

Introduction

Homes for Scotland is the voice of the home building industry in Scotland, representing some 200 companies and organisations which together deliver the majority of all new homes built across the country. Whilst the home building industry has proved resilient to the last few years of business uncertainty regarding the UK exit from the European Union, it is vital that trading conditions in Scotland remain as stable as possible with the Scottish Government intervening where necessary to maintain steady inward investment within Scotland. We acknowledge that not all previous EU Structural Funding has been directly applicable to the home building sector, however we appreciate the Scottish Government's consideration of how to strategically implement any new funding that may arise through the UK Shared Prosperity Fund and tie in with their own sustainable inclusive growth policies.

Future Funding Considerations

The EU Structural Funds provide finance for a wide range of projects and objectives, not all of which are applicable to home building organisation in Scotland. However there are several clear themes which have emerged from the funding available, which Homes for Scotland believes should be made more widely available for business going forward. This will be crucial when considering the large scale transformational change that will be required of all business going forward to tackle climate change and infrastructure provision across Scotland.

We appreciate that the Scottish National Investment Bank will become operational later in 2020, to which the Building Scotland Fund will transition across to, however the industry requires further clarity of what type of funding will be available so they can future business investment plans and coordinate with Scotland's overarching policy objectives of an inclusive low carbon economy.

- Low Carbon Infrastructure

Infrastructure funding and delivery has for some time been acknowledged as one of the biggest challenges in future housing delivery, this challenge will only increase as Scotland begins to transition to a low carbon economy and as such all infrastructure delivery will need to adapt to take account of this. Housing and all forms of infrastructure, ranging from schools, roads, utilities and health facilities are all interdependent on one another, and as we move through the transition to low carbon this interdependency is likely to grow further.

The existence of programmes such as the Low Carbon Infrastructure Transition Programme provide a valuable pathway to many industries for the provision of new innovative low carbon solutions. However, home building organisations are not eligible for this funding. We would suggest that new financing models will need to be developed going forward to support the new build sector in the delivery of zero or low carbon developments.

- SME Support

Financing for small home building companies has become increasingly difficult since 2007/2008 with delays in obtaining planning permission further affecting the risk appetite of lenders. High street banks have all but stopped lending money to small scale developers or are lending at terms which make many small scale developments unviable. Even if a small scale home builder can access funding, it takes months and often years to get all consents in place. The money spent is not recouped until the homes start to sell. For a small development, the profit associated with the project may not be released until the very last home has been sold. Indeed it can be the case that capital is locked in for as long as 4-5 years, thus limiting the ability to release and reinvest in further housing delivery. In addition, the costs incurred through the provision of infrastructure or remediation of contamination on brownfield sites is significant for SMEs.

As such, the SME Holding Fund provides invaluable access to finance for SMEs through the Scottish Growth Schemes which provides loan and equity finance ranging from £25,000 up to £2m. We are aware that there is consideration of merging some of the SME financing initiatives under the remit of the Scottish National Investment Bank which will become operational later this year, in this light it is vital the industry is given early guidance and clear eligibility criteria for any future financing schemes that will be made available.

- Developing Skills

Given the cumulative shortfall amassed over the last decade in new housing delivery, Scotland is required to deliver at least 25,000 new homes each year to tackle an 80,000 homes backlog and just keep up with demand. This vital uplift in new housing delivery will require significant additional skills supply and increased use of modern methods of construction, such as offsite construction techniques. The scale of skills challenge for the home building sector is still reeling from the impact of the recession, with an estimated loss of 40,000 jobs across the entire construction sector and some areas losing 45% of their workforce. Indeed, in 2017 a Skills Development Scotland report found that the construction sector in Scotland was one of the weakest sectors in terms of job recovery post recession. Further, over the coming decade there will be other skills pressure on the construction sector in consideration of the likely work programmes focused on retrofit of existing housing stock, climate change plan targets and incorporation of new technologies in core infrastructure projects.

In this light, we would strongly advocate the continuation of strategic objectives relating to the development of future skills across Scotland to address any sector specific skills gaps.

For further information relating to any of this please contact Homes for Scotland at the address below.

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