shirley Cramer, Interim Chief Executive, Alzheimer's Research UK

Dinner Served

**20.15** (after first course)

3. Cabinet Secretary

**CABINET SECRETARY LEAVES**

**23:30** Close

## Summary

### Key issues (lines to take throughout briefing)

- Key stakeholders in functioning of mortgage markets and providers of finance (including investment to support social sector and affordable housing programmes).
- Will wish to be reassured about action around housing and impact on market.
- UK Finance have asked that the speech addresses the need for reassurance for investors regarding the measures in the Emergency legislation, Heat in Buildings Strategy, retrofit for net zero, Safer Housing Accord/Cladding and building safety.

### Sensitivities

- **Emergency Bill** - We will work in very close partnership with the sector to determine the best way forwards from 1st April onwards, monitoring the situation in the coming months to determine what action will be appropriate.
- A Short Life Task and Finish Working Group, bringing together leaders from across the sector, had its first meeting on Tuesday (27 Sept) and met again on 30 September). UK Finance is a member of the group.
- **Cladding** – [REDACTED]
- **Closure of First Home Fund and Help to Buy scheme** – The increased availability of mortgages combined with the high level strategy of H2040, and the evaluations of both schemes showing 72% of First Home Fund buyers and 80% of Help to Buy buyers would have been able to purchase a property which met their needs without financial assistance led to the decision the schemes should be closed. The recent fiscal event and withdrawal of many mortgage products could prompt calls for government support. SG officials will continue to actively monitor housing market activity.

### Key asks

- **Cladding** –[REDACTED]

## Market overview

- **The UK Growth Plan on 23 September 2022 (where a series of tax cuts were announced), and the subsequent news regarding mortgage providers and potential Bank of England base rate rises has created uncertainty within the housing market.** SG officials will continue to actively monitor housing market activity
- **The Bank of England has increased the base rate seven times since December 2021, taking the rate from 0.1% to 2.25%.** A 215 basis point increase is estimated to increase the average monthly payment by around £180 on an average new variable rate mortgage and by £100 on an average outstanding variable rate mortgage in Scotland.

### Note – the following relates to Q2 2022 (pre 23 September 2022)

- **After a period of significant volatility, housing market activity appears to be returning to pre-pandemic levels,** with Registers of Scotland statistics showing that there were 25,331 residential property sales registered across Scotland in Q2 2022. Whilst this was an annual decrease of 3.5%, relative to the average for Q2 (2016 - 2019), transactions were down by a more modest 1.7%.
- **Residential LBTT returns also shows housing market activity returning to pre-pandemic levels,** with LBTT returns for the first eight months of 2022 0.7% higher than for the same period in 2019. (Source: Revenue Scotland).
- **The surge in house prices since the Covid-19 pandemic has continued, with the average Scottish house price increasing by an annual 12.4% in Q2 2022, to £188K.** (Source: UK HPI).
- **There were 835 new regulated mortgage possessions in the UK in Q2 2022. While this is 35% higher than Q2 2021, it is also 33% lower than the pre-pandemic level of 1,250 in Q2 2019.**

### First time buyers

- Despite rising house prices, **first time buyer activity has shown a strong recovery since the Covid-19 pandemic,** with new mortgage advances recovering from 3,600 in Q2 2020 to 7,980 in Q2 2022.
- New mortgage advances for first-time buyers in Scotland decreased by 8.1% for the 12 month period to Q2 2022 relative to the same period to Q2 2021, less than the decrease seen for home movers of 9.0%. The decrease in mortgage approvals over this period can be explained by the strong recovery after the Covid-19 pandemic.
- **The number of high loan-to-value mortgage products available to first time buyers has risen significantly.** [Data from Moneyfacts shows that the number of 95% LTV mortgages products increased from 14 in September 2020 to 274 in September 2022.]
- Scotland continues to be a great place to buy a first home, with the **average first time buyer spending around £100,000 less for a property than those in England.**

## Housing to 2040

### Top Lines

- Housing to 2040 is Scotland's long-term strategy for housing, developed following extensive engagement with the housing sector, wider stakeholders and the public, which sets out a vision for what we want Scotland's homes and communities to look like by the end of 2040.
- Housing plays an important part in economic growth, and investing in housing means investment in construction, bringing money into our economy and supporting jobs.
- A governance process has been established to support delivery of the strategy, recognising the crucial roles of stakeholders across the housing system, and beyond to delivering the Housing to 2040 vision.
- A Strategic Board will give strategic oversight, provide accountability on progress and support ownership of Housing to 2040 beyond Government.

