



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Economy, Energy and Fair Work Committee

**Tuesday 19 February 2019**

**Session 5**



The Scottish Parliament  
Pàrlamaid na h-Alba



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**Tuesday 19 February 2019**

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**ECONOMY, ENERGY AND FAIR WORK COMMITTEE**  
**6<sup>th</sup> Meeting 2019, Session 5**

**CONVENER**

\*Gordon Lindhurst (Lothian) (Con)

**DEPUTY CONVENER**

\*John Mason (Glasgow Shettleston) (SNP)

**COMMITTEE MEMBERS**

\*Jackie Baillie (Dumbarton) (Lab)  
\*Colin Beattie (Midlothian North and Musselburgh) (SNP)  
\*Angela Constance (Almond Valley) (SNP)  
\*Jamie Halcro Johnston (Highlands and Islands) (Con)  
Dean Lockhart (Mid Scotland and Fife) (Con)  
Gordon MacDonald (Edinburgh Pentlands) (SNP)  
\*Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Nicola Barclay (Homes for Scotland)  
Willie Coffey (Kilmarnock and Irvine Valley) (SNP) (Committee Substitute)  
Shona Glenn (Scottish Land Commission)  
Craig McLaren (Royal Town Planning Institute)  
Nicola Woodward (Lichfields UK)

**CLERK TO THE COMMITTEE**

Alison Walker

**LOCATION**

The David Livingstone Room (CR6)



## Scottish Parliament

### Economy, Energy and Fair Work Committee

*Tuesday 19 February 2019*

*[The Convener opened the meeting at 09:45]*

### Decision on Taking Business in Private

**The Convener (Gordon Lindhurst):** Welcome to the sixth meeting in 2019 of the Economy, Energy and Fair Work Committee. I ask everyone to turn electronic devices to silent if they have not already done so. We have received apologies from committee member Gordon MacDonald, and Willie Coffey is here as his substitute this morning.

Agenda item 1 is a decision on taking items 4 and 5 in private. Does the committee agree to do so?

**Members indicated agreement.**

## Construction and Scotland's Economy

09:45

**The Convener:** We turn to our inquiry into construction and how it fits with Scotland's economy. We have with us Nicola Barclay, chief executive of Homes for Scotland; Shona Glenn, head of policy and research for the Scottish Land Commission; Craig McLaren, director of Scotland and Ireland for the Royal Town Planning Institute; and Nicola Woodward, senior director, Lichfields UK. I welcome all four of you to the meeting and thank you for coming.

I will start with a question about housing supply, which has not really kept up with demand in Scotland, as you will be aware. What are the reasons for that?

**Nicola Barclay (Homes for Scotland):** I am happy to start with that. First, thank you very much for inviting me to come and speak today. I know that the committee is looking at the construction industry. It is important to understand that house building is a quite distinct subset of the construction industry. It has a very different business model that is very much a retail model, as opposed to the model for the rest of the construction industry.

Why has housing land supply not kept up with demand? Pre-recession, we built very similar numbers per capita as England, but since 2012 that figure has split: England is back to almost pre-recession levels, but Scotland is at only about 68 per cent of where we were before the recession. The main difference is not legislation but planning policy. The national planning performance framework was brought out in England in 2012 and there has been a huge amount of growth in the numbers in England since then.

We calculate that we have a shortfall of about 80,000 homes across Scotland compared with pre-recession levels because the shortfall every year is compounding, so we need to do a lot about that. The main point is that the desire to have more homes must come from the top and must feed right the way through local authorities to local communities. We have seen that method have huge success in England. What are the implications from that? More home builders who are home grown in Scotland are now looking to invest more in England, because they see that it is easier to build there and get quicker and better returns on their investment. We have also seen that small and medium-sized enterprises in Scotland have been unable to come back into the market. They were a huge, vibrant part of the pre-

recession market, but there are so many barriers now that they just cannot come back in.

In England, there are organisations such as Homes England—the reimagined and reinvigorated Homes and Communities Agency—which is invigorating and supporting homebuilding for SMEs and large-scale builders across the board. That is something that is missing here.

**The Convener:** What are the specific planning policies and barriers in relation to the building of homes that you say exist in Scotland but do not exist in England?

**Nicola Barclay:** There is no carrot or stick in the Scottish planning system. I keep referring to England because it is our closest neighbour and we are seeing huge growth there. I would not normally speak about England a lot, given that my organisation is Homes for Scotland, but there is a stark contrast.

The NPPF in England—I am sure that Nicola Woodward will give us more detail on that, because she is conversant with the position south of the border, too—sets out a very clear direction of travel whereby councils must allocate sufficient sites for homes. It is not enough just to have them allocated in a plan—they must be deliverable. That is probably the key difference.

**The Convener:** Perhaps Nicola Woodward can clarify that.

**Nicola Woodward (Lichfields UK):** I will give you a bit of context. I am the senior director at Lichfields, which is a national planning consultancy firm. Prior to that, I was the head of planning policy at Newcastle City Council.

When the policy changed in England—it changed radically after localism and so on—a lot more checks and balances were put in place, which made the system more honest from both the public and private sector sides. There is a policy requirement to plan for an objectively assessed need for housing, and people need to identify how much is required. In England, they failed to have a standard methodology for that, although that methodology has now been put in place. They did not have the housing need and demand assessment—HoNDA—that we have in Scotland, but that has now been rectified. Each local authority had to devise its own way of identifying and assessing its housing needs for the private and public sectors and then plan for that.

On the difference between the systems in Scotland and England, I suggest that the system in England works better because at least one third of the plans that were made early in the process were kicked back by the inspectors—they are known as reporters in Scotland—because local authorities were not planning sufficiently for their

housing needs. There was rigorous testing of the development sites that it was proposed would meet the five-year housing land supply. That is not happening and has not happened in Scotland. A number of plans have come through recently—I think that there are four—in which the housing numbers have not been enough, but the reporters have let the plans go through to be adopted with the promise of further guidance to come. That would not happen and has not happened in England. There have been early reviews, but mostly the plans were kicked back and local authorities were told to look again and prove that the land that they had was developable and deliverable.

Deliverability and viability tests are much stronger in England. When a plan is written, all the policies must be tested against deliverability and viability. There cannot be a policy in a plan that might render development unviable. Every policy in the plan—from urban design policies to electric charging points, requirements for developer contributions or the mix and type of housing—needs to be tested. All the sites that are being proposed for the five-year land review similarly have to be tested.

If we adopted something similar with our housing land audits in Scotland, there would be rigorous testing of the five-year land supply and it would have to be proved—as far as is humanly possible, because nothing is certain—that the sites will come forward. If it had to be shown that there is a willing developer on board, that planning permission is coming through the system, that there is a real chance that the sites will come forward and that there are no constraints to that happening, a lot of the ancient, legacy and difficult sites that are contained in our housing land audits at the moment would be parked. They might be good sites for planning reasons, but they could not form part of the five-year land supply, because it could not be proved that they could come forward. The system in England is much more rigorous in that respect.

The other thing that is much more rigorous—it has been watered down a little bit since—is the presumption in favour of sustainable development. We have a presumption in Scotland, but how that is worded in the Scottish planning policy is a little bit weaker. Nicola Barclay mentioned the carrot and the stick in the English system. The carrot is the new homes bonus: it is in the local authorities' interest to build houses, because they can make up some of the budget cuts through a new homes bonus that is paid for every house that is built in their area. The stick is that their local plans will not get through the system if they cannot prove that they have planned properly. If the local authority cannot get its plan through properly, it is basically open season on planning applications, because of

the presumption in favour of sustainable development. Therefore, if they are going to plan for a development, they might as well plan for it properly.

On the examination of plans, the policy is a lot stronger and implemented much more rigorously by the planning inspectorate in England.

**The Convener:** Is that just to do with policy, or is it also to do with the planning system as a whole? Does the Planning (Scotland) Bill that is going through the Parliament bear any relationship or relevance to the issues that you have raised?

**Nicola Woodward:** Many of those issues could be dealt with in the current legislation; Craig McLaren might have a better handle on that. Most of the things that we are talking about are tweaks to our current system. A bit of strengthening of the wording of the SPP would provide a stronger presumption in favour of sustainable development and would make it a necessity to plan for a five-year land supply. At the moment, it is stated that a five-year land supply should be planned for, but there are caveats, such as the existence of a good reason for not doing so. To an extent, that represents a get-out-of-jail-free card. That wording could be strengthened.

