# Small Housing Developers in Scotland: Views on outputs future prospects, obstacles, solutions, and government initiatives

**PEOPLE, COMMUNITIES AND PLACES**

social research

# Small Housing Developers in Scotland: Views on outputs future prospects, obstacles, solutions, and government initiatives

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**Scottish Government**
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# Executive Summary

The Scottish Government is working to find ways to help and encourage small housing developers in Scotland to increase new housing supply. In summer 2019, the Scottish Government conducted an online survey of small and medium-sized enterprise (SME) developers to find out what obstacles they had experienced in the previous three years, and expected to experience in the following five years. This survey followed on from a previous survey of SME developers on similar themes conducted in the summer of 2016.

Fifty-seven SME developers responded. The 57 respondents were predominantly those that deliver mainly in rural and semi-rural areas and those that had registered for at least one Help to Buy scheme.

The findings did not necessarily represent the experiences and expectations of all small developers in Scotland, but each respondent provided valid insights into building industry SMEs.

The findings can be grouped into five main categories: Output, Obstacles, Solutions, Government Initiatives, and Staffing and Sub-Contractors. These are summarised below:

## Output

- What has the output of small developers been in the last three years and what do they expect it to be during the next five years?

The majority of respondents focused primarily or exclusively on new build work, and more respondents expected to build new homes during the next five years than did during the previous three years. However, this is with the caveat that the timeframes are different.

More respondents expected to convert buildings into homes over the next five years than did during the previous three years.  Also, more respondents expected to bring empty homes back into use over the next five years than did during the previous three years.

Fewer respondents built for the social sector than for the private sector, but more respondents expected to build for the social sector over the next five years than did during the past three years.

More respondents expected to sell homes across the full range of price brackets in the following five years than had during the previous three years.

## Obstacles

- What are the current barriers to small developers building homes?
- How do small developers envisage the barriers changing (improving, getting worse) over the next five years?

The findings suggest that SME developers' biggest obstacle during the past three years was with the planning system. The majority of respondents had experienced difficulties obtaining planning consent for development during the previous three years and expected this to be the case during the next five years.

The majority of respondents had experienced difficulties with infrastructure during the past three years, including negotiating Section 75 Agreements (S75s)[1] and meeting S75 obligations.

Fewer respondents expected to experience financial obstacles over the next five years than had experienced them during the past three years, which suggests a level of optimism among SMEs for the future.

More than one in three respondents had experienced issues related to a lack of skills during the past three years, and there was concern that this skills shortage would continue.

## Solutions

- What actions or changes do small developers think are needed to improve their output?

Respondents called for direct government action on financial issues, suggesting more public funding should be made available for development. They also suggested working with banks to develop solutions to the lack of development finance, the cost of development finance, and the lending criteria.

Respondents called for central government to influence local authorities and utility companies on planning and the delivery of utilities. Some respondents went further, suggesting greater centralisation of infrastructure and planning. Scottish Water was singled out as causing particular issues and respondents called for a review of this organisation.

Respondents saw the value in engaging more openly with government and utility providers, either individually or as a group, in order to foster mutual understanding and develop relationships that could be used to overcome obstacles.

It was also recognised within some responses that the industry could address the skills shortage by training more apprentices.

## Government Initiatives

- What is the level of knowledge of small developers about the Building Scotland Fund, the Help to Buy schemes, and the New Scottish Shared Equity scheme?
- What is their level of interaction with each scheme?
- How many homes have they sold under each scheme during the previous three years, and how many do they expect to sell over the next five years?

The SME developers who responded were well aware of the Help to Buy schemes. Most respondents had registered under one of the schemes, and roughly half had made sales under at least one of them. However, most had not made any sales under the Help to Buy schemes during the past three years, and most did not expect to make any sales under it during the next three years.

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[1] Section 75 Agreements are contracts entered into between a landowner and the planning authority detailing planning obligations.

Levels of knowledge and engagement with the Building Scotland Fund and the New Scottish Shared Equity scheme were far more limited with most respondents having not heard of either.

## Staffing and Subcontractors

- How many apprentices do developers currently employ, and do they intend to retain apprentices once they have completed their apprenticeship?

- How many people do developers currently employ, and has this increased, stayed the same or decreased during the past three years?

- What subcontractors do developers use?

Just under half of respondents currently employed apprentices. Of these, most intended to retain them once they had completed their apprenticeship.

For most respondents, their number of employees had either increased or stayed the same during the past three years. However, almost half of respondents did not currently employ any staff, and 21 of 57 respondents subcontracted out all their work.

Most respondents used a wide range of subcontractors with only one respondent reporting using no subcontractors.

## Conclusion

Small housing developers in Scotland were relatively optimistic about the numbers of homes that they expected to deliver in the five years following this survey. However, they still expected to face a number of obstacles, such as: difficulties with the planning system; financial barriers; problems with infrastructure; and delays in the delivery of utilities. They also expressed frustration over additional work, loss of income and viability problems stemming from these obstacles.

Respondents made calls for financial (and other) assistance from central government, and for more co-operation between local government and utility providers. They suggested that individually and jointly they could initiate open engagement with stakeholders in their areas to foster mutual understanding of the issues each faces.

