

improving living in scotland



RESPONSE TO THE ECONOMY, JOB & FAIR WORK COMMITTEE'S CALL FOR EVIDENCE ON SCOTLAND'S ECONOMIC PERFORMANCE

09 November 2017

Homes for Scotland
5 New Mart Place
Edinburgh EH14 1RW

t: +44 (0)131 455 8350
f: +44 (0)131 455 8360
e: info@homesforscotland.com
www.homesforscotland.com
 [@H_F_S](https://twitter.com/H_F_S)

Registered No:
213820 (Scotland)
Registered Office:
15 Atholl Crescent
Edinburgh EH3 8HA

ABOUT HOMES FOR SCOTLAND

Homes for Scotland is **the** voice of the home building industry.

With a membership of some 200 organisation together providing 95% of new homes built for sale as well as a significant proportion of affordable housing, we are committed to improving the quality of living in Scotland by providing this and future generations with warm, sustainable homes in places people *want* to live.

Visit homesforscotland.com for further information and follow us on twitter [@HFS](https://twitter.com/HFS)

DRAFT

RESPONSE TO THE ECONOMY JOBS & FAIR WORK COMMITTEE CALL FOR EVIDENCE ON SCOTLAND'S ECONOMIC PERFORMANCE

INTRODUCTION

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.

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.

We therefore welcome the opportunity to provide evidence to the Economy, Jobs & Fair Work Committee on the issue of Scotland's Economic Performance as Scotland's home building industry is a key driver of economic growth, and plays a vital role in Scotland's physical, economic and social wellbeing.

THE ECONOMIC IMPORTANCE OF THE SCOTTISH HOME BUILDING INDUSTRY

Scotland needs more new homes. To make Scotland a better place in which to live, work and invest, it is essential that we have enough homes *of all tenures* in the right locations to meet the diverse housing needs and aspirations of our growing population. Nothing is more important to the welfare of Scotland's people than a good quality home that meets their needs and provides a safe, secure and long-term foundation for them to live happily and develop their potential. With housing intrinsically linked to a wide range of other policy areas, ensuring that all those living in Scotland have access to a range of quality housing options is fundamental to our country's social wellbeing as well as its future growth and success.

As the voice of the home building industry in Scotland, we work to ensure a policy and planning environment in which home building can thrive, because in doing so we not only help meet the housing needs of Scotland's people, but we also create jobs, generate significant additional Gross Value Added (GVA) to the Scottish economy, contribute to improved health and education outcomes, help tackle climate change and improve the overall energy efficiency of Scotland's total housing stock.

According to independent analysis commissioned and published by HFS from Nathaniel Lichfield & Partners in 2015, a total of 15,562 new homes were built in Scotland in 2014, generating the following benefits:

- £730m invested in land and buildings for homes
- £614m spent on suppliers
- £3.2bn direct, indirect and induced GVA (2013).¹

In addition, in 2014 the home building industry supported over 63,000 jobs in Scotland, creating 4.1 jobs for every home built and providing hundreds of graduate and apprentice opportunities.

Furthermore, the 2015 analysis showed that the sector helped deliver over £139m tax revenue and over £83 million investment in affordable housing, education, leisure and community facilities and infrastructure (via section 75 contributions), and generated over £15.4million in Council Tax receipts.

HOUSING SUPPLY

Whilst Scotland's population has increased to its highest ever total² and the number of households being formed each year continues to rise³, the supply of housing has failed to keep up. Consequently,

¹ Nathaniel Lichfield & Partners for Homes for Scotland (2015) "The Economic and Social Benefits of Home Building in Scotland" – see <http://bit.ly/2iKFx4K>