The bill has tried to tackle a perception of disillusionment with the planning system—a feeling that planning is done to people rather than with them. The English planning system is by no means perfect; many things go on in it that are absolute nonsense, that we would not want to touch with a bargepole and that we would not wish on anyone. However, the system of examination in public might be worth thinking about. Every local plan in England has an examination in public. It takes no longer than the examination process in Scotland—in fact, it is quicker and a bit more efficient. Under that system, the local authority defends the plan that has been adopted and the development industry and communities provide challenge to that in a forum like the one for this meeting—a round-table discussion. That way, communities that have raised grievances against the plan have time to talk about those with the inspector who inspects the plan. The inspector might not agree with them, but at least they can put forward their views. A discussion takes place and, at the end of the day, they will understand why some of their points were not taken on board while others were.

**The Convener:** Perhaps we can move on to Craig McLaren. Is there something more to the situation? Is there land available in Scotland anyway, regardless of whether those issues are addressed?

**Craig McLaren (Royal Town Planning Institute):** I will offer a slightly different

perspective. I do not think that planning is the main issue. Over the past five years, there have been about 17,500 housing completions a year. In 2016, 37,000 planning permissions for housing were issued and, in 2017, the figure was 29,500. The planning system is not perfect—we need to fix bits of it—but the key issue is getting from the planning permission to the shovel in the ground. Work has been done on that in England as part of the Letwin review, which has identified a number of key issues, such as a lack of the infrastructure that makes a site viable; utility companies failing to join things up so that builders have the water, the electricity and the various other things that they need to build housing; issues with land remediation, which affect contaminated or vacant land; site logistics; and the limited availability of capital to get things moving. Planning is part of the problem but, to my mind, it is not the big problem.

We need to reposition planning and make it part of the solution, and we need to do things to make that happen. Planning is often seen as a regulatory service—something that stops things happening. As the professional body for town planners, the RTPI is always very keen to make sure that planning is seen as a facilitative and enabling force that gets people on board and helps them to say what they want in an area and to work out a route map to make that happen, bearing in mind what the opportunities and constraints for that area are.

There is a need to ensure that the planning system and the planning profession are seen as providing a corporate service within local government. At the moment, planning is seen as being sidelined. The planning system must be collaborative and must work with a range of players so that we can deliver things. To be truthful, what happens at the moment is that planners plan, but most of the delivery comes from other organisations. We must get much better at filling that gap.

In addition, planning needs to be much more proactive. At the moment, it tends to be quite reactive—it responds to developers putting forward ideas. I am showing my age, but when I started off in planning, it was much more about providing the vision for an area, bringing people together to think about what they wanted in their area, looking at what the opportunities were, who could do what and who was responsible for delivering various things, and developing a route map while holding a dialogue on how to deliver it.

We need to look at planning in a different way, and we need to fund it in a different way. At the moment, it is not being resourced. It is estimated that, next year, the amount of money that will go into the local authority planning service in terms of development plans and development management

will be 0.38 per cent, which is an extremely small amount for a service that can make a major difference.

**The Convener:** Do you mean 0.38 per cent of the local authority budget?

**Craig McLaren:** Yes—the revenue budget.

10:00

**The Convener:** You mentioned infrastructure. There might be a plan to build a development, but houses cannot be built if no infrastructure is in place. Is the lead-in time between having the funding in place and providing the infrastructure for housing developments too long?

**Craig McLaren:** The problem with infrastructure at the moment is that it is all very ad hoc and unplanned. Different providers are doing different things.

There is an issue with co-ordination. The national planning framework does not really talk to the infrastructure investment plan, to city region deals or to the regional transport partnerships. There is a disconnect, so we need to better join up how we plan our infrastructure, because we could use it in a creative way. If we did that, we could open up sites for housing that are viable and attractive to people. We need to think about infrastructure in a proactive and creative way.

There is an issue generally, in that there is not an awful lot of money around for infrastructure. That needs to be looked at because, when I talk to developers and councils, housing development is discussed and one of the first questions that is asked is, “School places will be created by this new housing development, so who will provide the school?” No one has the money to cover the cost at the moment, so we need to ensure that we break that logjam. We need to think about whether the Scottish Government could take a stronger and much more proactive role, and how it could do so, or whether we could use other mechanisms to ensure that we build that resource.

**The Convener:** We move on to questions from other committee members. No doubt Shona Glenn will be able to come in on some of those questions.

**Jackie Baillie (Dumbarton) (Lab):** Although I agree with much of what Craig McLaren said, I will return to planning—specifically, housing land audits—with my questions. The Scottish Government did some research that looked across all local authorities. Unsurprisingly, it found weaknesses and inconsistencies, so it could not extrapolate a national picture. What is the panel's views on HLAs and their importance to construction sector planning? Perhaps I should

start with Shona Glenn, given that she has not spoken yet.

**Shona Glenn (Scottish Land Commission):** I am not familiar with the detail of the research that Jackie Baillie mentioned, but a message that seems to be coming out from it relates to the consistency of how housing land audits and other planning policies are used. That theme has emerged from a lot of the research that we have been doing on land value capture and on the need for clear and consistent planning policies. Such policies can be very effective in helping to shape land values, because house builders can take account of those policies when they decide what to pay for land. That helps to drive down land values and leaves more of the value in the system to pay for things such as infrastructure.

I cannot comment on the detail of the research, but we strongly support the principle of having clear and consistent policies. That has been borne out by the research that we have done in other areas.

**Nicola Barclay:** Housing land audits could be one of the most important tools in the planning system. If they were used successfully, they would be able to measure the continuous five-year effective land supply for each local authority, from which we could work out whether we had enough housing nationally.

Homes for Scotland is one of the few organisations that has sight across pretty much the whole country, through the housing land audits. Most local authorities engage with us and our members to test the evidence in their audits, in order to see whether they are measuring the right sites and whether such sites will be delivered in the timescales that they are suggesting.

There is great discrepancy across the country in how well the audits are carried out. There is not one model; every local authority's housing land audit looks different. The audits have different information in them, and the definition of what is a constrained site is different in each. There is a lot of work that we could do, and work has already begun through the Government review, which we welcomed.

It is really important that the audits are used well to capture the constraints and to see whether they can be overcome. If they can be overcome, that is fantastic, but if they cannot, we must not assume that that site will come forward. As Nicola Woodward said, such sites need to be parked and, more importantly, we need to find other land to substitute for them so that we are not doing that local community a disservice by not providing the houses that are needed.

**Jackie Baillie:** I want to move on to the Lichfields report and to hear your comments on it.



In particular, across the seven cities, you found that land was reappearing in every audit, had been rolled over multiple times and its development was undeliverable. Can you expand on what you found and suggest what the solution is?

**Nicola Woodward:** We carried out that research a couple of years ago; it was based on 2014-15 land audits—so that is a slight caveat. On behalf of the Scottish Government, we examined all the local authorities across Scotland and we reported on the cities, and looked at market strength where housing land had been identified. We categorised that into five simple categories, ranging from the strongest to the weakest.

In discussions, the house building industry has made it clear that it cannot bring forward sites in the two weakest bands. There are several reasons for that. Household incomes in the second-weakest band are about £30,000 per annum and in the weakest they are about £15,000 per annum. Most people who live within those constraints cannot access mortgage finance. Average house prices in those areas are correspondingly low, as a result; the average house price in the second-weakest area is about £110,000 and in the weakest area it is about £76,000. In this day and age, a house builder cannot build a house for less than that, so it is not economically viable for them to develop on such sites.

Those sites and market areas will not be developed without market subsidy or some other form of assistance. That is not to say that they are not good sites for housing from a planning point of view; it is just that the public sector, the public limited companies and the house builders will not be able to develop them. If a local authority wants such sites in the five-year housing land supply, it will need to find another mechanism to deliver them.

That situation is quite stark in several local authorities. When we carried out the research in 2014-15, Glasgow City Council had 77 per cent of the yield—the number of houses that were identified—in those two weakest bands. That suggests that 77 per cent of the council's five-year housing land supply would not come forward through normal house building means. In Inverclyde the figure was 59 per cent, in North Lanarkshire it was 57 per cent, in Renfrewshire it was 59 per cent, in West Dunbartonshire it was 43 per cent, in Dundee it was 61 per cent, in East Ayrshire it was 80 per cent, in North Ayrshire it was 61 per cent, and in Clackmannanshire it was 86 per cent. Those are very big percentages. In other local authorities—for example, Aberdeenshire and Highland—it was not much of a problem; some sit at about a third. That shows that there is a huge proportion of land that has been identified as being developable within five

years that would require significant help in order that that development be realised. That is why much of that land is rolled forward.