### Governance

- The Strategic Board comprises of Scottish Ministers, the COSLA Wellbeing Spokesperson and senior stakeholders from the housing sector. I will co-chair the Board with Councillor Chalmers.
- The Board's remit is to provide strategic oversight of Housing to 2040 delivery; accountability on progress towards the vision; and ownership of Housing to 2040 beyond Government.
- Invitees to the Board also include stakeholders from the social and private rented sectors, the housebuilding sector and others representing housing professionals and wider social justice agendas.
- The Board is supported by an internal Scottish Government senior officials' Steering Group, which provides operational level assurance of progress and is able to escalate issues to the Board as needed.

## Affordable Housing Supply Programme

### Top Lines

#### **£3.6 billion is being made available in this Parliamentary term towards the delivery of affordable homes.**

- Scotland has led the way in the delivery of affordable housing across the UK. The Scottish Government per capita spending on affordable housing is more than three times higher than the UK Government.
- 112,993 affordable homes have been delivered between April 2007 and June 2022. This includes 79,187 homes for social rent (70%), 9,983 homes for affordable rent (9%), 23,823 and homes for affordable home ownership (21%).
- Scotland is constrained by *reliance* on the UK Government for capital grant allocations as well as limited capital borrowing powers.
- The challenging external market conditions of inflation and supply chain impacts are causing delays and placing pressure on project delivery.
- The UK Government should release additional public spending on infrastructure and consider other measures to help ease these inflationary pressures and allow our capital programmes to continue at the required pace.
- Housing to 2040 includes a key commitment to take action to ensure the housing market operates more fairly across Scotland, providing affordable housing options and choices in all communities.

#### **The previous 50,000 affordable homes target was met during March 2022 - a year later than planned, after delays caused by COVID 19 and global issues around supply and workforce affected the pace of delivery.**

- Of the 50,000 affordable homes completed (between 1 April 2016 and 23 March 2022), 34,407 homes (69%) were for social rent, 6,245 (12%) were for affordable rent, and 9,348 (19%) were for affordable home ownership.
- The 34,407 social homes delivered were 69% of the overall 50,000 target and 593 homes short of the 35,000 (70%) social homes target.
- The 50,000 affordable homes target couldn't have been achieved without the hard work, investment and expertise of all our RSL, local authority, community and construction sector partners through what have been challenging times.



## Support for First Time Buyers

### Top lines

- We have supported over 52,000 households via our home ownership schemes since 2007, spending over £1.7 billion.
- We are supporting home-ownership through our Low-cost Initiative for First Time Buyers (LIFT) scheme, which helps people on low-to-moderate incomes to buy their first home. Since 2007, over 19,000 households were helped into ownership through LIFT.
- To reflect market conditions and the sharp increase in house prices over recent months, an internal review of the Open Market Shared Equity Scheme (OMSE) thresholds was completed in August which raised the majority by 9%. In addition to this, applicants to the scheme are now permitted to make offers over formal valuation provided they are able to meet the costs from their own funds.

### Closing of First Home Fund and Help to Buy

- We continue to support home ownership and have interventions in place to help first time buyers through our LIFT scheme which helps people on low to moderate incomes to buy their first home.
- We will not be re-opening the First Home Fund pilot or Help to Buy schemes. Together these schemes have helped more than 27,000 households.
- The considerable reduction in Financial Transactions available to the Scottish Government has resulted in some difficult choices about how we use the allocated funding. The Financial Transactions available have been shared across the Scottish Government in order to best meet strategic priorities
- Combined with the current strength of the housebuilding sector, this suggests the Scottish Government is right to step back from interventions which stimulate demand for housing such as Help to Buy and First Home Fund, which might only push prices higher.
- The First Home Fund and Help to Buy schemes were set up to support buyers at times when mortgage lenders were less likely to lend to those with a smaller deposit. Help to Buy in particular aimed to support the housebuilding sector and buyers after the financial crash in 2008. The housebuilding sector is now performing well.