The Help to Buy Scheme (Scotland) schemes were well known amongst SME developers, but relatively few had recently made sales under it, or expected to in the foreseeable future. Awareness of and engagement with other relevant government initiatives was limited.

# 1. Introduction

The Scottish Government's vision is that everyone in Scotland will live in affordable, quality homes that meet their needs. The National Performance Framework includes an indicator of the percentage of households who report being either 'very satisfied' or 'fairly satisfied' with their house or flat.[2] In order to achieve satisfaction with housing, it is vital that all developers, including small and medium-sized developers, can contribute to creating affordable, quality homes.

During summer 2019, the Scottish Government conducted an online survey of small and medium-sized enterprise (SME) developers to find out what obstacles they had experienced during the previous three years and expected to experience during the next five years. Fifty-seven developers responded.

This survey largely based on a similar survey of SME developers conducted during the summer of 2016. The 2016 survey suggested that small housing developers in Scotland were optimistic about the number of homes that they expected to deliver during the five years following the survey. However, they expected to face a number of obstacles, with financial barriers the most common. Difficulties with the planning system and infrastructure were also highlighted as common concerns.[3]

This report investigates the experiences and expectations of small developers in Scotland, and considers the ways in which the Scottish Government could help them to deliver more homes.

## Research Questions

The survey was designed to provide information to inform policy decisions for enabling small developers to build new homes. It aimed to answer the following questions:

- What was the output of small developers in the last three years and what did they expect it to be over the next five years?

- What were the current barriers to small developers building homes?

- How did small developers envisage the barriers changing (improving, getting worse) over the following five years?

- What actions or changes did small developers think were needed to improve their output?

- What level of knowledge and interaction did small developers have about relevant Scottish Government initiatives, such as the Building Scotland Fund, the Help to Buy schemes, and the New Scottish Shared Equity scheme?

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[2] https://nationalperformance.gov.scot/satisfaction-housing

[3] https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2016/11/small-housing-developers-scotland-views-outputs-future-prospects-obstacles-solutions/documents/00510241-pdf/00510241-pdf/govscot%3Adocument/00510241.pdf

The 2016 survey asked developers about their experiences during the previous three years and their expectations for the following five years. These timeframes were retained for consistency. The terms 'small (housing) developers' and 'SME (housing) developers' are used interchangeably in this document.

## Geography

The respondents represented a diversity of small and medium-sized housing developers in Scotland. They covered all regions of Scotland, including rural, semi-rural and urban areas.

**Table 1.1: Respondents grouped by Help to Buy local authority area groups**

| Area | Local Authority | Main business area |
|---|---|---|
| **Central Scotland** | Angus<br>Clackmannanshire<br>Dundee City<br>Falkirk<br>Perth and Kinross<br>Stirling | 8 |
| **Highlands and Islands** | Na h-Eileanan an Iar<br>Highland<br>Orkney Islands<br>Shetland Islands | 5 |
| **North-East** | Aberdeen City<br>Aberdeenshire<br>Moray | 11 |
| **South-East** | Edinburgh<br>East Lothian<br>Fife<br>Midlothian<br>Scottish Borders<br>West Lothian | 16 |
| **West** | Argyll and Bute<br>Dumfries and Galloway<br>East Ayrshire<br>East Dunbartonshire<br>East Renfrewshire<br>Glasgow City<br>Inverclyde<br>North Ayrshire<br>North Lanarkshire<br>Renfrewshire<br>South Ayrshire<br>South Lanarkshire<br>West Dunbartonshire | 17 |
| **Total** | | 57 |

Respondents were asked to state the local authority area in which they carried out the largest proportion of their business and to then list any other areas in which they undertook business during the past three years. The full detailed results are set out in Annex A as Table A.1 and show that survey respondents delivered in 30 of the 32 local authority areas in Scotland (Argyll & Bute and Na h-Eileanan an Iar were the only areas not represented). Respondents were then grouped by the same areas used in the 2016 report for consistency. The results are set out in  Table 1.1 above, which shows most respondents delivered their main business in the West of Scotland and the South East of Scotland, while only five delivered their main business in the Highlands and Islands.

**Table 1.2: Respondents by Rural, Semi-rural and Urban categories**

| Local Authority | Category | Main business area |
|---|---|---|
| Aberdeenshire<br>Angus<br>Argyll & Bute<br>Na h-Eileanan an Iar<br>Dumfries and Galloway<br>East Ayrshire<br>Highland<br>Moray<br>Orkney<br>Perth & Kinross<br>Scottish Borders<br>Shetland Islands<br>South Ayrshire<br>Stirling<br>Clackmannanshire | Rural | 24 |
| East Dunbartonshire<br>East Lothian<br>East Renfrewshire<br>Fife<br>Inverclyde<br>Mid-Lothian<br>North Ayrshire<br>North Lanarkshire<br>Renfrewshire<br>South Lanarkshire<br>West Dunbartonshire<br>West Lothian | Semi-rural | 18 |
| Aberdeen<br>Dundee<br>Edinburgh<br>Falkirk<br>Glasgow | Urban | 15 |
| **Total** | | 57 |

Respondents were characterised as rural, semi-rural and urban according to the Randall Definition[4] as set out in Table 1.2 above.