**Jackie Baillie:** In fairness, I note that that is down to the demographics of an area. We will not change that unless we change the tenure mix of the housing that is being developed.

**Nicola Woodward:** There is an element of that, but there is also an element of allocating the land in the right places in the district. If, through the housing needs and demand assessment, a local authority has identified a demand for private sector housing, it needs to be allocating sites in the locations that can deliver that. It will also have identified the social sector housing need, and that housing might be in different market areas. We have to look at the whole picture.

If an authority says that it has a five-year housing land supply that will deliver X homes to meet need and demand in that area, the council needs to ensure that what it is promoting is deliverable. That is not necessarily happening and it will not happen without another intervention. In Glasgow, for example, another intervention is happening: the city deal is being used. The situation is not necessarily all doom and gloom.

However, Ms Baillie's question was about rolling forward sites from one year to another; that is something that happens all over. Some sites have been through two economic cycles. They did not deliver during the peak in 2006-7, so it is difficult to understand why there is a notion that they will deliver in the next five years. Those things are difficult to reconcile.

There is a slight caveat, in that some sites take time to come through, which needs to be understood when we are doing a housing land audit. At a site for 500 houses, it will take two or three years for the houses to come through the system. That needs to be built in. It cannot be assumed that the site will deliver on year 1 of the five-year housing land audit, so it needs to be put to the back end. The site might deliver only 30 units a year, not the full 500 units. There needs to be more rigour in housing land audits to make them fit for purpose.

**Craig McLaren:** I agree with a lot of what has been said. HLAs are useful tools, but they could be even more useful. Three issues with HLAs have already been mentioned. One is about achieving consistency around Scotland in how we do them, so that we can measure across different areas. The second issue is that HLAs are a bit static. An HLA can provide details of location, size, capacity and planning status, but as Nicola Woodward said, what happens next? How does that impact on investment patterns or policy? Should we be trying to do something different with

that area? It would be really useful to move away from having a static tool.

Another key issue is the need to be more transparent in how HLAs are applied by both sides—if I can use the term “sides”. It is about trying to ensure that rigour is brought in, so that the buildability—if that is a word—of sites can be seen. We need an honest discussion about that, so that we know where we stand.

**Andy Wightman (Lothian) (Green):** Thank you very much for coming along this morning.

Criticism is often levelled at housing developers for land banking. Will anybody define what that term means and take a view on whether it is an issue?

**Nicola Barclay:** You are right to ask what “land banking” means, because it means different things to different people.

We often hear reports that a plc house builder has a land bank of X units, and we hear criticism of house builders land banking, which—to my mind—are two different things. To have a land bank is to have a pipeline of the raw materials that you need to run your business. Any business, regardless of what it makes, needs to know where its raw materials are coming from. The house building industry has to line up that raw material over, say, the next three to five years.

The other meaning of “land banking” is somebody sitting on a piece of land, deliberately not bringing it to market and waiting for the price to rise. The majority of house builders do not do that, because they make their money by selling houses and getting a return on the investment that they have put in. That is not to say that no landowners do it: some people own land as an investment and, although they might have planning consent on the land, they might have absolutely no interest in bringing it to market and putting houses on it. They hold the land for a different reason. That is a problem, but it is not what house builders do.

The house building model is all about returning the investment. From the minute when house builders have paid for their land, the only way to get their money back is to sell houses on it, which they do according to their business model and plan. They have money from their investors and will have told them how quickly the site will be sold out. That is what they do.

The phrase “land banking” is confusing for people. I often encourage our members to use the word “pipeline” instead, but I am probably fighting a losing battle, because “land banking” is used by the city and people know what is meant by it. I know that Mr Wightman might consider land banking to be in a slightly different place.

**Andy Wightman:** There is a lot of land in Edinburgh, which is in my region, that has been undeveloped for 10 years. Some of it is owned in the British Virgin Islands, but we do not even know by whom. That is a land bank because the land is just sitting there. It has had consents in the past and is in the housing land audit.

For clarity, am I right that you argue that, although housing developers have a pipeline, they do not hold land banks for speculative purposes, whereas landowners do? Is that a fair reflection of your position?

**Nicola Barclay:** Yes, I think so. The land at Leith docks provides an example in which the landowner, historically, considered selling the land. The land had masterplan consent, there were developers lined up and developers started to build there, but changes in economic circumstances and ownership—as far as I am aware, the landowner changed—meant that the house builders no longer had control over getting their hands on that land. It is not that common a problem, although it might exist in Andy Wightman’s area.

There is a problem when the land is brownfield land and it blights communities. However, when a house builder is looking for a site, they are looking to build houses on it. That is what house builders do.

10:15

**Andy Wightman:** That is fair enough, but a person or a company may own land and not wish to build on it, for whatever reason. Does that beg the question whether we need to explore new models of procurement? Nicola Woodward was talking about using new models to bring forward what she called the “weakest” sites. Across the continent, self-procurement of housing is about 60 or 70 per cent, whereas in the United Kingdom it is about 10 per cent. We rely a lot on speculative volume house building—which certainly has a role—but is there a bigger role for the public sector and for more interventions? I think that the Scottish Land Commission has done some research on that. Might such interventions begin to break the logjam that Craig McLaren talked about?

**Shona Glenn:** Yes, there is a role for greater public intervention. However, there is a risk of jumping to solutions before we have really understood the problem. Nicola Barclay was right to highlight the difference between what we might call the developers’ development pipeline—which is absolutely necessary because it is their raw material, and if they did not have a pipeline of land they would not be able to build houses—and speculative holding of land. They are two very different issues.

I will add some context to what Nicola Barclay was saying. Some work was done in England a year or two back that considered the development pipeline and how much land house builders might need to have in order to keep the pipeline going at the current volume. That modelling work found that maintaining a steady state of production in the house building industry would require 1.25 million planning permissions. There was a stock of about 0.8 million planning permissions; it found that there was a shortfall. We are in the process of carrying out a similar exercise for Scotland, and I would be surprised if our work were to find anything terribly different.

Another interesting thing that came out of that work in England was about who held the planning permissions: 55 per cent of all planning permissions were not held by developers and 87 per cent of outline planning permissions were not held by developers. That tells us something interesting about who might be responsible for speculative land banking—if that is what you want to call it. I do not know what the picture looks like in Scotland because that research has not been done yet, although we have commissioned it.

There are important issues in this. We are hearing anecdotes from local authorities that match what Mr Wightman was saying—stories about all the potential land for housing development being held by one developer. We hear those stories, but we need to understand why that is happening, who is holding the land and what can be done to help to bring that land into use more quickly. Until we have answers to those questions and we understand the issue, it will be very difficult to reach solutions.

**Craig McLaren:** The Letwin review, which was undertaken in England last year, considered land banking, build-out rates and other things. The interesting thing that came out of that was that we cannot rely on large-scale housing developers alone to solve the housing crisis, because they have land but will not release and build out on it all at the same time because that would result in oversupply and have an impact on the prices that they could charge. Therefore, we need to look at different mechanisms and models, including self-build, using smaller builders and building social housing—a much more mixed economy would help in approaches to solving the current housing crisis.

**Andy Wightman:** I have here a copy of the Letwin review, which says that the build-out rate has gone down from 6.5 per cent to 3.2 per cent. That raises a question, because it is often argued that the solution to housing affordability is to build more houses. In Scotland, housing affordability has been decreasing in the private rented sector and the owner-occupied sector. However, if

houses are built at a rate that ensures only that the price is maintained at the local market value, prices will not come down. Would it be good for the economy if the cost of housing—by which I mean the rent that people pay in the private rented sector or the costs that people incur through home ownership—came down? We are the economy committee, so we are interested in impacts on the economy.

**Nicola Woodward:** I will make a side point on that question. The cost of housing is a factor of many other costs. A private home that is bought today will be on a site that the builder has bought from a land owner at a price at which the land owner wanted to sell it. The builder will have constructed the house, as dictated by the costs of the materials to build it. There will also have been the extra policy charges that are now levied on house building that perhaps were not levied 20, 30 or 40 years ago. There will have been significant developer contributions for every one of those units to pay for additional infrastructure, education provision and so on. Ultimately, that will have an impact on the price that one has to pay for the house.