### Evaluation of First Home Fund and Help to Buy

- Key findings from the evaluations show that 72% of First Home Fund buyers and 80% of Help to Buy buyers would have been able to purchase a property which met their needs without financial assistance. This compares to only 53% through Open Market Shared Equity (part of LIFT).
- While First Home Fund buyers are on average similar to all Scottish first-time buyers in age and household income, they bought properties priced a fifth higher and contributed half the deposit.
- The majority requested the maximum equity loan of £25,000 and said the First Home Fund allowed them to buy a larger property (64%) and use less savings (58%) than they would have otherwise.
- Most beneficiaries of Help to Buy also agreed that the scheme had enabled them to buy a larger property (72%).

### Land and Buildings Transaction Tax (LBTT)

- The Scottish Government has taken a progressive approach to the setting of rates and bands for residential LBTT, prioritising support for first-time buyers and helping home movers as they move through the market.
- The first-time buyer relief was introduced on 30 June 2018 to assist eligible buyers to purchase their first home. It complements a range of measures already put in place by the Scottish Government to support first-time buyers in Scotland.
- The relief has the effect of raising the zero tax LBTT threshold for first-time buyers from £145,000 to £175,000. This means that those buying a property up to the value of £175,000 will pay no tax at all, while those buying a property for more than £175,000 will see their tax reduced by £600.
- The Chancellor of the Exchequer delivered a fiscal event on 23 September 2022 in which several tax changes were announced, including changes to Stamp Duty Land Tax (SDLT) which will effect taxpayers in England and Northern Ireland.
- DFM responded to the above fiscal event confirming the Scottish Government will set out its plans as part of the normal budget process. We will discuss the proposed investment zones with the UK Government but we are clear they have to be the right fit for Scotland

## **Building Safety / Cladding / Safer Housing Accord**

### Building Safety

The Ministerial Working Group (MWG) was established in the days immediately following the Grenfell Tower fire in London, on 14 June 2017. The MWG continues to meet and has an ongoing programme of work.

Its remit is to oversee a review of the building and the fire safety regulatory frameworks, and any other relevant matters, in order to help ensure that people are safe in Scotland's buildings, making any recommendations for improvement as required.

### **Current Position**

The work set out in the initial work programme has been completed. However, the Ministerial Working Group continues to take forward relevant action.

The most recent (19<sup>th</sup>) meeting of the Ministerial Working Group took place in June 2021. Plans are underway to reconvene a meeting of the Group in late 2022.

### **Mortgages**

Although the current issue of the availability of mortgage lending for flats with cladding is not directly within the remit of the Ministerial Working Group, there are strong links to it.

### **Cladding and finance issues**

In Autumn 2019, owners of flats (both high rise blocks and progressively lower rise) began to contact the Scottish Government to highlight that they were unable to sell their properties due to the installation of cladding on the buildings. Surveyors and mortgage lenders were assigning a 'zero' valuation where there was cladding, regardless of type.

The Royal Institution of Chartered Surveyors (RICS) launched a process called the EWS1 form in late 2019 at a UK level to try to assist in the assessment of actual risks. However, this has had a mixed response and did not produce a solution to mortgage issues as the form only identifies a risk exists, it does not provide home owners with the steps required to reduce these risks.

The Ministerial Working Group on Mortgage Lending and Cladding which reported on 19 March 2021, provided a number of recommendations to resolve the issues around properties with cladding. The key outcome was the creation of a Single Building Assessment (SBA), involving an assessment of both the fire risk and the risk of cladding in the event of a fire.

### **EWS1 (External Wall Systems assessment form 1)**

The EWS1 process delivers assurance for lenders, valuers, residents, buyers and sellers. The process was developed through extensive consultation with a wide range of stakeholders including fire engineers, lenders, insurers, valuers, and other cross industry representatives. The process itself involves a qualified professional conducting a fire-risk appraisal on the external wall system, before signing an EWS1 form, which is valid for the entire building for five years. These are forms created by

the mortgage and lending market and we have no control over their use or the date they will be phased out.

