



# Local Government, Housing and Planning Committee Housing to 2040 Evidence Submission

February 2024

## Introduction

Homes for Scotland represents c200 organisations which together provide the vast majority of new homes of all tenures. As set out in our corporate strategy, our primary purpose is to deliver more homes for the people of Scotland.

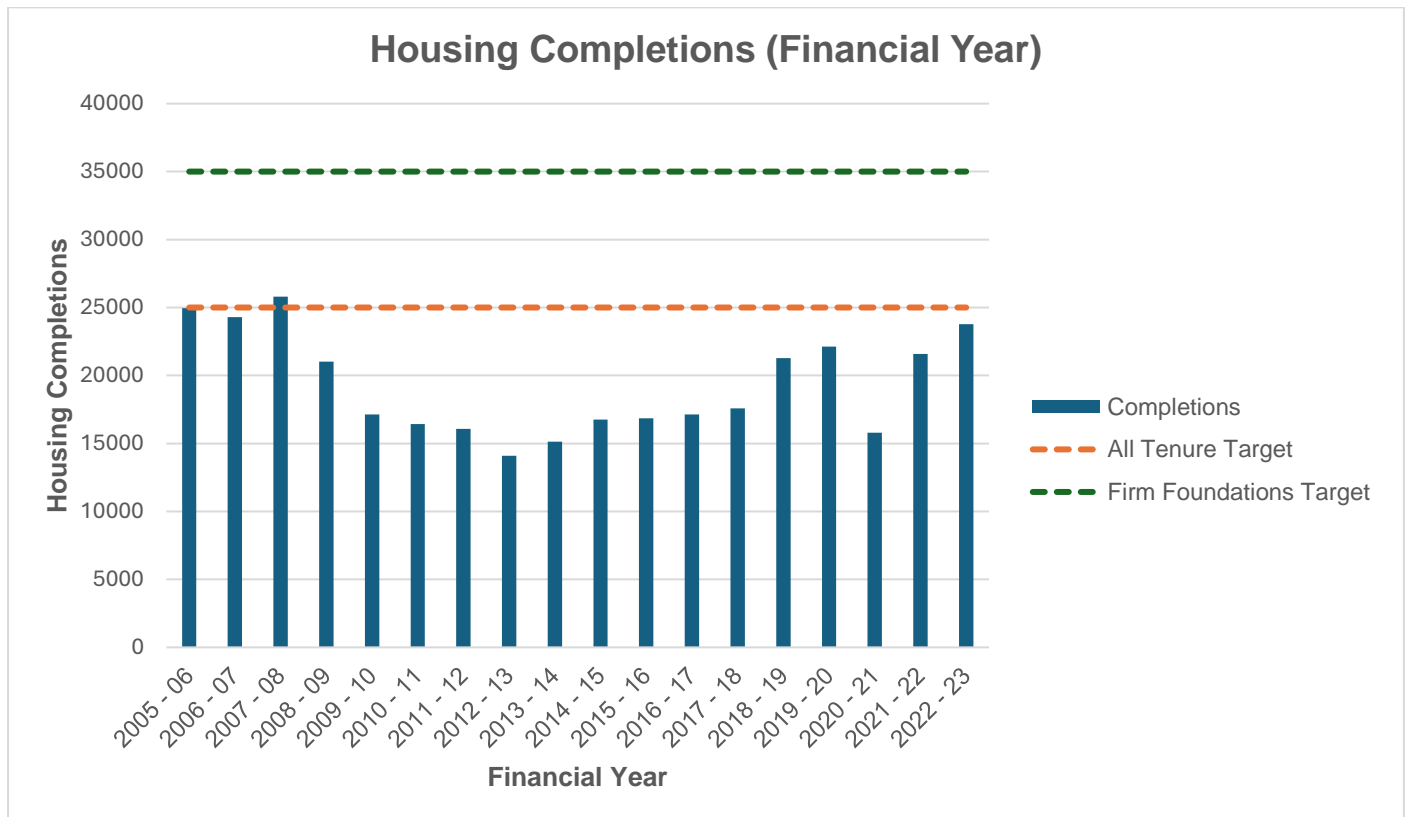
As demonstrated by the recent administration of Stewart Milne Group, Merchant Homes and JS Crawford Construction, the home building sector remains fragile with SME home builders particularly vulnerable at present. This is against the backdrop of three Local Authorities having declared housing emergencies, more than 25% of Scottish households facing some form of housing need an accumulated shortfall of over 100,000 new homes since 2008; a downwards trend in the number of new housing starts and completions across all tenures; and the number of major residential planning applications falling. It is also now much more expensive to build as a result of material shortages and cost increases.