We need to look at the impact on the economy in the round. Builders only build houses that they can sell; building houses that they cannot sell is not part of their model. They build in areas where there is the market for them to turn a profit and in which they can afford to build. As Craig McLaren said, more products are needed in the system. It is very welcome that the Scottish Government is bringing forward more council housing, which should help with rebalancing. Scotland is way ahead of the Westminster Government on that issue.

The build rates over recent years show that the private sector has the capacity to build at a rate. The rate dropped a bit during the financial crisis, but it has been fairly stable. What has changed is the other actors in the system: the small and medium-sized enterprises, the local authorities and the social sector. Bringing those guys back into the mix is a good thing, but all sorts of economic reasons make it difficult for them to come into that mix.

**Andy Wightman:** One of the things that has contributed to high costs—the Office for National Statistics is now publishing data on this—is that the value of the component of a new house that is attributable to land has increased much faster than the value of the bricks and mortar, which has remained relatively stable, as have wages. That is one of the reasons why house prices have been much more stable in countries including Germany, France and Italy. In 1940, 1950 and 1960, the land price was 10 or 20 per cent of the cost of a new house, but now it is up to 50 or 60 per cent. Do we

need to do something about how the land market operates in order that we can cap costs? That goes back to previous questions about public interventions: Shona Glenn mentioned land-value capture, and Nicola Woodward talked about the price at which the land owner is willing to sell.

**Nicola Woodward:** That is the key point.

**Andy Wightman:** Sometimes the price of land is astronomical because its value in the market with limited planning consents is way above its economic value without consents. We could address that issue through public intervention or through tax.

**Nicola Woodward:** We could do that. Another element could be to take a more robust approach to identifying land. If we identify in our land supply the supply that is deliverable within a local authority, rather than just a third of what is deliverable within a local authority, there will be less pressure on the third of the sites that are deliverable.

**Andy Wightman:** I am curious about that issue of deliverability. There are obviously physical constraints to deliverability, and sites should not be in the housing land audit if, because of drainage or whatever, they are not physically capable of being built on.

You mentioned landowners in your earlier remarks about the housing land audit, and there are Edinburgh landowners who are in the Caribbean and are not selling. The obvious answer there is compulsory purchase; in fact, City of Edinburgh Council has done a bit of that. Given the issue of deliverability, is there a case for having auctions of land? You are implying that it is the existing volume house builders that would deliver, whereas in fact lots of people could deliver.

**Nicola Woodward:** For self-build, there is potential for SMEs and other players in the system to come forward, but I would suggest that we are a very small proportion of the overall stock that would come forward in any one year. A lot has been said about encouraging more self-build and how self-build could be part of the solution. It sounds like a very attractive prospect but, given that people buy ready meals because they cannot be bothered buying pasta, mince and a tin of tomatoes to make a lasagne, it seems inconceivable that there would be a massive volume of people who would be able to buy bricks and mortar and a site, and build their own house. People have busy lives and building a house is a particularly long, difficult process.

**Andy Wightman:** When we talk about self-build, though, we are not really talking about people building their own house; we are talking about self-procurement and the client driving the

process, instead of a speculative process in which one builds and hopes that there is a buyer. In Austria, 80 per cent of new homes come about via self-procurement; in Italy, the figure is 63 per cent; in France, it is 60 per cent; in Ireland, it is 56 per cent; and in Sweden, it is 63 per cent. Those people eat ready meals, too, I think.

**Nicola Woodward:** I suspect that they do, and I suspect that in many of those other countries there is a different attitude towards home ownership, in that people see property as their home and as a place to live. For a lot of people in this country, it has become an investment; it is seen as speculative. There are potentially cultural issues in some of this.

In a way, all of these things can contribute, and if people want to self-procure and can be enabled to do so, that is fantastic—although ability to access finance will probably be one of the big constraints on that. However, I do not know how you would force landowners who are offshore or whatever, and have no interest in selling, to sell, other than through some sort of compulsory purchase scheme, and then there would be the legal ramifications of forcing land to come to market.

There are a lot of easy wins and there are a lot of things that are, potentially, more difficult to achieve. That does not mean that we should not try to achieve the more difficult things, but we need to recognise that a package of measures will probably help to solve the problem.

**Craig McLaren:** If we look at the way in which the housing market is dealt with in Scotland, we see that government—at national and local level—is quite passive. More could be done to make the market. If we thought about things like land assembly issues and how we provide infrastructure, we could make sure that sites are prepared and made viable and attractive to different people. That happens on the continent and in other places, but for us to do it would be quite a culture change. You can see things happening: Homes England, dare I say it, has been doing that sort of work—it prepares sites and gets things moving. We do not tend to do that anymore, although the Scottish Development Agency, Communities Scotland and other organisations used to do it. The public sector investing, and maybe even taking some of the return out of that investment, could have a role to play in the process.

10:30

**Nicola Barclay:** I just want to pick up on Mr Wightman's comment about the percentage of the purchase price that is now the land value. I disagree; it is not the case that it is 60 per cent.

House builders' model for residual land valuations is the same as it has been for 20 or 30 years and the land value that will be paid tends to be around 30 per cent—between 20 and 40 per cent—of the purchase price. That is how they calculate it. There are small pockets in Scotland—including around here, in the south-east, probably—where getting land is incredibly competitive, which might push that proportion up slightly. However, there are certain hurdles that have to be overcome to get investors to give money, and the proportion that was mentioned would never get the investment that is needed.

The other point that I want to make is on the role of small builders. Before the recession, they provided a huge proportion of the new homes around Scotland, and they have really struggled to come back from that. Many of them have retired or left the industry, never to be seen again. We are working with the Scottish Government on a project to encourage more small builders to come back into the industry.

A fundamental challenge for small builders is that small sites are not allocated any longer, because it is easier to allocate larger sites, which our larger members build out. We need to have a proportion of sites that are allocated for small builders.

The regulatory process is so much harder than it was 10 years ago that it is incredibly difficult to get planning consent, and the upfront cost of getting planning consent is prohibitive for small builders, especially if they are looking for finance.

The other big problem for small builders is access to development finance. We need to do a lot of work on that and, as I said, we are working with the Scottish Government to see whether the Scottish national investment bank—or, in advance of the bank's establishment, the building Scotland fund—can help in that regard.

The committee is looking at the construction industry in the round and, on what Craig McLaren said, although we often think about infrastructure as being the large-scale, mega-projects such as the Queensferry crossing and the Aberdeen western peripheral route, in order to facilitate more house building, what we need is the granular, local-level infrastructure. We need the traffic lights at the bottom of the road, the extension to the primary school, the general practitioner's practice—all the things that stop local communities wanting more housing, because of the pressure that they see on those bits of local infrastructure. We need to increase that capacity, so that having more housing does not impact on local communities.

Finding the money for and procuring those things is much harder to deliver, because the work

is granular and fragmented around the country; it is not as easy to procure as a big shiny infrastructure project that gets the interest of the press and politicians. However, all those small bits of infrastructure are what make up communities, which is why it is important to get that bus route extended, the extra train station, or whatever it is that will reduce a local community's backlash against a potential new development.

**Shona Glenn:** I will try to pick up on a few points that have been raised.

What Andy Wightman said about self-build is really interesting, but I agree with Nicola Woodward that it is likely that a package of solutions will be needed. There is no silver bullet or magic pill; there are lots of different things that we need to do to fix the problem, one of which might be customer self-build.

On the original question about the proportion that land value accounts for in our house prices, the key issue that must be understood is what drives land value. Usually, hope value drives it, which is the difference between the value of land with its present use and its value with the use to which you hope that it will be put. A lot of what lies behind hope value is what you expect to have to pay for. For example, if you are looking to buy one of two identical houses on the same street, one of which has been owned for the past 40 years by an old lady, who has died, and in which, before moving in, you will need to replace the heating system, redecorate and buy new carpets, and the other of which has just been completely renovated, you will offer to pay a much lower price for the old lady's house than you would offer for the renovated one, unless you thought that someone else—potentially a rich auntie or something—would help you with the renovation costs. If there is uncertainty, you will be more worried about what you pay for the house.