The EWS1 approach mandated by lenders does not work in Scotland with the tenure system, each property is owned unlike in England where this works more reasonably given that there are owners building by building.

We require some flexibility from financial institutions to recognise the uniqueness of the Scottish marketplace and not 'punish' homeowners by unreasonably asking for multiple EWS1s from multiple flatted properties. Proportionality is key and has not been evident since the EWS1 was introduced. Officials are continuing to work with industry stakeholders on the application of EWS1 within the Scottish tenure system.

The SBA seeks to secure an EWS1 on a building by building basis to help unlock flatted properties and allow them to be bought and sold on the open market.

### **Mortgage industry**

Following the Grenfell fire, lenders began to refusing to offer mortgages on homes after new safety rules were introduced. Homeowners found themselves unable to buy or sell as they were locked out of the mortgage market. Many homes were sold well below value with limited prospect of houses being brought up to a sufficient safe standard quickly

[REDACTED]

### **Insurance and Liability**

The UK Government has taken an England-only approach, despite matters such as insurance, mortgage lending and corporation tax being reserved.

Inter-Ministerial Group on Levelling Up, Housing and Communities (IMG LUHC) met recently to discuss building safety issues including the provision of Professional Indemnity Insurance (PII). It brought together Ministers from the Scottish Government, UK Government, Welsh Government and Northern Ireland Assembly.

The UK Government has contracted with an insurance underwriter to back the provision of a UK-wide professional indemnity insurance scheme. It is due to launch and it will provide PII for Fire Risk Assessors across the UK, which will help to move things forward.

### **Building Standards**

The UK Government is bringing forward fundamental changes to the Building and Fire Safety regime in England through their Building Safety Act 2022. Royal Assent was granted in June 2022 and DLUHC are working on regulations for measures to address the safety of higher risk buildings, including appointing HSE as the regulator. The Act takes a whole life approach and covers safety from planning, building regulation, in use housing and through to end of life of the building.

Parallel work in Scotland to review and improve fire safety in high rise and higher risk buildings began in 2017 under the remit of the Ministerial Working Group on Building and Fire Safety.

We have strengthened the Building Standard System in Scotland.

- The Building Standards Futures Board was established following a review of compliance and enforcement to undertake a programme of work to strengthen the building standards system.
- As part of the Futures Board programme of work, a Compliance Plan Working Group was formed in 2020, comprising of a range of industry stakeholders, to direct the development of a new Compliance Plan approach for building standards.
- Proposals on the introduction of a new Compliance Plan Manager role were set out in a consultation in late 2021 and received the overwhelming support of respondents.
- Analysis of the responses were published in May 2022 and we are working with stakeholders to develop policy that will strengthen further the building standards system in Scotland and the approach to compliance and enforcement.

We have improved our fire safety standards and remain ahead of the rest of the UK, including:

- In June 2022, we banned the highest risk metal composite material from any use in building cladding. We have also banned combustible cladding in buildings over 11m.
- In March 2021, we introduced legislation to install automatic fire suppression systems in all new build flats, social housing and student accommodation.
- In October 2019 we introduced requirements for two escape stairs and fire service active evacuation alarms in buildings over 18m.

### **Smoke and Heat Alarms**

Housing regulations now require all homes to have interlinked smoke and heat alarms, and were passed unanimously by Parliament in 2019 to protect lives and property following the tragic Grenfell tower fire.

These new rules are for social landlords and for those who own their own homes to bring to same standards we have expected of new build houses (since 2010) and homes in the private rented sector (since 2013), to protect lives.

The legislation places a legal duty on local authorities, not homeowners, to ensure homes are fitted with the correct alarms. Councils will take a proportionate approach to ensuring homes meet the new standards; at most advising homeowners on type of alarms they need and where. People who own their homes are generally responsible for paying to repair and maintain their home or for works to protect their property.

The Scottish Legislation is ahead of the provisions in England and Wales.