This has compounded successive decades of housing and planning policy failure to ensure Scotland has the range of homes it requires to meet the needs and aspirations of its population. A difficult regulatory environment is also continuing to constrain delivery and is drawing investment out of Scotland. The net result of all of this is homelessness and record numbers of households and children in temporary accommodation, whilst others are concealed and overcrowded.

## Are we building enough homes or bringing enough homes back into use to meet Scotland's current and future housing needs?

### Housing Completions

Housing delivery across all tenures has been constrained since 2008, with a shortfall of +114,000 new homes having now been accumulated (based on an all-tenure housing target of 25,000 per annum, which is reflective of pre-global financial crisis delivery levels).



The scale of proposed housing cuts in the draft Scottish Budget, reduced consecutively over three years, was quite shocking:

- A 27.7% reduction in the Housing and Buildings Standard Budget from £738m to £533m.
- A 33% reduction in the More Homes Budget from £564.6m to £375.8m. A 26% reduction in the Affordable Housing Supply Programme Budget from £752m to £556m.
- A 43% reduction in the Planning Budget from £11.7m to £6.6m

In the context of the Scottish Budget and anticipated further cuts to come with publication of the UK Budget, the impact on future housing delivery levels will be negative, with the realisation of the 110,000 Affordable Homes Target currently looking unlikely. Most recent statistics have shown that for the year end to September 2023 there was:

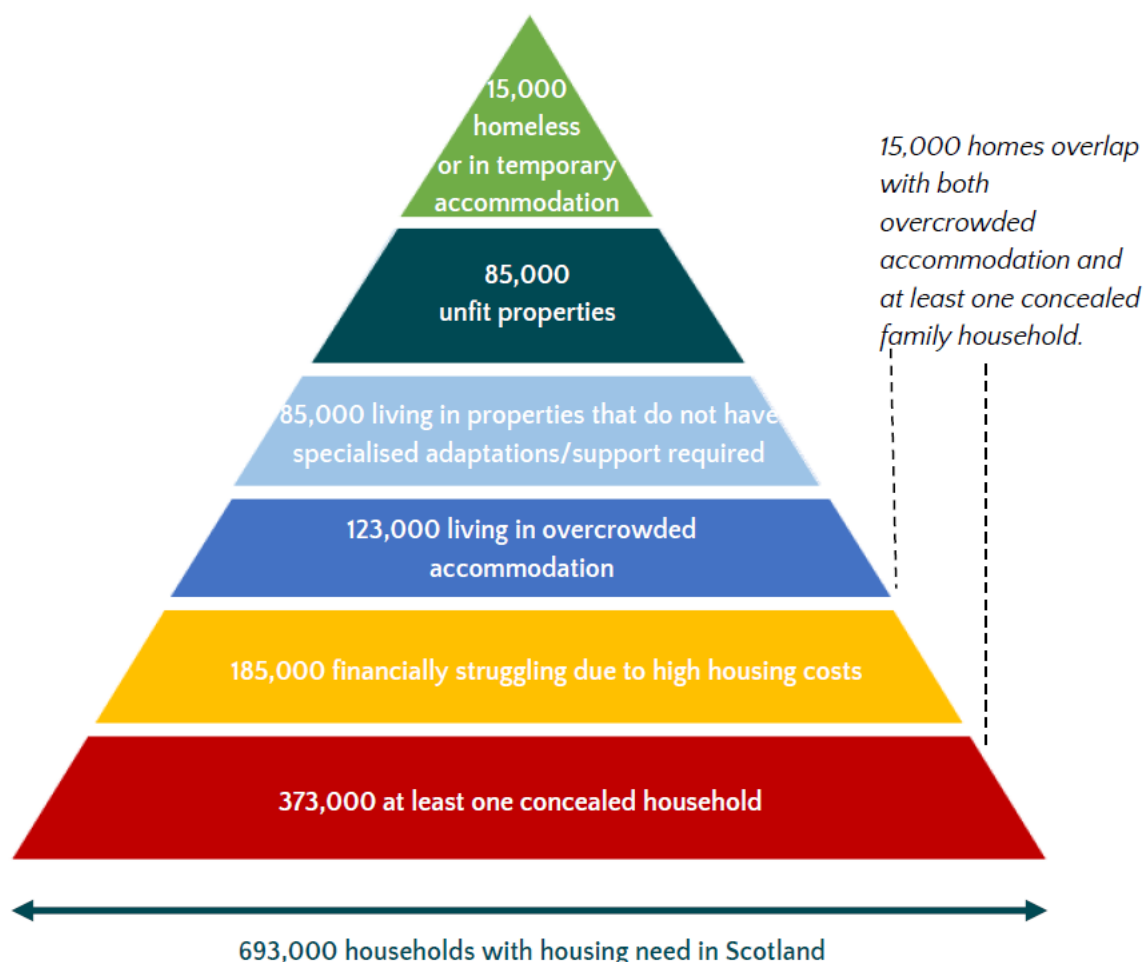
- -24% drop in all sector starts
- -19% drop in private sector starts
- -41% drop in social sector starts
- Add something in here from the planning stats?