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[4] Originally produced in 1985 for the Scottish Economic bulletin as a means of profiling economic trends and indicating need for support in rural Scotland. The system is based upon population density within a unitary

# 2. Output

This chapter addresses the following questions:

- What has small developers' output been in the last three years?
- What do they expect it to be for the next five years?

The survey included questions on types of work, private and social sector building, and sales by cost of homes. In each case we report on the findings for the group as a whole, and where there were observable differences, the findings for rural, semi-rural and urban respondents.

## Types of work – Previous three years

Respondents were asked a number of questions about the nature of their work over the past three years.

### Type of work undertaken

Table 2.1 shows that, for the majority of developers that responded to the survey, all or most of their business over the previous three years was new build only five did no new build work.

**Table 2.1: Proportions of types of work undertaken in previous three years**

| Proportion of their work | New build | Extensions | Refurbishment | Empty homes | Conversions |
|---|---:|---:|---:|---:|---:|
| All | 36 | 0 | 0 | 1 | 1 |
| Most | 10 | 1 | 3 | 1 | 3 |
| Some | 6 | 10 | 14 | 3 | 5 |
| None | 5 | 46 | 40 | 52 | 48 |
| **Total** | 57 | 57 | 57 | 57 | 57 |

Most respondents did not build any extensions or undertake any refurbishment work. Only three respondents answered that most of their work was refurbishing existing homes, and one respondent answered that most of their work was extending existing homes.

Most respondents said that none of their business during the past three years had come from contract work, whereas only three said all of their work had come from contract work.

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authority. Where a unitary authority has a population density of less than one person per hectare it is considered Rural. http://www.gov.scot/Publications/2009/08/07115535/14

## Bringing homes back into use, number of empty home and building conversions

The survey asked respondents who had brought empty homes back into use during the past three years how many they had achieved during this period.

Most respondents did not convert any buildings into homes during the past three years. However, for two respondents, converting buildings into homes was all or most of their business. Of the five respondents who had brought empty homes back into use, two had achieved three, one had achieved four, one had achieved eight and one had achieved twelve.

The survey also asked respondents who had converted buildings into homes during the past three years how many they had achieved during this period. Of the nine respondents who had converted buildings into homes, five had achieved six or fewer, one had achieved 12, two 2 had achieved between 35 and 40, and 1 had achieved 90.

# Types of work – Following five years

Respondents were asked a number of questions about expected nature of their work over the next five years.

### Type of work expected to be undertaken

Table 2.2 sets out the respondents' expected proportions of work for the following five years. More respondents expected to build new homes in the next five years than built homes in the previous three years (56 compared with 52), and fewer developers expected build none (only one as opposed to five).

**Table 2.2: Proportions of types of work expected in next five years**

| Proportion of their work | New build | Extensions | Refurbishment | Empty homes | Conversions |
|---|---|---|---|---|---|
| All | 35 | 0 | 0 | 0 | 0 |
| Most | 14 | 0 | 1 | 1 | 2 |
| Some | 7 | 11 | 17 | 10 | 19 |
| None | 1 | 46 | 39 | 46 | 36 |
| **Total** | 57 | 57 | 57 | 57 | 57 |

More respondents expected to bring empty homes back into use (11 compared to five) or undertake conversions (21 compared to nine) over the next five years than did so during the past three years, even accounting for the difference in timeframe.

### Number of empty home and building conversions

The survey asked respondents who expected to bring empty homes back into use during the next five years how many they expected to achieve during this period. Of the 12

respondents, seven expected to achieve five or fewer, four expected to achieve from ten to 20, and one expected to achieve 30.

The survey also asked respondents who expected to convert buildings into homes during the following five years how many they expected to achieve during this time period. Of the 21 respondents, twelve expected to achieve six or fewer, five expected to achieve from ten to 20, two expected to achieve between 45 and 70, and two expected to achieve 120 or more.

## Sectors

### Previous three years and following five years

Respondents were asked if the majority of their organisation's work undertaken during the past three years had been for the private sector or the social sector, and whether they expected the majority of their organisation's work over the next five years to be for the private sector or the social sector.

Table 2.5 shows that a large majority of respondents had built mostly for the private sector during the previous three years and expected to build mostly for the private sector during the next five years. Nine respondents had built mostly for the social sector during the past three years, and eight respondents expected to build mostly for the social sector during the next five years. On the whole, respondents did not appear to expect significant change during the next five years compared to the previous three years.

**Table 2.5: Sectors built for in previous three years and expected in the following five years**

| Sector | Past | Future |
|---|---|---|
| Mostly private sector | 43 | 43 |
| Mostly social sector | 9 | 8 |
| Even split | 5 | 6 |
| **Total** | 57 | 57 |

### Number of homes built

Table 2.6 below shows that private speculative development homes were the most common sector for which developers had built during the past three years. Only ten out of 57 respondents had built no private speculative development homes, whilst 19 had built more than 30. More than half had built no private custom build homes, more than half had built no homes for housing associations, a clear majority had built no homes for local authorities, and most had built no homes for mid-market rent.

However, respondents who had built for the social and mid-market sectors were likely to have built more than thirty homes for those sectors, with 14 out of 19 having built more than thirty homes for housing associations, ten out of 13 having built more than thirty homes for local authorities, and eight out of 14 having built more than 30 homes for mid-market rent.