That is a microcosm of what is going on in the development industry at the moment. If a developer is unsure about what they might be expected to pay for, such as a new school or other infrastructure, that encourages them to offer a much lower price for the land, which leaves less value to be captured in the system.

That goes back to the point that we made earlier, about having clear and consistent planning policies that bring clarity to the system and which developers are able to take into account when they are deciding what price to offer for land.

We have had some discussion about the planning systems in the Netherlands and Germany. A lot of people point to those countries as examples of how we should do things. There certainly is a lot that we can learn from them, but it is not a case of just being able to pick and choose

bits of their systems and transplant them to Scotland. Such systems are very different from ours, the key difference being that they have much more zonal approaches to planning, in which the public sector takes a much stronger role in determining exactly what should happen and where. That picks up on Craig McLaren's point about the role of the public sector in planning.

An important point that perhaps we have not yet drawn out is the historical context. In the 30 years or so after the second world war, when the planning system first came into existence, the public sector took a very proactive approach to building and delivering large-scale infrastructure projects and large volumes of housing. In the late 1970s and early 1980s, that all changed with the change in political philosophy: the public sector pulled out of the business and has not really come back. If we want to deliver the large-scale ambition in housing that this country needs now, that probably needs to change and the public sector will need to take a much more proactive role in the delivery of housing and infrastructure.

I am coming to an end, convener. My final point is about skills. If we want to have a much more proactive approach to public interest-led delivery, as we have been calling it, skills are a big part of the problem. Over the past 30 years or so, we have seen cuts in the public sector, and much of the skills base in local authority planning departments has been lost—it is just not there any more. Therefore, if we are to have a shift towards more public interest-led development, then skills and capacity will have to be built up. That is not just about planning skills; it is about all the skills around this subject, including those of accountants, surveyors, finance people and those with knowledge of transport systems and infrastructure. My point is that the solution is much bigger than any individual policy; it is about having a whole package of things.

**The Convener:** Is it not also true that in a lot of the continental countries that you mentioned the percentage of people who rent homes for life is larger than in Scotland or England? The set-up is very different; indeed, probably many of the people do not eat ready meals either, because of the cultural differences.

**John Mason (Glasgow Shettleston) (SNP):** I will build on some of the questions that Jackie Baillie and Andy Wightman have asked. I am interested in the split between brownfield and greenfield land. We have talked about infrastructure. In my constituency in the east end of Glasgow, there are brownfield sites that are near good bus services, railway stations and good shops. However, the house builders are applying pressure to obtain the greenfield land on the edge of the city, to the extent that Glasgow and

Coatbridge are starting to run into each other. Near such greenfield sites there are no shops, schools or train stations and the bus services are poor. How can we force more housing into brownfield sites and protect the greenfield ones?

**The Convener:** Perhaps Nicola Barclay could answer that, and then Shona Glenn.

**Nicola Barclay:** We will fight over it, convener. The vacant and derelict land register is a useful tool with which to start analysing why such sites are not coming forward. We need to look at the register over a number of years to see whether sites are sitting on there for ever or are coming on to it and then going off again. We did a bit of analysis of urban derelict land in advance of this meeting. A lot of sites on the register are rural and have all sorts of issues—for example, old opencast mines. However, from 2011 to 2017 there was a reduction of 19 per cent in the amount of vacant urban land on the register. In Glasgow, the figure has come down by 29 per cent and, in North Lanarkshire, it has come down by 43 per cent, so some of those sites are being developed. Actually, I think that those figures are underestimates, because we have mapped some of the register and we can see houses on the ground. We need to ensure that local authorities keep their registers up to date. It is great that a vacant and derelict land task force has been set up, but let us use that task force to analyse down to the granular level and work out why sites are not coming forward, including in your area. There must be a reason why those sites are not—

**John Mason:** Is it not partly just that there is a fashion that people want to live where there are big old trees nearby?

**Nicola Barclay:** People want to live in all sorts of places at different times in their lives, and different developers will want to build on different types of sites for different parts of the market.

**John Mason:** Should the public sector just reflect that, or should it try to change it?

**Nicola Barclay:** Given the shortfall in houses, we will need brownfield and greenfield sites to meet the demand. We have to consider the factors that are preventing those sites from coming forward. Is it that they are heavily contaminated and so the cost of remediating is so high that there is no land value at the end of it? Is there a willing seller, or is the owner holding out for an aspirational figure that they will never get? There are all sorts of reasons and it is—

**John Mason:** I accept that there is a balance, but I was worried about your first answers to Mr Lindhurst, as it sounded to me that you were saying that central Government should impose on local government a certain number of houses that it must have built, as appears to be happening in

England. As I understand it, that would push places such as Glasgow to allow a lot more building on greenfield sites and just leave brownfield sites sitting there. Are you arguing that central Government should force Glasgow to use up its greenfield land?

**Nicola Barclay:** No. Central Government needs to ensure that local government does its bit in providing the housing that is needed across the country. There will always be a mix of brownfield and greenfield release. Our members build—

**John Mason:** But do you accept that, if the model that you argued for at the beginning was imposed and Glasgow was forced to provide the numbers, it is likely that it would switch more to greenfield and away from brownfield?

**Nicola Barclay:** We need to recognise that brownfield land is not always attractive to house builders. If it is marketed openly, a house builder is unlikely to be able to bid the highest value and the land will be bought for student residential, hotel or commercial use. It is difficult to say to Glasgow City Council that it should allocate brownfield land for housing because, unless it can control the sale of a piece of land—unless it is the owner—or has a clear allocation that it must be a residential-only site, the council cannot decide who eventually will build on it. Most brownfield sites are not allocated; they are windfall sites that go to the highest bidder for whatever use they think they can get planning consent for.

**John Mason:** I want to bring in some of the other panel members. Glasgow has had some success in the area, although I accept that that has been with subsidy. For example, the Commonwealth games village site was heavily contaminated, but now we have good-quality housing there, which has changed perceptions—people now think that you can have a nice house in the east end of Glasgow.

**Nicola Woodward:** That is a fair point. Without the Commonwealth games, that part of Glasgow would never have been considered to be attractive by a lot of people who currently live there. That has shown what can be done through public sector intervention to bring forward more difficult sites in locations where a council or the public sector desires such development. Many brownfield sites are difficult to bring forward and have their own costs. In a city centre location, if you have to go up higher than four storeys, you need to build in the cost of lifts and that sort of thing. Sites in a working city are difficult. There are issues with servicing sites with things such as bins. All those things are difficult, although not insurmountable.

We have to think about the product that is built on the sites. We have to consider what will make sites attractive to a broader market. In Scotland,

we are lucky in that we have a culture of living in big flats in cities. Glasgow's west end is still very popular with all sorts of segments of the community, and the same is true in Edinburgh. In England, that is not the case—there is no such tradition. The tradition in England is that everyone wants a cottage with roses over the door. Everyone wants a detached house with a garage. That is not the case in Scotland, so we are pushing against an open door on urban living.

However, we have to produce and build a product that people will want to invest in. Families will not move into small one-bedroom flats. If we want families to live in the east end of Glasgow, there needs to be a product that families can live in, with access to schools and so on. There probably needs to be intervention to enable that to happen—it will not happen on its own.

10:45

**John Mason:** Could one of the interventions be further restrictions on building on greenfield land, so that brownfield has a relative advantage?

**Nicola Woodward:** I will give an example from Newcastle. Newcastle city is fairly dense with a tight boundary around it. A number of local authorities down the Tyne valley towards the coast have attractive suburban locations. For a number of years, Newcastle City Council had a restricted policy on building houses. For every house built at the Great Park, which was a greenfield site, a house had to be built in a regeneration area.

The policy failed massively. It constrained development on the edge of the city. Properties that were built in the more urban, weaker-market areas could not be sold, so they were not built. The builders and investors went to North Tyneside Council and down the Tyne valley and built houses everywhere except in Newcastle.

The problem in Newcastle at the time that I took the job as head of planning policy was a massively declining working-age population. It was a huge legacy problem brought about by the restrictive building policy, which meant that no one was building there. The scrapping of regeneration moneys made it even more difficult to build in the city. It was not difficult to travel into Newcastle from almost anywhere round about, so people were choosing to move out. We were losing a thousand working-age people a year from the city. They took their disposal income with them—

**John Mason:** May I interrupt you? I recognise some of those issues in Glasgow. That suggests that a council does not have the power to protect its greenfield land. It would have to be a national policy, so in Glasgow's case the Government would have to restrict how much East Renfrewshire and East Dunbartonshire Councils

and others could build in competition with Glasgow.