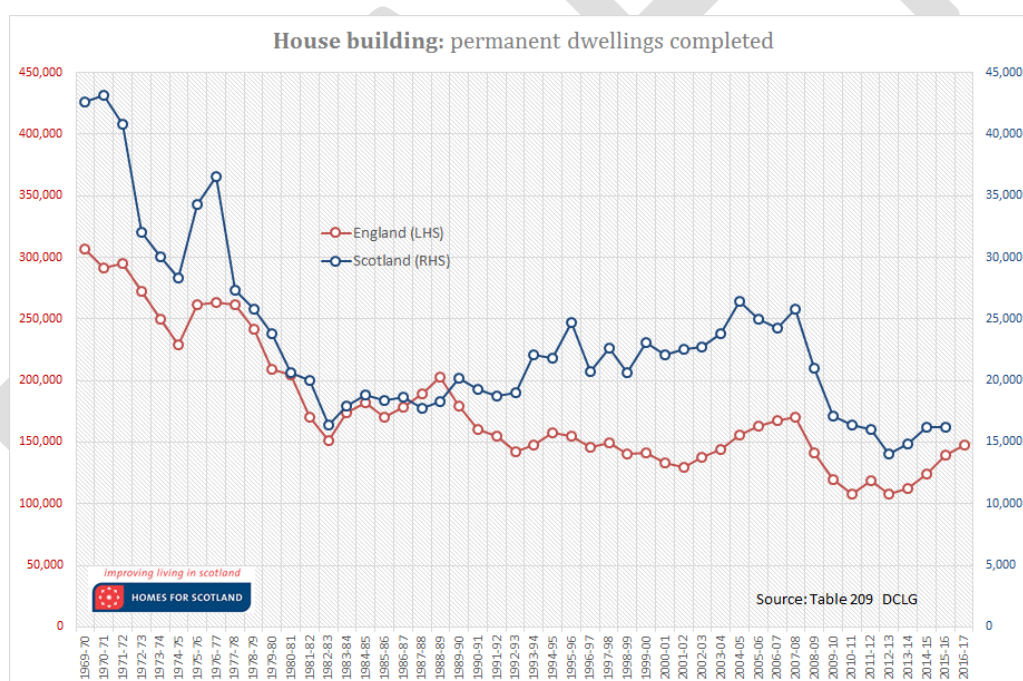
the fact is that we simply do not have enough housing to meet demand, highlighted by the fact that only 16,953 new homes were built in 2016 – over a third less than in 2007.⁴ With 110,000 households also on waiting lists in 2016,⁵ Scotland’s chronic undersupply of housing is having a severe impact on communities across the whole country, particularly our young people and growing families.

As demand continues to outstrip supply, this means that:

- children are living with parents for much longer
- the housing prospects of our young people are rapidly diminishing
- couples are putting off starting families
- the “squeezed middle” faces even greater pressures
- more stress is being placed on already stretched social housing providers as more households find themselves unable to either privately rent or buy
- the aspirations of Scots are being stifled.

Scotland’s home building industry was severely impacted by the financial crash of 2007/8, in terms of lost jobs, businesses and economic activity and it continues to be in a recovery phase. In the period since the historic low in 2013, home building completions have grown steadily, though concerningly this rate has plateaued recently in Scotland, whilst in England the completions figures continue to grow (see Chart 1 below).

Chart 1: House Building: Permanent Dwellings Completed⁶



Against that backdrop of insufficient completions, Chart 2 below highlights a further concerning trend in the terms of declining number of new private sector site starts, indicating the need for Scottish

² Scotland’s Population 2016 – the Registrar General’s Annual Review of Demographic Trends, National Records of Scotland, August 2017 - <https://www.nrscotland.gov.uk/files/statistics/rgar/16/16rgar.pdf>

³ Estimates of Households and Dwellings in Scotland 2016, National Records of Scotland, June 2017 - <https://www.nrscotland.gov.uk/files/statistics/household-estimates/2016/house-est-16.pdf>