**Table 2.6: Sectors built for in the previous three years**

| Number of homes | Private speculative | Private custom build | Housing associations | Local authorities | Mid-Market Rent | Other |
|---|---|---|---|---|---|---|
| None | 10 | 33 | 35 | 44 | 43 | 52 |
| 5 or fewer | 9 | 14 | 0 | 2 | 2 | 1 |
| 6-10 | 11 | 3 | 3 | 1 | 2 | 1 |
| 11-30 | 8 | 0 | 5 | 0 | 2 | 0 |
| More than 30 | 19 | 7 | 14 | 10 | 8 | 3 |
| **Total** | 57 | 57 | 57 | 57 | 57 | 57 |

Thirty-four developers had not built any homes for either housing associations or local authorities during the past three years. They were then asked in their own words why this was the case and they offered a variety of reasons, with the number who said each shown in brackets:

- Not interested in building social housing (5).
- No requirement to build social housing (4).
- Too difficult for small developers to get contracts (4).
- Never been asked to build for local authorities or housing associations (3).
- New entrant to the sector (3).
- No demand for new social housing in the area (2).
- Lack of available land (2).
- Company not set up to build for local authorities or housing associations (2).
- Lack of buying power (1).
- Procurement methods take too long (1).
- Local authorities and housing associations do not offer a good enough price (1).
- Lack of staff to deal with requirements (1).
- Too risky for small developers (1).
- Unable to find buyers (1).
- Currently building for mid-market rent (1).
- Company has been mothballed (1).

## Number of homes expected to be built

Table 2.7 below shows that most respondents expected to build private speculative development homes over the next five years, with more than half of all respondents

expecting to build more than 30. Roughly half of respondents expected to build private custom build homes over the next five years, though 15 of these expected to build five or fewer. Just over half expected to build no homes for housing associations, though of those who did, 21 expected to build more than 30. Only 16 respondents expected to build homes for local authorities, though half of those who did expected to build more than 30.

**Table 2.7: Sectors expected to be built for in the next five years**

| Number of homes | Private speculative | Private custom build | Housing associations | Local authorities | Other |
|---|---|---|---|---|---|
| None | 8 | 29 | 31 | 41 | 53 |
| 5 or fewer | 2 | 15 | 1 | 2 | 1 |
| 6-10 | 3 | 4 | 0 | 3 | 1 |
| 11-30 | 14 | 3 | 4 | 3 | 0 |
| More than 30 | 30 | 6 | 21 | 8 | 2 |
| **Total** | 57 | 57 | 57 | 57 | 57 |

Twenty-nine developers did not expect to build any homes for either housing associations or local authorities during the next five years. They were then asked in their own words why they thought that this would be the case. The reasons given were broadly similar to those given by those who had not built any homes for either housing associations or local authorities during the previous three years. The number who said each are shown in brackets:

- Too difficult for small developers to get contracts (7).
- Not interested in building social housing (5).
- Never been asked to build for local authorities or housing associations (4).
- Lack of available land (3).
- Lack of buying power (3).
- No demand for new social housing in the area (2).
- Lack of staff to deal with requirements (1).
- Too difficult to identify decision makers in housing associations or local authorities (1).
- New entrant to the sector (1).
- Company not set up to build for local authorities or housing associations (1).

## Private or social sector building – rural, semi-rural and urban

Table 2.8 sets out the findings by rural, semi-rural and urban groups. Respondents operating mainly in semi-rural areas were somewhat more likely to have built or expect to build mostly for the social sector. Otherwise, there were no obvious differences.

**Table 2.8 Sectors built for in previous three years and following five years – rural, semi-rural and urban**

| Sector | Rural | | Semi-rural | | Urban | |
|---|---|---|---|---|---|---|
| | **Past** | **Future** | **Past** | **Future** | **Past** | **Future** |
| Mostly private sector | 18 | 20 | 13 | 11 | 12 | 12 |
| Mostly social sector | 4 | 3 | 4 | 3 | 1 | 2 |
| Even split | 2 | 1 | 1 | 4 | 2 | 1 |
| Totals | 24 | 24 | 18 | 18 | 15 | 15 |

## Homes sold by cost category

The previous two sections considered numbers of **builds**. Respondents were also asked about the numbers of homes that they **sold** in different price brackets. House prices differed significantly by location and as most respondents operated in rural areas and, to a lesser extent, the West of Scotland, this will impact on the findings. Once again, the respondents' experience of the previous three years and expectations for the following five years were compared. The findings are set out below in Table 2.9.

**Table 2.9: Number of respondents who sold (and expecting to sell) in cost categories**

| Timescale | Under 175K | 175K – 200K | 200K – 230K | 230K – 250K | 250K – 325K | Over 325K |
|---|---|---|---|---|---|---|
| Previous three years | 32 | 33 | 22 | 23 | 21 | 24 |
| Following five years | 39 | 39 | 39 | 36 | 40 | 32 |

*Totals will not match base as respondents sell in more than one category

Over the previous three years, more respondents sold homes in the lowest two cost categories. Fewer respondents sold homes in the higher value categories.

Expectations for the following five years also showed a relatively even spread, with 36-40 out of 57 respondents expecting to sell homes in each category with the exception of the over £325,000 category (32).