## Heat in Buildings Strategy

### Top lines

- 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 direct emissions one.
- The Scottish Government's 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.
- The solutions to decarbonise our buildings are clear – we must install energy efficiency measures and transition our current heating systems to zero direct emissions alternatives, such as heat pumps.
- The capital cost of the net zero transition for Scotland's buildings is estimated at around £33bn (building fabric refurbishment and heating system change).
- We have made clear that the public sector alone cannot bear the full cost of converting homes and buildings. The pace of the Heat in Buildings transition requires increasing amounts of private investment to be leveraged.
- 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 (see below for details).
- However, 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 such, we have set up the Green Heat Finance Taskforce to recommend, and where possible, pilot ways to increase individual and private-sector investment.
- Amongst other approaches, this might include exploring tried and tested models, such as 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 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.
- We have a broad range of delivery programmes to provide advice and financial support for householders and businesses looking to install zero emission heat or make their buildings more energy efficient and affordable to heat.
  - The Home Energy Scotland (HES) loan with cashback scheme provides up to £15,000 loans with £6,000 cashback grant for energy efficiency improvements plus up to £17,500 with £7,500 cashback grant for zero emissions heating for homeowners or self-builders.
  - Warmer Homes Scotland (£55m in 2022-23) and our local authority Area Based Schemes (£64m in 2022-23) provides targeted funding support for those living in fuel poverty or at risk of fuel poverty through installing insulation and heating measures.
  - We have a £300 million development fund available as part of our Heat Network Delivery Plan.

- We have £200 million Social Housing Net Zero Heat Fund for the social housing sector.
- Our £200 million Scottish Green Public Sector Estate Scheme supports energy efficiency and decarbonisation measures across the public sector.
- We are 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.
- From 2024, new buildings will need to use heating systems which produce zero direct emissions at the point of use, where it is within our competence. This, and our planned increase to fabric standards for new buildings from 2022, will ensure that we do not add to the number of buildings that require retrofitting in future.
- 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.

## Emergency Bill

### Top lines

- The primary aim of the Bill is to protect tenants at this difficult time. However, we recognise that landlords may also be impacted by the cost crisis.
- That is why within the overall freeze and the moratorium we have proposed safeguards for landlords to address specific, defined and limited circumstances, reflecting the circumstances that some might face.
- We also recognise the significant challenges faced by social landlords in increasing housing supply, improving quality and maintaining affordable rents
- We hear the concerns from social landlords regarding the potential impact on future investment and want to reassure that no decisions have been taken beyond 31 March and before we do so, we will be considering all of this in the round.
- A key part of that will be to discuss these concerns fully with stakeholders - particularly through our already established Task and Finish Group - over the coming weeks and months.
- The Group, which brings together leaders (including [REDACTED]) from across the Social Rented sector, had its first meeting on Tuesday (27 Sept) and subsequently met on 30 September.
- This group will help bring together evidence from across the sector to identify and consider the options available to support households and minimise the impact of rent increases on tenants next year.



## New Deal for Tenants

### **We have consulted widely on our New Deal for Tenants which sets out a whole range of reforms – from further protection against eviction to more rights to personalise tenants’ homes and higher quality standards.**

- We committed in ‘Housing to 2040’ to consult on delivering a new rented sector strategy to improve accessibility, standards and affordability across the rented sector as a whole.
- We sought a wide range of views on how we can further protect and strengthen the rights for people living in the rented sector in Scotland; around 1.85 million people.
- Analysis report published August 2022. Healthy response to the consultation - 172 organisations, 756 responses from individuals, 7,508 respondents made a campaign-type submission.
- It is vitally important to take the time to consider all the consultation responses.
- When we debated this in the Scottish Parliament over the last few months it was clear that there was widespread support for this approach, alongside our package of recent and ongoing help for tenants with rent costs now.