**Nicola Woodward:** There is a very tricky balance to be struck on such policies. People's attitudes towards urban living in the east end of Glasgow can probably be changed over time or through big-scale developments, such as the Commonwealth games village, but the Government would have to be careful about very restrictive policies, which could mean that people simply choose not to live in Glasgow.

It is not only that people could choose not to live in Glasgow. It is that businesses could choose not to invest in Glasgow as a result. In considering inward investment, companies such as technology companies look at the skills in an area and where their people can live. If a city cannot offer a full package, such companies will not invest in it. They will go to another city that can do so. There are a lot of unintended consequences that we need to be careful about when considering strategic planning. We need to try to balance all those things.

**John Mason:** That is fair—I get the point, thank you. Mr McLaren wants to come in.

**Craig McLaren:** We should prioritise brownfield land for building. That does not mean that everything will be built on such land—there will still be a need for greenfield releases. If we want to do that, money needs to be invested in brownfield land. The vacant and derelict land fund now stands at £9.4 million, which will not ensure that many sites are brought into productive use. There is a need to think about how we do that.

We must also remember that there are different reasons why pieces of land are brownfield. They may need remediation, for example, or there may be issues of accessibility. We must look at sites individually and not take one big-stick approach.

We have tackled the easiest cases, so it will become harder and harder. For obvious reasons, we have picked off the low-hanging fruit. If we are serious about this, we must think about how we invest.

My reading of the stats is a bit different from Nicola Barclay's. I see that the number of hectares of vacant and derelict land in Scotland went up by 2 per cent between 2011 and 2017. A big part of that is to do with minerals in the countryside. That is a different, but still important, issue. The statistics also show that last year, there was more than 200 hectares of new brownfield vacant and derelict land. We need to try to ensure that land does not get to that stage, by preventing it from becoming vacant or derelict.

**John Mason:** Thank you.

**Nicola Barclay:** I think—

**John Mason:** We probably have had long enough on my questions, because my colleagues want to come in.

**The Convener:** Shona Glenn wanted to come in, so I will let her in briefly.

**Shona Glenn:** I will be brief. I wanted to come in because the vacant and derelict land task force was mentioned, which is an initiative that we were leading on.

The question of whether the public interest will be served by restricting development on greenfield sites is interesting. I can see why we might want to restrict development for public interest reasons, but Nicola Woodward was right to say that we would need to be very careful about how we did that. Instead of thinking that because they cannot develop on a greenfield site, they will develop on a brownfield site, developers might decide to look elsewhere. I am not saying that restricting development is not part of the package, but we need to be careful.

We need to turn the issue about vacant and derelict land on its head. We have been looking at such land a lot recently, and we have found that vacant and derelict land is not one package of land but includes all sorts of different types of land. Some land might be suitable for housing, but not all of it will be, so there is a real need to understand what is in the bucket called “vacant and derelict land”. We are starting to do that work.

The change in the mindset is an interesting point. We have focused a lot on sticks, but we need to think about the carrots. We need to change the attitude towards vacant brownfield land, so that it is seen as more of an opportunity and people want to develop on it. House builders are in the industry to make money, so they will not go to places where they cannot make money. However, if the public sector were to take a more interventionist, public interest-led approach to development by making such propositions attractive to the development industry, that might change the way in which we look at brownfield sites. Such development is a big opportunity for Scotland, but that opportunity needs to be grasped at the top level of Government.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I will follow on from what Shona Glenn said about intervention. How could the public sector intervene to improve the operation of the housing land market? From what people have said, it appears that the public sector should intervene, but perhaps we should ask whether it should.

**Shona Glenn:** That goes back to public interest-led development, which we did some work on last year. By public interest-led development, I mean public agencies taking a proactive role in



initiating and driving forward development. That does not happen in Scotland very often.

**Colin Beattie:** How do you envisage such an approach working?

**Shona Glenn:** Dundee waterfront is a good example to look at, because that is the one place in Scotland where that approach has been delivered and has worked. There are a number of reasons why the development has been successful, and we need to better understand why that has been the case. A lot of it comes down to leadership; a couple of high-profile individuals have driven the process forward. There has been political support that has not really changed over a number of decades. The planning authority ensured that the people with all the skills—not just those with planning skills, but those with skills in accountancy, finance, procurement, economics and chartered surveying—that are needed to deliver a complicated major development were in the same place at the same time. It is rare for that package of skills to exist within planning authorities because of the on-going cuts that have been made over a series of decades.

If we want to move towards a more interventionist approach that involves public interest-led development, as we have advocated, we need to invest in those skills. There are a number of ways of doing that. We might want to invest in the planning departments in local authorities. A number of agencies have suggested creating a new public agency or giving the remit to an existing agency. That suggestion has a lot of merit because it would allow all those skills to be pulled together and deployed to large sites around the country.

**Colin Beattie:** You have described the infrastructure that is needed across the public sector to support the process. What intervention are you talking about? Other than beefing up the planning department and giving proper support there, what was the actual intervention in Dundee? What made the difference?

**Shona Glenn:** The planning authority assembled the sites. A lot of them were already in public ownership, but it used compulsory purchase order powers to acquire those that were not. It cleared the sites and put in the infrastructure to make them ready for development, and then marketed them and brought in private investment for people to build hotels, housing or whatever the development was. It took the lead on the whole process from assembling the site through to marketing it for development. Others may know more about the detail than I do.

**Colin Beattie:** I take on board what you are saying about the development of a commercial site. How would that sort of intervention work in

what you have described as the retail housing market?

**Shona Glenn:** It would be exactly that.

**Colin Beattie:** The same model?

**Shona Glenn:** Yes. There is always a temptation, which I understand, for people to want the big bang solution, but I do not think that that exists. It sounds a bit dull, but the answer that we are proposing is public interest-led development and everybody working together. History has demonstrated that that can be very effective, but it needs to be driven by leadership from the top and properly resourced.

**Nicola Barclay:** We could look at what Homes England is doing. It is a fairly recent reincarnation, but it is seeing huge success. It is acting in various ways, such as financing small and medium-sized builders and developing for itself: procuring land, assembling it and master planning it. It is partnering with the private sector and acting as a facilitator. It is the go-to body and we do not have an equivalent in Scotland

An organisation whose entire remit is based on the number of homes that are delivered on the ground is fundamentally different from a local authority, whose role is to make sure that enough houses have been allocated in a plan—what we would call paper houses. The performance of local authorities is not being measured by the number of keys that are handed over to a tenant or owner, and that is what we need. I agree with Shona Glenn that we need either to invest in local authorities so that they can do that job or to have one agency in Scotland to lead it.

**Colin Beattie:** What is the best approach?

**Nicola Barclay:** That is not my call.

**Colin Beattie:** You have an opinion. Is it best to have a centralised approach or to have it at local authority level?

**Nicola Barclay:** Given that we have the city regions, there could be one agency focusing on those. However, given that we have such a diverse country, I would suggest that the rural areas need a very different solution, so it may be a bit of both. The city regions could be beefed up to do more of the interventionist approach there, where there will be much more investment that can be collected and used better. The rural economy has a different set of challenges, which probably need a different approach.

**Nicola Woodward:** The other interesting thing about Homes England is that it is now asset rich. All the public sector land that was in different pots, whether it was former schools or hospitals, old power stations or whatever, is now part of its portfolio. It has a remit to bring that land forward

and work with the private sector to deliver those homes, as Nicola Barclay said.

I am working on a Homes England site in Newcastle at the moment, which was previously a regional development agency site and an English Estates site before that. It was originally an industry site, but it did not come forward for industry and it is now being promoted for housing. We are master planning the site and getting the planning consents. It will then go out to the private market for house builders to bid for pockets of that land for market housing. Homes England is an agency with assets and land, and a remit to drive the process forward.

**Colin Beattie:** My next question is on something that is a wee bit different but connected to that. What are your views on the ability of the sector to meet Scotland's infrastructure needs and to drive growth as per the investment strand of Scotland's economic strategy and, carrying on from that, to deliver the 50,000 homes that we aspire to by 2021? I should say that there were some comments on that in a previous evidence session that were a bit negative, so I will be interested to hear what you say.