Table 2.10 below sets out the number of homes in each price bracket that respondents had sold during the past three years and those they expected to sell over the next five years. It shows that more developers were expecting to sell in each price bracket and that they also expect to sell higher numbers in the £200,000 - £230,000 bracket, the £230,000 - £250,000 bracket, and the £250,000 - £325,000 bracket, even accounting for the difference in time frame.

**Table 2.10: Number of homes sold (and expected to sell) in cost categories – All respondents**

| Number of homes | Under 175K | | 175K - 200K | | 200K – 230K | | 230K – 250K | | 250K – 325K | | Over 325K | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Past | Future | Past | Future | Past | Future | Past | Future | Past | Future | Past | Future |
| More than 30 | 10 | 15 | 8 | 11 | 3 | 11 | 2 | 10 | 5 | 10 | 5 | 7 |
| Between 6 and 30 | 13 | 16 | 19 | 21 | 13 | 22 | 8 | 19 | 9 | 20 | 9 | 13 |
| 5 or fewer | 9 | 8 | 6 | 7 | 6 | 6 | 13 | 7 | 7 | 10 | 10 | 12 |
| Total selling in category | 32 | 39 | 33 | 39 | 22 | 39 | 23 | 36 | 21 | 40 | 24 | 32 |

*Totals will not match base as respondents sell in more than one category

# Summary

For the majority of respondents, new build work had been all or most of their output during the past three years, and most expected this to remain the case over the following five years.

More respondents expected to covert buildings into homes or bring empty homes back into use over the following five years than did so during the previous three years.

Fewer respondents had built for the social sector than for the private sector, but more respondents expected to build in each sector during the following five years than had during the previous three years.

More respondents expected to sell homes in each of the price brackets in the following five years than had done in the previous three years, especially in the £250,000 to £325,000 price bracket, though as the timeframes were different, it should be caveated that these figures are not directly comparable.

# 3. Obstacles

This chapter addresses the following two questions:

- What are the current obstacles to small developers building homes?
- How do small developers envisage the obstacles changing (improving, getting worse) over the next five years?

## Obstacles – all

Respondents were asked to choose, from a list provided, up to three of the biggest obstacles to building they had experienced over the last three years, then to mention any other obstacles. Whilst all 57 respondents answered the first part of the question, only 45 gave an answer to the second part. Respondents were then asked to predict the top three obstacles that they expected to face in the following five years. The results are set out in Table 3.1 below.

**Table 3.1: Obstacles to building in the previous three years and expectations for the following five years**

| Obstacles | Last three years | | | Next five years |
|---|---|---|---|---|
| | Top three[5] | Any others | Total | Top three |
| Time lost waiting for infrastructure provision | 36 | 10 | 46 | 32 |
| Unable to obtain planning consent for development | 33 | 10 | 43 | 35 |
| Cost of meeting infrastructure and S75 obligations | 23 | 9 | 32 | 22 |
| Unable to buy or obtain an option on land | 9 | 18 | 27 | 10 |
| Time lost negotiating S75s | 12 | 12 | 24 | 9 |
| Lack of skills | 10 | 12 | 22 | 17 |
| Lack of development finance | 16 | 5 | 21 | 13 |
| Cost of development finance | 10 | 10 | 20 | 9 |
| Lack of mortgage finance for customers | 3 | 9 | 12 | 7 |
| No desire to build more homes (already busy) | 2 | 1 | 3 | 1 |
| Other | 7 | 8 | 15 | 4 |
| **Totals** | **57** | **45** | **57** | **57** |

[5] Number of respondents who chose each option as a 'top three' obstacle. Totals will not match bases as respondents were able to select in more than one category

## Infrastructure obstacles

The most common obstacle experienced by respondents during the past three years was the time lost waiting for infrastructure provision. A further ten respondents chose it as one of the other obstacles that they had experienced during the past three years, indicating that 46 respondents had experienced this as an obstacle during the past three years.

Difficulties with S75s were also common; 32 respondents answered that during the past three years, the cost of meeting infrastructure and S75 obligations had been an obstacle, with 23 respondents choosing it as one of their top three obstacles. In addition, 24 respondents answered that the time lost negotiating S75s had been an obstacle, with 12 including it as one of their top three obstacles.

The top three obstacles to building that respondents expected to face over the next five years were broadly similar, with 32 respondents answering the time lost waiting for infrastructure provision, 22 respondents answering the cost of meeting infrastructure and S75 obligations, and nine answering the time lost negotiating S75s.

## Planning obstacles

Table 3.1 above indicates that a majority of respondents felt that the inability to obtain planning consent for development was one of their three biggest obstacles during the past three years, and a further ten indicated that it had been an obstacle for them during the past three years. This was also the most common obstacle that respondents expected to face during the next five years, with 35 out of 57 respondents indicating that this was one of their top three expected obstacles.

## Financial obstacles

The question prompted respondents with a number of different potential financial obstacles. Table 3.1 indicates that the most common financial obstacle cited during the past three years was the lack of development finance, with 16 respondents choosing it as one of their three biggest obstacles, and a further five indicating that it had also been an obstacle. Whilst a similar number (20 compared to 21) indicated that the cost of development finance had been an obstacle for them overall, fewer respondents (ten compared to 16) included it amongst one of their three biggest obstacles. Twelve respondents overall cited the lack of mortgage finance for customers as an obstacle to building during the past three years, though only three included it as one of their three biggest obstacles.