### **Scotland continues to lead the way in the UK in protecting the rights of, and supporting tenants, but we always welcome further ideas which are robust, workable and provide the benefits which tenants need while also recognising and the rights of good landlords.**

- We believe it is important also to view the rented sector as a whole but acknowledge that the private rented sector has further to travel to reform.
- However, this does not mean that we can’t continue to improve outcomes for social tenants alongside reforms for private tenants.
- We are proposing to introduce new rights for tenants, for example giving tenants greater flexibility to personalise their home and to keep pets.
- The new deal will also consider additional penalties and compensation for illegal evictions and look at options to restrict evictions in winter when people are more vulnerable and support services less available.
- Careful consideration of action to ensure rents are affordable is also at the heart of the strategy and we are working with stakeholders and experts to develop a shared understanding of affordability.
- We will introduce effective national rent controls by 2025, for privately-rented homes, with appropriate mechanisms to allow local authorities to introduce local measures, while exploring what further action we can take to ensure rents in the social rented sector are affordable.
- We also intend to introduce a new regulator for the private rented sector and review the existing registration and regulation regimes within the sector - we have asked how these could be strengthened.

### **What is good for tenants is also good for those landlords and letting agents who manage properties responsibly and professionally.**

- The new deal will encourage those landlords who share our commitment to providing good quality homes and will deter landlords who flout the law, undertake illegal evictions or provide high cost, poor quality accommodation.
- Over the last 20 years, there have been a range of necessary changes to the private rented sector aimed at improving quality and accountability and, although

stakeholders have often warned that such changes would lead to a reduction in supply of private rented homes, the sector has more than doubled over that time from 130,000 to 340,000 properties.

- We want to work with landlords as we develop proposals and good landlords having nothing to fear from the changes. To the extent that landlords and agents are expressing concerns about the market this appears to be UK-wide, not unique to Scottish-specific policies.

In order to deliver some elements of the Strategy, changes to legislation will be required, so as a first step we have committed to introducing a Housing Bill in 2023 and acknowledge that further legislation/housing bills will be needed later in the term. In terms of rent control, we aim to deliver legislation and implement rent controls by the end of 2025.

## Finance and Professional Services Sector

### Top lines

- Scotland has a long and distinguished history in financial services, with recognised strengths in banking, asset management, life and pensions and insurance.
- Scotland's financial services sector is an engine for growth right across the country, helping people to start a business, plan for retirement, buy a home, save for the future, insure their belongings and buy goods or services. It also helps provide the capital that businesses need to grow and the support services which enable job creation and allow new ideas to flourish. Our vision for Scotland is to create a low-carbon, wellbeing economy that delivers sustainable and inclusive economic prosperity for Scotland's people and places.
- The financial services industry is the largest sectoral contributor to Scotland's economy contributing £10.3 billion or 7.6% of GVA.
- In 2021, financial services employed 84,000 people in Scotland and related professional services employed 69,000 people. In total this comprises 5.9% of the total working Scottish population.
- In recent years, the sector's traditional strengths have been enhanced by our expertise in other areas – such as technology, data analysis, and informatics. That has helped Scotland to develop a thriving fintech industry.

### Sustainable finance

- Scotland's world-class Financial Services sector will be crucial to delivering a sustainable and green investment-led recovery.
- Green and Sustainable finance is a fantastic economic opportunity for Scotland – building on our natural assets, our Fintech edge and our status as the UK's second largest financial centre outside of London. Building that future will require an unprecedented level of responsible, sustainable investment in the Scottish and global economies.
- With our leading financial services sector, Scotland is ideally placed to seize the commercial opportunities arising from this transition. Climate action today will also help ensure our financial system is robust, efficient and agile enough to respond to climate and transition risks tomorrow.

### Financial services regulation reserved to the UK

- The regulation of financial services is reserved to the UK Government. As such Scottish Ministers are unable to directly intervene in the commercial decisions made by financial services companies or comment on individual complaints.
- The Scottish Government does, however, work with partners in firms, the regulatory community and industry bodies to ensure that the unique interests of Scotland's financial services sector are protected, advanced and understood, including the effective promotion of Scotland's world-class offer internationally. The Scottish Government stands ready to work constructively with the UK Government and other stakeholders to ensure the interests of customers, communities and businesses in Scotland are represented.
- The Scottish Government is responsible for guiding Scotland's economic development and setting the vision for how we transform the economy for the future. The Scottish Government's voice on these matters acts as a vital counterweight to the UK Treasury. The Scottish Government has a wide range of

responsibilities either directly regulating financial activity (in areas such as property law) or influencing the success of the Scottish sector, including fiscal, skills and economic operating environment policy.

