17 November 2025

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Kenneth Gibson MSP
Convenor,
Finance and Public Administration Committee
The Scottish Parliament

Dear Kenneth Gibson MSP,

I would like to thank you for the opportunity to provide evidence to the Committee. I am following up to highlight several key points raised during the session.

We all share the collective aim of improving building safety across the sector. However, the Scottish Building Safety Levy, in its current form, risks impacting development viability, investment confidence, and ultimately frustrating the supply of new homes.

Development Viability

The burden of this levy falls entirely on residential developers at a time when development viability is under significant pressure. This is due to a cumulative range of market and policy pressures. For context, in the last five years, tender prices have risen 20-30% and development finance has in many instances doubled. This is coupled with increasing policy requirements such as affordable housing provision, increased building standards requirements, and implications on investment as a result of the Housing (Scotland) Bill. Whilst each pressure could be manageable alone, collectively, the cumulative impact places a significant burden on development viability.

Investment Confidence

Certainty and predictability are essential for investors, and in the midst of a Housing Emergency Scotland cannot afford to lose further investment into new homes.

The Build-to-Rent sector, in particular, has been affected by the recent Housing (Scotland) Bill which our research showed cost the sector over £3bn of investment, pausing the delivery of over 17,000 new homes. Now that the Act and the relevant secondary legislation are coming into force, the policy landscape is becoming clearer, and we are beginning to see investor confidence return. Introducing the levy at this stage risks this investment and places an additional burden on a sector that can provide a vital role in revitalising urban centres, supporting sustainable living and addressing the housing emergency.

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Supply of New Homes

The government's stalled sites initiative identified lack of viability as the biggest barrier to housing delivery. Introducing this levy adds an additional layer of cost reducing the pace and future pipeline of housing delivery. Every £1 spent on construction generates around £2 in the wider economy. For every stalled or undeliverable housing project means fewer energy efficient homes, fewer jobs, less economic growth and social value.

Areas Requiring Clarification:

If this levy is to be implemented, we urgently need further guidance on the following:

- **Transitional provisions**
  - Many developments in the pipeline have been instigated without knowledge of the Building Safety Levy and without making any allowances for the associated costs.
  - Projects already in the planning process when the act comes into force should be exempt from the levy.

- **Indicative modelling and rates**
  - While final rates will be set through secondary legislation, indicative rates are needed well in advance to inform appraisals. For comparison, England published indicative rates 18 months in advance. Scotland is already behind this timeline.
  - What are the proposed rates?
  - When will the rates be publicised?

- **Introduction of a sunset clause**
  - The levy must remain proportionate, with revenue ringfenced for cladding remediation.
  - A timebound levy would prevent it from becoming a long-term tax on development.

- **Exemption criteria**
  - Further clarity is needed for SMEs, Build-to-Rent, Mid-Market Rent and brownfield development.
  - We seek further information on the threshold for exemptions from the levy particularly for SMEs who should not be discouraged from scaling up their delivery.
  - The Build-to-Rent Sector needs room to grow. If the sector cannot be fully exempt, then BTR and purpose-built student accommodation schemes should have the communal areas excluded from the levy calculation, to avoid penalising

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types of development that supports shared facilities and additional amenity space.
    - The Housing Investment Taskforce Report emphasises the role of private capital in delivering affordable housing. Yet, in its current form, the levy exemptions are limited to government-subsidised affordable housing. We are seeing emerging models that could provide affordable housing tenures without government subsidy and therefore we need to be careful that this legislation does not frustrate housing innovation.
    - Brownfield land should be exempt from the levy to encourage urban regeneration, where barriers and costs to delivery are already higher. In England, a narrow and inconsistent definition of brownfield land has created uncertainty for developers where projects would be considered brownfield under the NPPF but do not qualify under the definition for the English Building Safety Levy. Scotland must adopt a clear definition aligned with NPF4.

- **Timeline**
    - We recognise that there is now a considerably tight window to get the Bill passed given the dissolution of Parliament by 26 March.
    - We are concerned that this limited timeframe will not permit sufficient scrutiny of the Bill. At the same time, it is equally important that the industry is provided with certainty on whether, and when, the legislation will come into force.

Thank you again for the opportunity to contribute. I would be pleased to provide any additional information that may assist the Committee's considerations.

Kind regards,

Josie Sclater
Senior Policy Officer, Scottish Property Federation