Fewer respondents expected the lack of development finance and the cost of development to be among their three biggest obstacles over the next five years than had experienced them during the past three years. However, more respondents (seven compared to three) expected the lack of mortgage finance for customers to be one of their three biggest obstacles during the next five years than had experienced it over the past three years.

It was anticipated that a significant proportion of respondents were likely to have had difficulties with S75s. The survey asked those who had chosen at least one of the options relating to S75s to explain in their own words what those difficulties were. The responses were classified as shown in Table 3.2 below.

**Table 3.2: Infrastructure (S75) issues**

| Obstacles | Number of respondents |
|---|---|
| Difficulties and delays with agreements/consents/sign off/local authorities/bureaucracy/technical approval and providers | 20 |
| Costs too high/costs unrealistic/unviable | 15 |
| Delays/difficulties with utilities | 6 |

\* Totals will not match bases as responses may be coded in more than one category

The majority of respondents (20 out of 36) with S75 issues referred to difficulties or delays with the process of S75 agreements, often relating to bureaucracy. Fifteen respondents said that the costs related to S75s were too high, unrealistic or unviable in their area. Six respondents mentioned delays or difficulties with utilities provision. Some direct quotations illustrate this problem clearly.

On the subject of bureaucratic difficulties, one respondent said:

> *"Getting agreement from various authority departments as to what is necessary, and how much we should pay, is time consuming and interest sapping."*

Another respondent drew attention to the difficulties posed by S75 fees:

> *"Our latest development (currently at planning) has been quoted as £7,800 per plot for S75 fees. The planned sale value for these homes varied between £150k-£185k. To try and lose 4.2%-5.5% on these is impossible, so the sale prices of the houses will have to rise. This means potentially taking longer to sell and buyers having to raise higher mortgages."*

One respondent mentioned difficulties with both processes and costs:

> *"The procedures and costs are burdensome for small developers, the RCC (Road Construction Consent) only lasts 3 years but in remote rural areas it takes well over 3 years to fill a development and complete the roads. The imposition of Developer Contributions also adds to the prices of new homes and slows down the annual sales."*

Another respondent described difficulties with utilities that relate to S75s:

> *"We have experienced real difficulties in receiving Scottish Water technical approval. This has cost us thousands of pounds in delays to complete our developments. Out of all of the utility companies, Scottish Water are the worst without question.*
>
> *They take a ridiculous amount of time to engage, then making very slow progress of applications and processing approvals. Whilst many large scale house builders have the benefit of a direct contact in Scottish Water, we the small house builders get nothing like that and have to rely on being dealt with in the system."*

## Lack of Skills

Ten respondents indicated that a lack of skills had been one of their three biggest obstacles to building during the past three years, with a further 12 listing it as one of the other obstacles that they had faced. In terms of the next five years, seventeen respondents indicated that they expected a lack of skills to be one of their three biggest obstacles; a small increase from the past three years.

Respondents who indicated that they had experienced or expected to experience a lack of skills were then asked to state in their own words which skills they had found to be or expected to be lacking. The results are set out in Table 3.3 below.

**Table 3.3: Skills found to be lacking in the past 3 years and expected to be lacking in the next 5 years**

| Skills | Past | Future |
|---|---|---|
| Bricklayers | 12 | 7 |
| All Trades | 7 | 8 |
| Joiners | 7 | 4 |
| Ground-workers | 4 | 1 |
| Plumbers | 3 | 2 |
| Electricians | 2 | 2 |
| Rough-casters | 1 | 1 |
| Painters/Decorators | 1 | 1 |
| Labourers | 1 | 1 |
| Ceramic tilers | 1 | 1 |
| Planners | 1 | 1 |

* Totals will not match bases as responses may be coded in more than one category

The most common skills shortage was bricklayers, with more than half of the 17 respondents who answered this question saying that they had experienced a shortage of bricklayers during the past three years. Further to this, seven respondents said that they had experienced a shortage of all trades during the past three years, and eight said that they expected to experience a shortage of all trades during the next five years. Seven respondents had also experienced a shortage of joiners.

The next most frequently mentioned skills shortage was joiners, with seven respondents experiencing a shortage of joiners during the past three years, and four respondents expecting to experience a shortage of joiners during the next five years.

## Summary

The majority of respondents had experienced difficulties with obtaining planning consent for development during the previous three years and expected this to be the case during the next five years.

The majority of respondents had experienced difficulties with infrastructure during the past five years. These included the time lost negotiating S75s, the cost of meeting infrastructure and S75 obligations, and the time lost waiting for infrastructure provision.

Fewer respondents expected to experience financial obstacles, such as the lack of development finance or the cost of development finance, over the next five years than had experienced them over the past three years.

More than one in three respondents had experienced a lack of skills during the past three years. The most common skills shortage reported was bricklayers, followed by joiners.

# 4. Government changes

This chapter addresses the following research question:

- What actions/changes do small developers think are needed to improve their output?