- We also now raise and spend more taxes in Scotland than ever before – so every new job and every growth opportunity must be seized for Scotland’s benefit.

#### Cost Crisis - Financial Services Growth and Development Board

- The quarterly Financial Services Growth and Development Board (FISGAD) met on 30 August with DFM acting as co-chair (3<sup>rd</sup> meeting of 2022). Deputy First Minister and finance leaders committed to continued collaboration throughout the cost crisis to tackle the immediate challenges and address key underlying structural issues in a statement issued by DFM after the meeting.
- At the meeting members assured the Deputy First Minister that financial services have quickly mobilised in response to the crisis, taking action on a range of fronts, e.g:
  - increasing customer-facing support and training to ensure they are able to fully support customers in financial distress, particularly vulnerable customers
  - using data to identify proactive action, a targeted approach and early engagement to encourage customers to come forward before experiencing difficulties

#### Scottish Taskforce for Green and Sustainable Financial Services

- Keen to capitalise on the advances made in climate finance at COP26, the Scottish Government officially launched a new industry led Green & Sustainable Financial Services Taskforce supported by Mark Carney, Chair of Glasgow Finance Alliance for Net Zero (GFANZ) and John Glen, Economic Secretary to the Treasury on 28 February.
- This Taskforce “will draw up Scotland’s action plan to capitalise on the opportunities of financing the global shift to net zero, setting out the actions we will take to promote and establish Scotland as a world-leading centre for green and ethical finance, and leverage the potential of private finance.”
- The Taskforce will look to:
  - Scope out the scale of the opportunity for Scotland within the UK and beyond
  - Develop domestic networks to enhance collaboration and position Scotland as a source of expertise in green and sustainable finance
  - Support the growth and development of Scottish green and sustainable financial products and services
  - Build capacity within the existing Scottish finance community and help develop a future workforce
  - Present Scotland’s “offer” to global markets to maximise green and ethical inward investment opportunities

## Guest List or Meeting Attendees

There will be around 250 attendees from across building societies, banks, financial services firms, lenders, brokers and intermediaries.

## Speakers

<p><b>Charles Roe, Director of Mortgages, UK Finance</b></p> <p>Charles has over 25 years financial services experience and joined UK Finance in August 2020. As Director of Mortgages he has overall responsibility for delivering the mortgage policy work of UK Finance.</p> <p>Prior to joining UK Finance, Charles was Executive Director and Chief Risk Officer at The Nottingham Building Society where he was accountable for designing and implementing the Society's risk strategy and framework. Charles brings with him a wealth of experience including time as a director in the Regulatory Financial Services Practice at Grant Thornton LLP and 11 years' regulation and compliance experience at the FCA. Whilst at the FCA, Charles was Head of Department for the mortgage sector, where he developed the FCA's approach to the supervision of the UK mortgage market and oversaw the implementation of both the Mortgage Market Review and Mortgage Credit Directive.</p>	
<p><b>Shirley Cramer, Interim Chief Executive, Alzheimer's Research UK</b></p> <p>Shirley is currently Interim Chief Executive and before that was a Trustee since 2014, after having previously been Interim Chief Executive of Alzheimer's Research UK in 2012 for six months. She sat on the Nominations and Governance Committee and Scientific Advisory Board, playing a key role in driving Alzheimer's Research UK strategy and excellence. She is formerly Chief Executive of the Royal Society for Public Health and is an experienced voluntary sector leader in both the UK and the USA. She is a Commissioner of the UK Food, Farming and Countryside Commission and Chair of the Rare Dementia Support Advisory Board at University College London.</p> <p>Shirley says: "When my mother was diagnosed with Alzheimer's Disease, I began to realise that dementia research was way behind other diseases like cancer. I felt there needed to be more of an urgency to prioritise dementia research, which is why I'm passionate about what Alzheimer's Research UK does. I know there will be solutions in the future, such as new treatments and earlier diagnosis, and I'm really proud to be a part of it."</p>	

Map directions