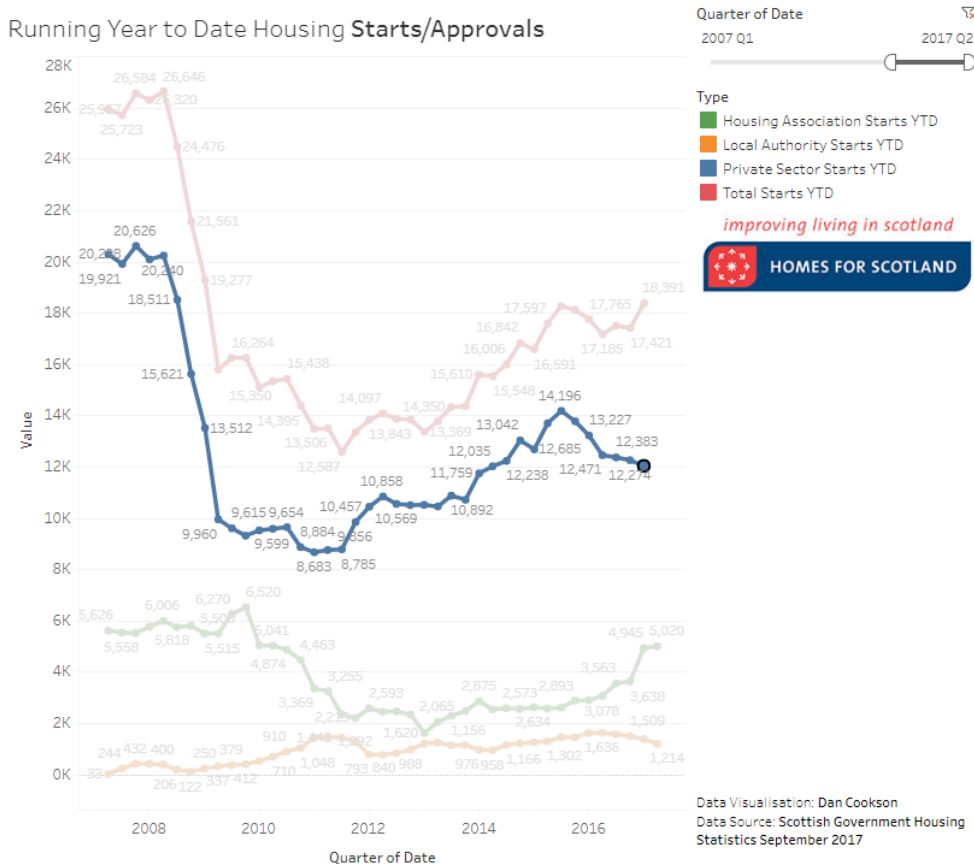
⁴ Scottish Government Housing Statistics for Scotland – All sector new build, September 2017 - <http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuildAllSector>

⁵ Scotland’s People Annual Report: Results from the 2016 Scottish Household Survey, National Statistics, September 2017 - <http://www.gov.scot/Publications/2017/09/9979/345322>

⁶ Homes for Scotland analysis based upon DCLG Table 209 data - <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

Government to tackle the various barriers to development which regularly face the home building industry, whether that be difficulties with planning, infrastructure provision, or tackling skills shortages.

Chart 2: House building: New Starts



SUPPORTING HOMEOWNERSHIP IN SCOTLAND

We believe it is essential that the Scottish Government continues 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.

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 restricted choice of an expensive private rented supply or a social housing system already under a pressure with allocations strictly based on need.

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.⁷ 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. HTB Scotland has been extremely successful in targeting investment at the people who really need assistance, helping under 35s and FTBs in Scotland onto the property ladder.

On 2nd October 2017, 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 22nd November, our expectation is there will be significant 'Barnett consequentials' for the Scottish Government's own budget. We have called for the Scottish Government to commit to using all the consequentials from any housing announcements made in the UK Government's Budget on housing investment in Scotland, to protect and preserve the additionality which investing in housing will surely deliver to the Scottish economy.