Concerningly, the sector has had no sight or indication of forward planning on how the Scottish Government intends to mitigate the most damaging impacts of reduced capital funding towards housing delivery and what further planning has taken place ahead of future UK Budget announcements that may result in further budgetary reductions.

The impacts of housing under-delivery are now being felt acutely across the country as can be seen by three local authorities declaring housing emergencies within the last 12 months.

We recently quantified the knock-on impacts of housing under-delivery through new independent research carried out by The Diffley Partnership and Rettie & Co which, via a survey of over 13,000 households found that 28% or 693,000 Scottish households are now in some form of housing need.

**Figure 1: Summary of estimates of existing housing need in Scotland**



Source: Diffley Partnership/Rettie & Co

### Are we building homes with a focus on placemaking?

- There are sites which can demonstrate strong placemaking eg Countesswells, Winchburgh and Blindwells.
- A placemaking agenda requires long-term vision, confidence in systems and a cohesive rather than piecemeal approach. This is why it is so important to have a whole system solution with all parts working efficiently.
- Homes for Scotland has recently written to the Permanent Secretary following a conversation about housing supply being a measurement and risk within the National Scotland Economic Transformation Strategy (NSET) outlining some immediate solutions to unblock the planning barriers to housing supply:
  1. Under the SG 'Transforming Places Together: digital strategy for planning' we should advocate the use of technology to free up planners time, an example is a self-certifying system for whether or not an extension is permitted development. Reinstatement of the budget cut to Planning would assist and quickly roll out projects that were stalled as a result of cuts
  2. Temporarily increase the pool of self-employed planners or reporters to deal with an increase in the number of deemed refusals and run major applications or clear local developments allowing the council to focus on housing applications. In addition they could undertake site assessments following receipt of Call for Site submissions. This may assist in delivering local plans sooner.

3. Identify areas where Councils could collaborate – at a fundamental level this should include sharing of staff resources and expertise or at a more detailed level through for example using a template site assessment methodology to accelerate considerations.
4. Introduction of a simplified development management approach to assist SMEs on sites less than say 12 homes
5. Ringfencing planning fees to support service delivery

## Are we creating and sustaining a mix of housing that is financially and physically accessible to all?

### Housing Market Affordability

Affordability pressures are directly linked to a constrained supply of new housing.

### Rent Controls

The core driver of increasing rental prices is lack of new supply coming forward across all tenures.

The emergency legislation that was initially passed to introduce rent control was largely unevidenced and has resulted in significant withdrawal from institutional investors and others looking to develop the Build to Rent sector.

The overall impact of the emergency regulation to date, lack of forward planning and engagement with the sector has had a long term impact on the appetite to invest in Scotland.

### Support for First Time Buyers

At present there is minimal support for First Time Buyers (FTBs) in Scotland, despite a growing body of evidence being reported by HFS members operating across all regions that sales from FTBs are dropping sharply, due to increasing barriers surrounding limited mortgage options at 90% LTV or above for new build homes and subsequent affordability constraints to provide larger deposits. The remaining equity schemes in operation in Scotland, 'Open Market Shared Equity' (OMSE) and 'New Supply Shared Equity' (NSSE), are overly narrow in their reach due to the low price thresholds you can purchase at through OMSE and the limitation of tenure choice for NSSE.

Between 2013 and 2021, the Scottish Government ran two significantly successful schemes to help FTBs purchase a new home: the highly targeted Help to Buy (Scotland) and latterly the First Home Fund. In doing so, this helped FTBs move out of increasingly expensive privately rented housing or overcrowded family and shared properties, as well as alleviating social housing demand pressures with approximately 5% of purchasers moving from social rented properties. The success of both schemes speaks for itself, not just in helping FTBs, but also in increasing affordable home ownership in more rural areas across Scotland and unlocking wider economic growth and investment across the country. Both schemes also provided the confidence required by home builders to open sites in more marginal market areas such as brownfield sites, vacant and derelict and land, as well as rural areas as illustrated in the following table.

FTB Scheme	Sales	Avg Property Price	Total SG Spend	Remote & Rural Purchase
Help to Buy	19,010	£176,900	£595m	23%
First Home Fund	11,830	£161,000	£261m	23%

Further analysis undertaken by the Scottish Government to evaluate the impact of both HTB and FHF showed that:

- **Significant portions of FTBs could not own their own home without the schemes**
  - 28.2% of purchasers using FHF, and 31% using HTB stated they would have been unable to purchase their first home, which could meet their needs
- **No wider negative impacts on housing market:**
  - Wider housing market evidence suggested that the FHF and HTB did not put upward pressure on first time buyer prices
- **They are cost effective investments for Government:**
  - An analysis of sales return information undertaken by the Scottish Government for Help to Buy transactions 2013 – 2020 shows that 13% (2,190/17,250) properties purchased through the scheme had either been sold or the purchaser had increased their equity stake to 100%. Through these receipts the Scottish Government realised a nominal net return of £5.2m. Even after adjusting these

values for inflation, the real net return was still positive at £0.3m, illustrating the cost to value ratio of the scheme. It is likely that the net return for the Scottish Government has continued to increase since the analysis took place.