Respondents were asked to make suggestions for actions that would improve their organisation's output that could be undertaken by the UK Government, the Scottish Government, local government, the building industry, and other relevant stakeholders. Not all respondents clearly differentiated between the different levels of levels of government in their responses.

## Suggested changes – UK Government

Although all 57 respondents answered the question about the actions required by the UK Government to improve their organisation's output, most suggested actions that were within the remit of either the Scottish Government or local government. These have been analysed in the relevant sections. Many of these actions related to planning procedures, building regulations, Scottish Water, and apprenticeship schemes.

For example, one respondent called for the UK Government to extend some its own Help to Buy initiatives to Scotland. Another respondent called for the UK Government to allocate funding to support the delivery of affordable housing via the Barnett settlement. It appears that there may be a high level of uncertainty amongst SME housing developers as to which levels of government are responsible for different policy areas.

Fourteen respondents suggested actions that could be undertaken by the UK Government within the existing devolution settlement. Eight mentioned or alluded to Brexit in their response, with the numbers who made each suggestion included in brackets:

- Resolve Brexit to reduce economic uncertainty (5).
- Remain in the European Union (2).
- Try to stop suppliers from inflating prices of materials due to Brexit (1).

Six respondents suggested that the UK Government could take action on finance, such as the regulation of banks. Of these, one respondent called for the UK Government to *'compel the high street banks to be more positive and progressive in providing reasonable (interest level) loans to house building SMEs'.* Another specifically called for the regulation of business-to-business lending to provide greater protection to borrowers.

Two respondents called for lower taxes, one of which specifically mentioned corporation take. One further response said that the UK Government should avoid unnecessary changes in regulatory requirements for small businesses and to minimise uncertainty in economic outlook.

Six respondents explicitly stated that there was nothing that the UK Government could do to improve their organisation's output.

# Suggested changes – Scottish Government

The vast majority of respondents suggested actions that they believed would help to improve their organisation's output that could be undertaken by the Scottish Government. Although some respondents made these suggestions under the questions about either the UK Government or local government rather than the Scottish Government, they have been included here.

## Planning

The largest number of suggested solutions that could be implemented by the Scottish Government related to the planning system, with 29 respondents calling for changes to the planning system at a Scottish Government level. Of those who made specific suggestions the majority sought changes to the planning system, the numbers who made each suggestion are included in brackets:

- Introduce measures to streamline the planning process (9).
- Introduce measures to speed up the planning process (7).
- Make the planning process more consistent across Scotland (5).
- Fast-track the planning process for small developers (3).
- Increase central funding for planning and building control departments (2).
- Lower planning costs to reflect higher build costs (1).
- Greater independence for local authorities in the planning process (1).

## Finance and Funding

Eighteen respondents made suggestions for Scottish Government action that related to funding or finance. Some called for 'better development finance' or 'support on finance' without making specific suggestions. Beyond this, responses tended to fit into one of two categories: more public sector funding to small and medium developers or making development finance more accessible to small and medium developers.

One respondent suggested reviewing state aid rules to allow more funding for private developers working on town centre projects and expensive comprehensive rehabilitation projects. Another respondent called for the extension of funding for affordable housing beyond 2021. A respondent called for the introduction of more new-build finance packages. Another called for development funding to be accessible via a simplified process for small developers. Two respondents called for the establishment of a Scottish central bank that would provide low-cost development finance.

## Regulations

Nine respondents referred to government regulations in their response. Of these, three suggested that building regulations were too onerous. According to one respondent:

*"Regulations, building standards now gone steps too far. Costs to achieve the standards are killing development. Sale values do not reflect the increased costs incurred."*

Two respondents suggested that there needed to be more regulation of local councils. One of these respondents said that there should be the same standards across all regions and that local authorities should not be able to interpret the standards themselves.

## Utilities and Infrastructure

Twenty respondents said that the Scottish Government should take action to improve utilities and/or infrastructure. Of these, eight respondents specifically mentioned Scottish Water. A further five respondents also highlighted Scottish Water amongst their suggested actions for local government.

According to one respondent:

> *"Speed up planning and warrant procedures and sit down with utility companies, especially Scottish Water. There is no point in telling us they can help deliver more homes when Scottish Water continually deny or reduce planning applications due to lack of capacity. Invest in the required infrastructure."*

One respondent said that Scottish Water should be made to find a solution to the '*rainwater problem'*. Another said that their approach was inconsistent and decision-making processes took too long. One suggested that Scottish Water could provide a capacity map to show where developments may have problems.

One respondent made the following suggestion:

> *"A central coordinator contact person between developers and utilities where mains and services for each development could be uploaded on a server where they could be registered and logged with request for connection dates being accessible via an app or portal with time lines agreed in advance of each utility."*

Two respondents referred to S75s. Of these, one suggested that financial contributions on S75s could be set nationally instead of varying according to local council. Another said that small developers should pay a reduced S75 contribution, and suggested that buyers could pay towards this if LBTT was reduced.

Two respondents referred to road bonds, arguing that the Scottish Government should provide a fund or insurance scheme for the provision of road bonds.

Other suggestions included that that the Scottish Government should remove the requirement for legal servitudes for all utilities, that the Scottish Government should encourage infrastructure providers to be more development-focused, that the Scottish Government should invest further in infrastructure and utilities.