11:00

**Nicola Woodward:** Do you mean the house-building industry or the construction industry?

**Colin Beattie:** Construction.

**Nicola Woodward:** The construction industry is a much broader piste. A lot of emphasis has been put on the house-building industry to deliver a lot in terms of schools, road junctions, cemeteries and parks. The amount of contribution that is requested from house building is potentially significantly higher than the amount requested from other commercial sectors. Sometimes that is because of the locations in which they are developing and the perceived needs that are generated as part of that.

Reliance on the house-building industry to provide new social infrastructure will fail because there is not enough money in the kitty for that. It will drive up prices and make development unaffordable, and it just will not happen. There needs to be a package of interventions that enable everybody within an area to contribute to the infrastructure that is required there, and not just reliance on big packets of money from house builders, which would render sites unviable.

**Colin Beattie:** Availability of skilled labour has not been talked about much. Will that have a significant impact?

**Craig McLaren:** We need to differentiate between labour and professional and managerial issues. In the town planning profession, we have

seen a big loss of planning staff in local authorities. For example, since 2009-10, we have seen a 25 per cent loss in planning staff and £40 million has been taken out of planning budgets. Planning is the most affected local government service.

It is not just about brickies, although they are important. We need to remember that if planning officers are not there to process planning applications and put development plans in place, there will be no housing permissions or houses built on the ground, and our town centres will not be planned as well as they could be. We need to be reminded about that side of staffing, too.

Sometimes, it is difficult to sell planning to people because it has a certain reputation, but it is really important, and I hope that I have demonstrated that this morning. It is interesting that there are a lot of initiatives on, for example, STEM—science, technology, engineering and maths—and teachers, and how we need them to ensure that society and the economy work to best effect. We should also think about planners in that way. Should we not have a campaign to get people into the profession and into a career that can help them to deliver such things as a better economy?

In the planning profession, we have seen a loss of staff, and we have fewer and fewer graduates coming in. There are about 100 planning graduates a year in Scotland, and not all of them will stay here. We need to invest in planning and other professions that provide the glue that will ensure that construction can be delivered on the ground.

**Nicola Barclay:** Can I come back to Colin Beattie's point on the 50,000 homes? He asked whether they would be delivered. The target is 50,000 affordable homes, 30,000 of which are for social rent. A lot of them rely on public funding that the Scottish Government has provided.

There is a fair chance that we will get close to that target. I know that a lot of registered social landlords and private house builders are working incredibly hard to get those houses built. That is not helped by planning committees at a local level rejecting sites, even with officer recommendation and funding in place. The message from the Scottish Government that it wants to deliver these 50,000 affordable homes is not always filtering down to those local planning committees. There is still resistance at a local level to any housing, regardless of the tenure, so if we do not reach the 50,000 target, it will not be for lack of trying. I definitely think that there is a really strong push from the wider industry to get them built.

**Colin Beattie:** It is interesting that you focus on the planning side. Previous panels have focused

on skills shortages in the construction industry in general, but you have not touched on that at all.

**Nicola Barclay:** Houses are being built. Skills are a challenge, but they are not the most important challenge. The point at which we get planning consents through and can see a pipeline of work is when we can encourage apprentices, staff up and bring people in. The lack of certainty about there being a pipeline of work ahead is what prevents people from coming into and staying in the industry.

**Colin Beattie:** Do you believe that there are resources available out there to bring people in, in the right circumstances?

**Nicola Barclay:** It is a challenge. I know that our members fight for brickies—squads will go from one developer to another. It is really hard. In order to protect their labour resource, more and more of our members are bringing workers in-house and recruiting them as staff, rather than having them as sub-contractors. They will be creative. There is also use of off-site manufacturing to help the skills shortage. That will not be the golden ticket, but it is one way to alter the system to make it more efficient.

House builders are resilient and they will find solutions if they see an opportunity to deliver. However, it is all about that certainty of pipeline that will allow them to invest longer term in skilling and training. Many of them work with ex-armed forces members to bring them in and retrain them. There are ways to bring people—not just the young apprentices, who are the obvious ones—into the industry. However, house builders need certainty of pipeline in order to make that investment.

**Craig McLaren:** I raised the issue of planning because we had heard a lot about the construction side of things. That is where the spotlight tends to be shone—on brickies and people like that—and rightly so, because there is an issue there that we need to tackle, but I often worry that the professional side of things gets overlooked. Those people are just as important to the process. We need to put in place processes and support to ensure that we have those professionals, such as planners, building control officers and others. We need those people to go through those processes to ensure that we get things done. We should be considering apprenticeship schemes for planners and building control officers in different professional settings.

**Angela Constance (Almond Valley) (SNP):** Good morning, panel. I will cheer you all up by asking for your thoughts on Brexit and whether you have any concerns. In doing so, I will pick up on some earlier themes. Given that there is a general concern around uncertainty and Brexit, did

you welcome the fact that, across a range of initiatives, the Scottish Government has given certainty and continuity on funding for affordable housing, for example?

Nicola Woodward mentioned that, per head of population, Scotland is substantially outperforming England and Wales in the delivery of affordable housing. I am also conscious of the help-to-buy scheme, into which a significant amount of money has been put—I think about £100 million. That shows a cross-tenure approach.

Given my West Lothian connections, I am aware of initiatives such as the massive Winchburgh development, which involves nearly 3,500 homes. That required the Scottish Government, local government and the developers to work together closely to overcome issues such as infrastructure blockages.

In the context of Brexit uncertainty, will the panel talk about initiatives that are at least attempting to provide some certainty around investment for the house building and construction industry?

**Nicola Woodward:** I have a very brief point on that. We have eight UK offices, in Edinburgh, London and across England and Wales. As a practice, we notice a major difference in investor confidence in the south-east of England. The London market is quite twitchy, and the unwillingness of investors to make decisions is starting to bite—that has probably been going on for the past six months to a year. We are seeing that less in our regional offices—we are certainly not seeing it significantly in Scotland; Nicola Barclay would probably back that up. However, in terms of investment and finance coming into the system, the uncertainty is a worry, particularly where cities may rely on multinational companies.

**Angela Constance:** Are you talking specifically about uncertainty with respect to Brexit? I just want that to be clear for the record.

**Nicola Woodward:** Yes.

**Angela Constance:** I am sure that Nicola Barclay will have welcomed initiatives such as help to buy.

**Nicola Barclay:** The impact of Brexit is most likely to be felt in a lack of consumer confidence: will people feel secure enough in their job to go and get a mortgage? Interestingly, January has been one of the strongest starts to the year for house sales that we have seen in a long time. In Scotland, we are certainly not seeing the lack of confidence that we were expecting, perhaps because we have such pent-up demand. Interest rates are still low, people can still get mortgages and unemployment is historically low. People still need to move house; they are still getting married, having children and doing all the normal things, so

they are still buying houses. We are not seeing any issues at the purchase end of the pipeline.

I have no evidence to back this up, but I assume that house builders are looking at the land deals that are coming up over the next few weeks, wondering whether to go ahead and thinking, "Let's see what happens in March," because it is really getting to crunch time. However, the market remains strong and people are still bidding hard for sites, certainly in the areas where the market is strong. The larger developers are preparing for Brexit and certain building materials are being stockpiled, although materials such as timber cannot really be stockpiled, so we may have some challenges there.

You asked about Scottish Government interventions. Help to buy has been much welcomed over the years because it has allowed people—I cannot remember the numbers off the top of my head—to access home ownership. I think that Scottish scheme is much better than the English scheme, but it is interesting to see that the English scheme is being refined by bringing down the headline prices and targeting those who need it most. The way in which the Scottish scheme has been targeted has worked very well; we need to see what happens in the future, but that may be a conversation for another day.

The building Scotland fund, which was used in Winchburgh, has been welcomed. I have been monitoring it closely to see who is applying for the funding and how quickly they are getting results. It seems to be working very well in advance of the Scottish national investment bank, which we also welcome.

The Government is right to use such interventions to keep the market going, although the Brexit outfall could trump it all. Unfortunately, none of us knows what will happen, but at the moment it is business as usual.

**Shona Glenn:** I do not have a lot to add. The individual schemes are a bit outside my area of expertise, but on Brexit, we hope that business as normal will continue, as Nicola Barclay describes. If not, surely there will be even more of an opportunity for the public sector to step in with the proactive approach to leading development that we have discussed.

