



Scottish Council for
Development and Industry

POLICY PAPER

Building Scotland's Future – *Ten Point Plan for Construction*

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SCDI is an independent and inclusive economic development network which seeks to influence and inspire government and key stakeholders with our ambitious vision to create shared sustainable economic prosperity for Scotland.

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Building Scotland's Future – *Ten Point Plan for Construction*

Construction is one of the industries worst affected by the financial crisis; already in recession, the sector's output has shrunk by 3.7 per cent between the year to June 2007 and the year to June 2008, and recent figures confirm that the downturn has accelerated sharply over the last few months.

This has resulted in job losses and is impacting on the wider economy. It also means that Scotland will produce well below its long term average of 25,000 new houses next year, and will be further than ever from the Scottish Government's target of 35,000 new units.

Unless we can maintain capacity during this downturn, to ensure the industry's ability to respond when the economy recovers, we will perpetuate the cyclical nature of the industry, leading to inflated construction costs, damaging recruitment and investment in skills and training and a failure to build the new houses Scotland's economy needs.

Despite the bad news, there is much that government in Holyrood and Westminster can do to increase demand in the sector.

SCDI has worked with contractors, the legal sector, estate agents, and the trade unions to develop ways forward for the industry and our recommendations are set out below.

1. Recommendation – Tax Relief for Investment in Housing

We want to see targeted tax relief on investment in housing to encourage private investment in the sector. Extending relief to the housing sector could generate new demand in the market place and allow existing stock that was built for sale to be acquired by Venture Capital Trusts and utilised for low, mid and upper market rental accommodation.

2. Recommendation – Increase Housing Association Grants

Given the large increases in land costs, higher building, and increased construction and labour costs, there is a clear case for more generous Housing Association Grants to allow Registered Social Landlords – also affected by rising cost of credit - to increase their building programmes.

3. Recommendation – Further cuts to interest rates

SCDI has repeatedly called for lower interest rates to cut the cost of borrowing and to increase liquidity in the money markets. We welcome the recent 1.5 per cent cut by the Bank of England

and call on the MPC to cut rates further if necessary. We also call on UK's lenders to follow the example of those who have passed on this cut to mortgage customers.

4. Recommendation – Cut VAT on investment in refurbishment and maintenance

We want to see the UK Government to introduce a targeted cut in VAT to encourage spending on building improvements and energy efficiency to increase investment in our building stock.

5. Recommendation – Government Guarantee for Homeowners

With repossessions rising, we want consideration of a government guarantee for home owners unable to meet their mortgage payments. This would work by assisting with mortgage payments, rather than the provision of housing benefits further down the line to pay for temporary accommodation. This will give home owners and banks confidence and is another small step to getting the property market moving again.

6. Recommendation – Government, COSLA and Construction Industry to Work Together to Deliver Increased Spending

The Scottish Government has announced an acceleration of £100m spending on social housing which will also provide an injection of demand into the system.

It is our intention to now bring together the government, COSLA, the housing associations and the industry to look at how we can programme this spend and how we can ensure that Scottish construction firms can capture the value of this extra public investment.

7. Recommendation – Flexible Approach to Planning and Development

With falling sales and falling profits, it is clear that the construction industry cannot continue historic levels of investment in local infrastructure through Section 75 agreements. We want to see all planning authorities taking local market conditions into account when negotiating planning gain with developers, and to consider postponing payment until after construction is completed and revenues generated from sales where possible.

8. Recommendation - Accelerate the establishment of a Scottish Futures Trust.

There is agreement amongst buyers and suppliers that delays and uncertainty over the establishment of the Scottish Futures Trust is holding up investment in infrastructure and damaging construction industry. We need the Scottish Government to clear up uncertainty and get on with the job of renewing our schools, hospitals and transport infrastructure.

9. Recommendation – Invest in Energy Efficiency

The Scottish and UK Governments have committed to climate change target of an 80 per cent cut in greenhouse gas emissions by 2050. Given that the biggest source of emissions is the generation of heat and electricity for our homes and businesses, improving the environmental performance of our building stock is crucial to meeting this target.

We want to see the Scottish Renewables Obligation fund - a total of £120m – released so the Scottish Government can invest this money retrofitting of energy efficiency measures now.

10. Recommendation – Focused Advice and Support

Despite the delays to the Scottish Futures Trust, the Scottish Government is investing over £2.5bn in each of the next three years in transport, water and waste infrastructure, and in schools, colleges, universities and hospitals.

We need to make sure that tender processes allow our home grown construction industry to compete. And we also need to make sure that there is public sector support to assist Scottish businesses compete for these contracts.

Much of this work will be beyond the scale of many of our firms, so we want to see support for smaller firms working together to form consortia to compete for contracts that would otherwise be too large for them to take on.

For more information or to discuss our proposals further please contact Niall Stuart, Press and Government Affairs Manager at niall.stuart@scdi.org.uk or on 0141 352 8553