FUTURE ECONOMIC PERFORMANCE

Two years ago, the Commission on Housing and Wellbeing published its report '*A blueprint for Scotland's future*' in which it called for at least 23,000 additional new homes to be built each year in the medium term up to 2020 and encouraged the Scottish Government to "adopt this as an interim home building target until national estimates can be made using the results of local Housing Need and Demand Assessments". This figure is close to the pre-recession delivery peak of 25,000 but significantly lower than the target of delivering 35,000 homes per annum as set out in the Scottish Government's Firm Foundations report in 2007.⁸

Returning to peak pre-recession levels of delivering around 25,000 new dwellings per annum would support the delivery of a higher level of affordable housing and stimulate improved economic performance, and would accommodate the household growth requirements identified within the National Records of Scotland's high migration Household Projections⁹, which includes an increased level of migrants aged 30 to 44 - an age group which is particularly important to driving economic growth and higher rates of household formation.

This rate of delivery would also be appropriate in light of Scotland's growth ambitions as seen in the City Deal bids for Glasgow and the Clyde Valley, Edinburgh & South-East Scotland, Inverness and Aberdeen. This would help to fill the economic void being left by large completed infrastructure projects as well as offering significant wider social benefits such as improved health and education outcomes.

Latest official figures show Scotland's economic growth slowing to 0.1% between April and the end of June, below the UK rate of 0.3%. The statistics also revealed the sixth consecutive quarter of contraction in construction.¹⁰ Chart 3 below illustrates a worrying pattern for the of decline for the Scottish construction industry generally.

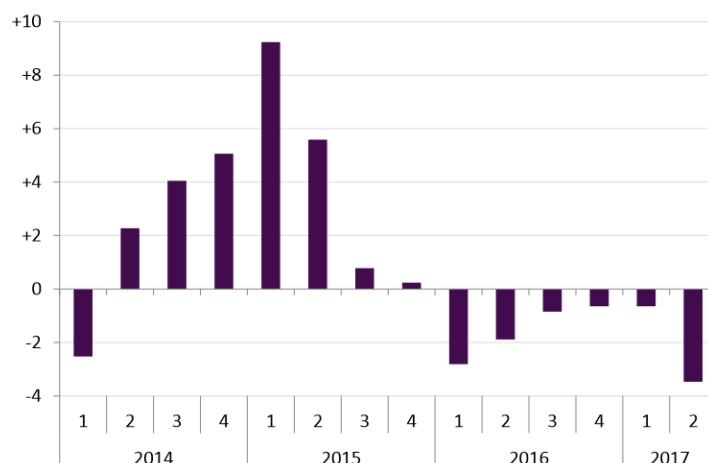
⁷ Calculation based upon data extracted from Scottish Government (2017), "Help to Buy (Scotland) Scheme September 2013 to March 2016 Monitoring Information on Characteristics of Households" (PDF) - <http://bit.ly/2iKTW1u>

⁸ Scottish Government, (2007), Firm Foundations: The Future of Housing in Scotland - <http://www.gov.scot/Publications/2007/10/30153156/0>

⁹ National Records of Scotland (2017), Household Projections for Scotland 2014-based

¹⁰ Scottish Government (2017) Statistical Bulletin: Scotland's Gross Domestic Product, Q2 2017 - <http://www.gov.scot/Resource/0052/00525553.pdf>

Chart 3: Scottish Construction Growth, quarter on quarter (percentage change)¹¹



The Construction industry accounted for 6 per cent of the Scottish Economy in 2014.

Between Quarter 1 2017 and Quarter 2 2017, Construction in volume terms contracted by 3.5%. Construction contracted by 5.5% between Quarter 2 2016 and Quarter 2 2017.

This ongoing decline is extremely concerning and reflects the view of HFS members that it has never been harder to open new sites and get much needed homes out of the ground. Considering that every home built supports four jobs, it is particularly frustrating knowing that our industry could contribute so much more to the Scottish economy, if a more supportive policy framework to encourage housing investment in Scotland was in place.

Prepared by:

David Ogilvie, Interim Director of Policy
Homes for Scotland
5 New Mart Place
Edinburgh
EH14 1RW
Tel: 0131 455 8350
Email: info@homesforscotland.com
Web: www.homesforscotland.com
Twitter: @H_F_S

¹¹ Scottish Government (2017) Statistical Bulletin: Scotland's Gross Domestic Product, Q2 2017 - <http://www.gov.scot/Resource/0052/00525553.pdf>