**Craig McLaren:** We have set out five things that we are worried about because the outcomes are still uncertain. One is the workforce—people and talent. Will there be an impact on our ability to attract planners from outwith the UK, on student numbers or on the viability of planning degree courses? A lot of our degree courses rely heavily on foreign students.

Standards are another issue. What will environmental standards be in the future? Will

they be consistent across the UK or could there be competition? We are still waiting to see what happens.

There is an issue with trade—with selling planning services outside the UK. The nature of the business is that we do stuff around the world, and we must consider the impact on that. The issue of investment has already been rehearsed around the table; allied to that, there might be an issue with the cost of materials. Work that is going on suggests that it could have an impact, which could then affect viability. That also takes us back to previous discussions.

Another area is research. It sounds peripheral, but it can be incredibly important. A lot of the research is set up to help innovation. If we can no longer do much pan-European research, that could create a big gap in the ideas, thinking and new ways of doing things that we need.

11:15

**Angela Constance:** I will pick up on some specific Brexit concerns around skilled labour and imports, to give the panel an opportunity to talk about those issues.

The committee has been advised that the industry imports up to 62 per cent of its building materials and components from the European Union—to the tune of £5.7 billion. More than 7,000 construction workers in Scotland come from the EU. We have heard concerns about there being perhaps a drain on the workforce in Scotland if EU nationals in London leave the country.

I would also be interested to hear the panel's views on issues around freedom of movement and the UK Government's immigration bill and white paper, and, specifically, the tier 2 £30,000 minimum salary threshold extension.

**Nicola Barclay:** The cost of materials coming into the country is increasingly a concern. Fluctuations in the exchange rate are brought on by Brexit uncertainty, so it is a Brexit-related issue. We rely heavily on imported materials. As I mentioned, timber is one of the few materials that we cannot stockpile. Unfortunately, the timber that we grow in Scotland is not suitable for timber kits—it grows too quickly, so we need Finnish or Siberian timber, which grows slower, is denser and has the right properties for the timber kits that we use predominantly in Scotland, although that is less the case in England. I know that our members will keep a close eye on that.

When it comes to the European labour force, Barratt Homes did a nationwide survey of all its tradesmen and, moving northwards, the percentage of EU nationals grew smaller and smaller. It was 80 per cent in the south-east of

England and less than 10 per cent in the north of Scotland. Although we do not rely heavily on EU nationals, we need every person that we can get on site. There might be concerns if workers from the EU leave and there is a drain of workers from Scotland into the south-east because of projects such as high speed 2. However, we must remember that the construction employees who are building the AWPR, for example, have a different skill set from those who are working on house-building sites. They are not necessarily the same people. The guys who built the Queensferry crossing will not then go to work for Barratt around the corner; they will be off doing another big construction project.

When it comes to skills, it is about keeping the home-grown talent. We have an ageing workforce, and guys who work on building sites will probably retire earlier than 60, because it is tough on site. It is hard manual labour, so we must make sure that younger people are coming through.

Craig McLaren was right to say that we must look at the professional services as well. That area is often forgotten about, but if we do not have the people in the offices—whether they are in the local planning office, in building control or doing the designs and cost control in a house builder's office—the whole system will grind to a halt. We need skills coming into the entire industry and to sell it as a good place to work.

On the diversity agenda, the industry is definitely a good place to work. A lot of women are in house building now—far more than when I started out—which is great to see. It is a rewarding career. We are not very good at selling it; that task is on my shoulders, rather than yours.

**The Convener:** I have just noticed the time—we have run over by quite a bit. I suggest, therefore, that we try to be brief.

**Angela Constance:** It is quite difficult to be brief about Brexit, but I am sure that the panel will do its best.

**Shona Glenn:** I was just going to say that I have nothing to add on the specific issue of construction skills.

**The Convener:** Does anyone else have anything to add—briefly?

**Craig McLaren:** I would just echo my earlier comment about the uncertainty that still exists. Key for us is to have some certainty around the five issues that I discussed.

**Nicola Woodward:** A lot of European nationals work in our company's offices. We have a couple of hundred employees, and, as you can imagine, quite a proportion of them come from outside the UK. As Craig McLaren has said, it is becoming more and more difficult to recruit graduates, and I

am sure that that will continue to be the case. I should point out that we work only in the UK, which means that our business model will not be broken as a result of work done abroad, but that is not to say that there will be no capacity issues when it comes to supporting the development industry to bring forward projects.

**Willie Coffey (Kilmarnock and Irvine Valley)**

**(SNP):** I want to take the witnesses back to some of their opening remarks about the differences in planning policy between Scotland and England. Both Nicolas—Barclay and Woodward—chatted about that, but I picked up other comments about the need for viability, deliverability and the use of carrots and sticks in the English model. For a local example, I would point to East Ayrshire, where, I am sad to say, we recently turned down a major application that included not only 1,000 houses but a whole load of leisure elements. The tests that were applied, which included a viability test, seemed to me to be incredibly rigorous, and the application was ultimately turned down by the Scottish ministers. I ask Nicola Woodward to explain to me what she meant by the difference in the application of viability tests, because the system here seems to be pretty robust.

**Nicola Woodward:** I was talking about applying the viability test initially at the policy-making stage. In England, policies must not be so onerous that they will prevent development from happening, and that has to be tested to ensure that measures are not put in place that will stop a development coming forward.

In England, the planning authority also has to test all the sites that it allocates. I do not know the specifics of the example that you mentioned, but if an authority south of the border was allocating a large mixed-use scheme as part of the local plan, it would need to test the infrastructure capacity in the local area and look at whether increasing that capacity—roads, bus services or whatever—would, if it was required, be affordable. For example, could the local schools be extended, or does capacity already exist in the area? Such consideration would also include water resources, electricity and so on. The viability of such a development would need to be tested to ensure that, when the authority put it in its plan, it was certain that it had a chance of coming forward, particularly if it was relying on it to deliver housing, say, or meet economic needs. In England, that would be tested by the Planning Inspectorate, which is the equivalent of the inquiry reporters unit here, to ensure that a proposal was sound, justified and evidenced.

It is a fairly rigorous system of testing, but the hope is that it ensures that there is certainty about what is promoted in the plans that come forward. Moreover, if funding is required, the planning

authority will need to identify where that will come from and the factors that will be needed to bring it into play.

If you do not have that kind of rigorous testing, uncertainty about developments becomes much more apparent. You might have a lot of very interesting projects in your local plan, but if none of them is being delivered, you are doing a disservice to your local community and to the ability to deliver on the economic ambitions of not just your local authority area but the whole of Scotland.

**Willie Coffey:** To my knowledge, those rigorous tests were applied, and the wider issues that I think Craig McLaren focused on of infrastructure such as schools, drainage and access were all taken into account. Are you saying that developers should have to demonstrate in their initial submissions that they can meet those criteria, or is it ultimately for the reporter to say, "Sorry, you haven't done so"?

**Nicola Woodward:** Where big strategic sites are being promoted by a particular landowner or consortium of developers, it is entirely normal for the developers or the landowner to prepare quite substantial evidence to ensure that the allocation is seen to be sound, evidenced and justified. I guess that the frustration with the English system—and one that we in Scotland would probably want to guard against—is that although developers spend a significant amount of money up front to justify their development, that still does not necessarily give them an easy ride when they submit their planning application and go through the planning process. It is not unusual for some sites to be refused at committee, which flies in the face of the way in which the proposal goes through the process in the first place. Given that the proposal will have been consulted on widely, examined, looked at by an independent reporter or inspector and deemed, after all the tests, acceptable, and as long as the development is in line with the policy, it is reasonable to expect to get planning consent on the back of all that. However, that does not always happen, and that is perhaps where there is still significant frustration with the system.

**Willie Coffey:** Thank you. That was very helpful.

**The Convener:** I thank all our guests for speaking to us today, and I suspend briefly to allow them to leave.

11:26

*Meeting suspended.*

11:27

*On resuming—*

## **Subordinate Legislation**

### **Electronic Invoicing (Public Contracts etc) Amendment (Scotland) Regulations 2019 (SSI 2019/7)**

**The Convener:** Agenda item 3 is consideration of subordinate legislation. If members have no substantive issues to raise on this Scottish statutory instrument, is the committee content for it to come into force?

**Members indicated agreement.**

**The Convener:** Thank you. We now move into private session.

11:27

*Meeting continued in private until 11:29.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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