1. INTRODUCTION

1.1. Homes for Scotland (HFS) is the voice of the home building industry in Scotland, with a membership of some 200 organisations together providing 95% of all new homes built for sale across the country as well as a significant proportion of affordable housing.

1.2. HFS makes submissions on national and local government policy issues affecting the industry. Its views are endorsed by committees and advisory groups utilising the skills and expertise of key representatives drawn from our member companies.

1.3. We therefore welcome the opportunity to provide evidence to the Local Government and Communities Committee on the issue of the Draft Budget 2018-19, not least because of the importance of Scotland’s home building industry as a key driver of economic growth, and its central role in Scotland’s physical, economic and social wellbeing.

2. LOCAL GOVERNMENT BUDGETS

2.1. At a time of growing pressure upon local government budgets, it is essential that local authorities are adequately resourced to deliver all their statutory functions and strategic responsibilities ensuring the sustainable growth of communities and businesses across their local areas. However, we are becoming increasingly concerned that in recent years budgetary pressures has resulted in a significant reduction in funding from the Scottish Government to support vital planning and development services. It is vital that the implications of this trend are properly understood as a less-responsive, slower planning and building warrant system could act as an unnecessary brake to new housing development, making it harder to meet Scotland’s housing needs, as well as limiting the associated social and economic benefits of new development.

2.2. A major frustration for the industry relates to the limited evidence base used to support the decisions to increase planning and building warrant fees. In such cases the limited availability of data as well as the delayed publication of statistics can make it unnecessarily difficult to scrutinise policy proposals, and in the case of building warrant fees mask that data for the most recent year showed this service operating a budgetary surplus. In light of the decision to
increase both planning and building warrant fees and of the call for Open Government as part of the recently publish Programme for Government 2017-18, we believe that the Scottish Government should provide more detailed national and local government financial statistics to enable greater scrutiny of current and future policy decisions. Transparency is crucial to ensuring public and private stakeholders can constructively contribute to the governments agenda.

2.3. Whilst critical of the evidence available to scrutinise increases in fee levels Homes for Scotland has, in principle, supported increasing fees levels where it is necessary to fund the improvement of such services. However, we remain concerned that this is unlikely to happen whilst income generated through planning and building warrant fees is not ring-fenced to support and develop these services, and that it is more likely to be absorbed into wider local authority funding pots instead. Without ring-fencing this income, there is no guarantee that these funds will go to improving the service for users.

2.4. As an industry, we are keen to better understand the reasoning behind the Scottish Government’s decision to cut grant funding for Planning and Development Services, which has almost halved over the past five years. We are keen to understand why this is the case, given departmental finances show a significant deficit and it has been indicated that these services are under-resourced? Is there any link between the reduction in central government grant and the decline in customer satisfaction and performance of these services? Furthermore, would the Scottish Government commit to reviewing and reducing planning and building warrant fees where local authorities begin to develop surpluses for these services, or will these additional funds be used to fill gaps local authority budgets and result in further decreases in national government funding for public services?

2.5. We therefore wish to see greater transparency of national and local authority budgets to allow greater scrutiny of national and local government policy decisions. Whilst Local Government Financial Statistics (as reported by Scottish Government) provide an indication of income and expenditure for Planning & Development Services, sufficient information has not yet been made available to stakeholders and service users to allow them to fully understand the impact of proposed budget changes.

3. **HOUSING BUDGET**

3.1. The health of the housing market is a barometer for the broader economy and therefore needs to be robustly maintained. We believe it is essential that the Scottish Government should signal its ongoing intent to support home buyers and take the steps necessary to deliver market confidence for the years ahead.
Only by delivering the right policy and resources framework can the Scottish Government be sure that Scottish home builders will have the confidence to know that they, in turn, can commit resources to bringing forward the thousands of new homes Scotland needs, at all price points.

3.2. Since the Help to Buy (Scotland) – hereafter referred to as HTB – shared equity initiative was introduced in 2013, over ten thousand individuals and families have been supported to purchase a new home. Monitoring information now available shows that over two thirds of benefitting households are first time buyers, three quarters of households are under the age of 35 and nearly half have a gross household income of between £30k and £50k. As a housing policy, the HTB initiative has been successful in supporting a section of the market which, following the global economic crisis, found itself locked out, with no access to high Loan to Value lending, and limited to a Hobson’s choice of an expensive private rented supply or a social housing system already under a pressure with allocations strictly based on need.

3.3. Not only has HTB assisted those who have purchased a new build home through the scheme, with 5% of buyers previously living in the social rented sector, 386 social rented homes were freed up as a direct consequence of the scheme.\(^1\) Furthermore, the same Scottish Government statistics suggest that a further 5% of HTB purchasers were previously on a social housing waiting list, meaning that HTB has made a substantive contribution in tackling the challenge of managing pressured lists within a backdrop of low housing supply.

3.4. While there has been some criticism of HTB, it is important to emphasise that these critiques have invariably been based upon analysis of the dynamics and performance of the English HTB scheme, rather than the very different objectives and achievements of the Scottish HTB scheme. HTB Scotland has been far more rigorous in its assessment of the eligibility of homebuyers, more efficient in targeting investment at people who really need HTB assistance and has therefore been more successful in helping under 35s and FTBs in Scotland onto the property ladder. These are critical differences between HTB in Scotland and England, of which the Scottish Government can justifiably be proud and for which they should be rightly praised.

3.5. On 2nd October, HM Treasury announced that the government will invest a further £10bn in the Help to Buy Equity Loan in England. While we await further confirmation from the Chancellor in the Budget Statement due on 22\(^{nd}\) November, our expectation is there will be significant ‘Barnett consequentials’

for the Scottish Government’s own budget, and while there will undoubtedly be multiple calls upon the Scottish Government’s resources, we would urge the Scottish Government to commit to using all the consequentials from any housing announcements made in the UK Government’s Budget to housing investment in Scotland, with a view to retaining – as an absolute minimum – an annual budget of £50m for HTB Scotland up to and including 2020/21. Committing £100m over 2 years would equate to just 10% of the anticipated £1bn ‘consequentials’ coming to Holyrood on the back of the UK Government’s HTB funding announcement, allowing Scottish Government more than adequate flexibility to boost funding for social rent and other forms of affordable housing. Given that any consequential funding arising from the UK Government’s £10bn will be in the form of Financial Transactions facilities, this would seem to us to be the most logical way to deploy these resources. The additionality which could be provided through investing further in HTB has already been proven, and the potential consequences of underfunding or defunding HTB have already been explained in this paper.

3.6. Altogether, there is much for the Scottish Government to celebrate and champion about Help to Buy (Scotland), especially when compared with its English counterpart scheme. Because the way the scheme has been targeted and designed with lower ceiling price limits and more rigorous eligibility criteria and testing, it has not only helped to deliver increased home ownership opportunities, but has meant that Government funding has gone further and delivered affordable housing as well – meaning more people have been helped.

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