

**SUBMITTING EVIDENCE TO A SCOTTISH PARLIAMENT COMMITTEE  
DATA PROTECTION FORM**

<b>Name:</b>	David Petrie
<b>Date:</b>	03/05/2019
<b>Organisation: (if required)</b>	Homes for Scotland
<b>Topic of submission:</b>	Scottish National Investment Bank

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## ECONOMY, JOBS AND FAIR WORK COMMITTEE

### SCOTTISH NATIONAL INVESTMENT BANK

#### SUBMISSION FROM [HOMES FOR SCOTLAND]

The home building industry in Scotland plays a central role in the physical, economic and social fabric of Scotland. Home building has become increasingly recognised as a driver of economic growth. The important contribution that home building makes to wider outcomes such as improved health, educational attainment and the development of sustainable communities is also gaining stronger recognition.

Homes for Scotland (HFS) is keen to help shape the development of the Scottish National Investment Bank. As a solution driven organisation, we are very well placed to help shape the support that will become available to ensure the opportunities to increase housing supply are maximised. Given the nature of our organisation which is focused on increasing housing delivery, we do not intend to respond to the technical governance questions, rather we will concentrate our response on the areas that relate to the characteristics and more specifically the opportunities and objectives the bank could have to investment in housing delivery.

#### **1. What are the advantages or otherwise in establishing the Bank as a public limited company?**

No comment.

#### **2. What in your view are the fundamental characteristics of a national investment bank?**

Homes for Scotland is supportive of the proposed objectives of the Bank and we see strong links between these and housing delivery in fulfilling the bank's potential contribution to meeting the national priority of increasing sustainable inclusive economic growth. The Bill states that the Bank has the following ancillary objectives:

*“Investing in inclusive and sustainable economic growth”*

*“Promoting and developing the activities of enterprises, where lack of financial investment is holding back economically viable commercial activity”*

*“Creating and shaping markets through the provision of patient capital”*

*“Contributing to the achievement of the Scottish Government’s economic policy”*

*“Promoting and developing the activities of small and medium-sized enterprises”*

We see a key role of the bank in financing of infrastructure delivery, particularly where significant investment is required, for example secondary schools, new railway stations or motorway slip roads, these capital costs are often prohibitive to new development. Infrastructure funding and delivery is the biggest barrier to housing delivery. Scotland's local and public authorities are not fully resourced to deliver the infrastructure needed to support Scotland's growing population and Scotland's home builders cannot fully fund it. The Scottish National Investment Bank therefore clearly presents an opportunity to provide the upfront investment needed to unlock the delivery of Scotland's infrastructure and housing needs.

Homes for Scotland is keen to see growth in the small scale home builder section of the market, we wish to encourage new entrants to grow. The continued constraints on bank lending to small scale home builders continues to be a major problem. This issue is not only affecting the companies concerned but is also seriously impacting on our overall ability to increase housing output and support a growing population. Most small builders are reliant on project finance agreed on a site by site basis. This approach to finance is inefficient, bringing with it additional disproportionate arrangement fees and legal costs which are reflected in the interest rates and ultimately affect the viability of the project.

**3. Is the level of capitalisation proposed sufficient for the Bank to deliver its desired impact? Please expand.**

As mentioned earlier in the response, infrastructure funding and delivery is one of the biggest barriers to delivery of new homes and can also make it harder for existing communities to welcome new development. When new homes are created, they must be serviced with new roads, schools and other public facilities, all of which require capital funding, significantly more so in large scale regeneration and place-making schemes.

However problems can arise when the cost of infrastructure is very high, for example for expensive one off items such as secondary school. If the Bank was to aid in the funding of infrastructure delivery to unlock the delivery of Scotland's housing needs, the initial capitalisation of £2bn over the first ten years is simply not enough. With a current shortfall of 80,000 homes over the last ten years, and the need to deliver at least 25,000 new homes a year to meet the housing needs and aspirations of Scotland's population; the infrastructure required in tandem with the level of development could easily absorb large portions of the initial capitalisation of the bank.

**4. What is your view on the proposed costs in the set up and day-to-day running of the Bank?**

No comments.

**5. What governance arrangements ought to be in place?**

No comments.

**6. How can we ensure the market is ready for the investment opportunities the Bank can offer?**

It is essential that a strong coherent communications strategy is released in the build up and establishment of the Bank, to ensure the industry is aware of the funding mechanisms and application criteria. Additionally clearly defined missions should be formed early in collaboration with industry sectors to ensure all stakeholders are aware of the investment opportunities that will become available.

**7. What ethical and equalities considerations do you think should inform the Bank's ethos and decision making?**

In general, we would be supportive of the bank taking an ethical approach to investment, acknowledging the need for the large bodies both private and public to promote a strong ethical culture within business in Scotland. However consideration should be taken regarding the implementation of requirements which make access to support from the Scottish National Investment Bank out of reach from those that need it most. As such, development of ethical arrangements should therefore be done

in partnership with the business community to develop requirements that encourage strong ethics but are realistic to avoid unintentionally locking any well-intentioned business out.

**8. It is proposed that the Scottish Government will set the strategic direction of the Bank but the body itself decide on its investment approach. What is your view on this “mission-led” approach?**

We are supportive of the overall strategic direction of the Bank being set by Scottish Government. We believe this approach will ensure that both the social and economic opportunities within the bank are maximised. The implementation plan for the Scottish National Investment Bank cited the following areas as possible themes for missions. The delivery of new Housing plays a key role in all of these:

**- Transitioning to a low-carbon economy**

The bank can support innovation in housing delivery to expand the use of off-site manufacturing and low carbon technologies. Traditional lenders are interested in tried and tested methods of delivery and this can stifle innovation within the home building industry. The Scottish National Investment Bank is well placed to invest in this infant market, taking additional investment risk to achieve wider, strategic benefits.

**- Responding to emerging demographic pressures**

Whilst there is a shortage of all homes across all demographics in Scotland, the rapidly ageing population, coupled with the growing number of single households poses a significant challenge to housing delivery in Scotland. A potential role for the Bank for example could be to provide investment opportunities for mainstream providers and new entrants to deliver more specialist housing for older people.

**- Promoting inclusive growth through place-making and local regeneration**

One of the fundamental roles of the Bank should be to help deliver the key infrastructure and community facilities that are needed to enable and support housing development wherein successful places are created, where people want to live.

**9. Is there any other aspect of the Bill you wish to address? Please elaborate.**

It is worth considering the development of other National Investment Banks, and the priority they themselves place on housing and infrastructure development. For example; The German national investment bank, KfW has an entire division of the bank focused on housing delivery. In February 2006 the 'Housing, Environment, Growth' programme was launched, which focuses on the construction of new energy efficient homes and rehabilitation of old residential buildings, whilst also focusing on criteria to tackle demographic challenges such as housing for older people.