### **Accessibility Standards in New Homes**

The Scottish Government has recently completed consulting on the review of the Housing for Varying Needs, and a proposed future Accessible Homes Standard, which would be applicable to all tenures.

HFS members are supportive of the need to deliver homes which are suitable for the needs of people with a variety of accessibility needs. Currently, homes which are delivered under the Scottish Government's Affordable Housing Supply Programme are required to be built to standards in the Housing for Varying Needs Design Guide. Other funding for improving accessibility of homes is usually provided by local government to facilitate the adaptation of homes where required, to meet the changing needs of occupants. It has been raised that with regards to affordable housing and cost price inflation, many of the current minimum standards are becoming unaffordable. It is important that the Scottish Government considers the impact of this and undertakes a review of the current grant funding which acknowledges that any further enhancements in design/technical specification which increases plot footprint will reduce the number of homes built.

With regards to private homes, the current Building (Scotland) Regulations 2004 already require the adoption of specific accessibility standards through measures such as minimum door opening sizes to facilitate wheelchair access and lowering the height of electrical switches and sockets. The provision of enhanced adaptations such as wet rooms, grab rails and specifically designed kitchen facilities for people with different abilities are generally requirements expected of those housing providers who specialise in the sector. In relation to the private home building sector; it should be noted that all new homes built for sale in Scotland (regardless of tenure) adhere to the 'Building Standards technical handbook 2022: domestic buildings' which states regarding accessibility standards:

*"Extending standards to address 'liveability' and the needs of occupants supports the Scottish Government's aim of promoting a more inclusive built environment and will better address the changing needs of occupants over time. This approach to the design of dwellings ensures that Scotland's housing stock can respond to the needs of our population, now and in the future. The provision, on one level, of an enhanced apartment, and kitchen under this standard, together with accessible sanitary accommodation and improvement to circulation spaces will assist in creating more sustainable homes. The guidance in this standard... together with the guidance.. relating to accessibility, has been based around, and developed from, issues that are included in 'Housing for Varying Needs' and the Lifetime Homes concept by the Joseph Rowntree Foundation."*

In this light it should be noted that the guidance in the technical handbook is based and developed from the issues included in the Lifetime Homes Standard as well as Housing for Varying Needs. Additionally, it should be recognised that since 2007, developers have been mandated to consider the 'future provision' of accessible adaptation, enabling homeowners the ability to temporarily or permanently adapt new homes to meet individual user needs as they change over time. For example, provisions already exist for

- Accessible thresholds: ensuring a barrier free access into homes and throughout the house
- Future accessible WC and shower facilities upon primary level of a home
- The provision of grab rails as well as installation of more permanent features such as a stair lift.

The Scottish Government should ensure that other measures such as local authority funding for adapting existing housing stock such as the Scheme of Assistance or local Care and Repair schemes are fully maximised to address more widespread issues of accessibility within the Scottish housing stock.

### **Are we building homes and retrofitting existing homes to provide for affordable warmth and zero emissions?**

Home builders are facing significant change in Building Standards as Scotland strives to meet its ambitious net zero transition targets. These include a 32% reduction in operational carbon emissions, a ban on gas boilers from April 2024 and the development of a "Scottish equivalent" Passivhaus standard.

Our members recognise and support the need to do more and are committed to achieving what is practicable at the earliest opportunity. However, this must be recognised as being in the context of new build homes representing only a

tiny part of the housing stock and that it is existing homes that must be tackled in order to make any meaningful impact of reducing residential carbon emissions.

As has been highlighted in our responses to the consultations on Section 6 and the New Build Heat Standard, the biggest challenge facing home builders is the extremely short lead-in times pertaining to the extent of technological and fabric changes required.

Two key issues arise from this:

1. The readiness and capacity of the supply chain to support this timeframe when it will primarily be working to timescales for England (a year later)
2. The impact on the operational and investment decision-making of home builders given they are already focused anything from 2-5 years ahead. Switches cannot simply be flicked overnight.

### Are we ensuring that new and existing homes are safe and of a high quality?

The home building sector is an already heavily regulated industry that goes through vigorous verification and sign off procedures through Building Control. In addition, new build homes come with strong consumer protection in place through the provision of Consumer Codes and oversight provided by the independent New Homes Quality Board and New Homes Ombudsman.