## Apprenticeships

Seven respondents said that the Scottish Government should take action on apprenticeships. Of these, three called for more apprenticeships, and two said that the Scottish Government should invest more in apprenticeships, with one of the latter emphasising that the net cost was currently too high for developers. One respondent said that there should be an incentive scheme for taking on more apprentices and other staff.

Linked to apprenticeships, one respondent said:

> *"Encourage high quality pupils to consider careers in the construction industry. At the moment, our perception is that the government encourages only those less able pupils to enter the construction industry."*

## Land Availability

Eight respondents said that the Scottish Government should take steps to make more land available for small and medium developers. Of those who made a specific suggestion, the numbers who made each suggestion are included in brackets:

- Reserve a percentage of land for small developers within larger allocations (3).
- Update the vacant and derelict land register (2).
- Provide more support to bring brownfield sites back into use (1).
- Introduce a 'land bank register' of land that could potentially be used for development (1).

## Government initiatives

Six respondents said that the Scottish Government should make changes to the Help to Buy scheme. Five of these said that the maximum house values for the scheme should be raised, with two specifying that the price ceiling should be raised to £250,000.

One respondent said that the Scottish Government should continue the Building Scotland Fund.

## Taxation

Five respondents said that the Scottish Government should take action on taxation. The numbers who made each suggestion are included in brackets:

- Reduce Land and Buildings Transaction Tax (LBTT) rates (2).
- Review LBTT rates (1).
- Reduce or abolish the 4% additional dwellings tax as it is slowing the market at the lower end (1).
- Abolish the additional dwellings tax for development properties (1).

## Building Warrants

Two respondents mentioned building warrants amongst the actions that the Scottish Government could take. One called for a radical re-think of the whole building warrant process:

> *"I think you should look at how ships are built. Ships are built to the accepted international standards of construction, and sea trials are completed at the end to make sure that's been done. There are penalties that ensure that people adhere to the specifications. A similar process could be followed. Planning permission needs to be retained in order to protect the aesthetics of the environment, but if developers then commit to building the development to the appropriate standards of construction, it*

*does away with the requirement of the Building Warrant. All that's being asked is that the project is built to the right standards. This is already checked by the NHBC surveyor and (depending on the contract) by the managing architect, the contacts administrator, or the bank surveyor. It would not be difficult to set up a penalty system and extend the NHBC surveyor requirement (which already proves to the buyer that their home has been built properly)."*

The other respondent suggested that the Scottish Government should allow *'Self-Certification of technical matters (Site Investigations, Ecology etc.) similar to Structural Engineer SER for Building Warrant'*.

## Suggested changes – Local government

The vast majority of respondents made suggestions for actions that could be undertaken by local government, and most related to planning, zoning, or land availability.

### Planning

The majority of respondents (36 in total) said that local government should take action on planning in order to help to improve their organisation's output. Of these, 20 said that they would like the planning process to be faster or more streamlined. The quotations below illustrate typical responses:

*"Streamline planning process, the length and depth of consultations and the pre-application enquiries when trying to progress a planning application is proving to be a real obstacle when trying to secure planning consents for site."*

*"Speed up planning process, by focusing on planning and not ancillary services. More Building Control officers. Planning officers to be given authority and support to reject irrelevant public objections."*

Six respondents called for greater resourcing or investment in planning departments. For example:

*"Investment in planning departments. Funding should be ring fenced to ensure sufficient staff are employed and new staff are attracted."*

One respondent complained of inconsistencies in the planning process:

*"There is also the problem of inconsistencies when applying for planning permission i.e. it appears to depend on who is dealing with planning as to how the proposals are interpreted."*

Two respondents commented on the general level of control exercised by planning departments. Of these, one said that the planning authorities should be 'much less dictatorial'. According to the other:

*"Improve resourcing and reduce control of planning departments. They are continually re-designing well thought out, economical developments and are in a position of too much control (where they tend not to have practical, construction knowledge)."*

Two respondents called for greater consistency in planning departments with greater input from planners.

### Land availability and zoning

Seven respondents identified land availability and zoning as areas on which local government could take action. Of these, three said that local government should release more land, including two that specifically called for the release of brownfield sites. One said that local government should identify more land, including smaller sites, and that less onerous conditions should be applied to smaller developments.

One respondent drew attention to the need to update vacant and derelict land registers:

> *"Meet to discuss the vacant and derelict land register. Update the register on an ongoing basis as current version was compiled in 2017 when a lot of the information was already out of date. Actively manage the register and take pro-active steps to bring land into use, in particular when a developer approaches the council with a plan to build social housing."*

Two respondents specifically mentioned zoning. According to one respondent:

> *"As a small developer we face a real challenge trying to compete with larger national builders when it comes to land zoning and acquisition. Serious consideration should be given to zoning smaller land parcels to allow Small Housing Developers (SHDs) the opportunity to deliver in communities that are monopolised by bigger developers."*

## Suggested solutions – The industry and individual developers

Suggestions made by developers for actions that could be undertaken by the industry related to skills and training, lobbying, building standards, and a range of others.

### Skills and training

Twenty-one respondents suggested that the industry should take action relating to skills and training. Of these, 11 respondents explicitly said that the industry should train more apprentices. The following responses are illustrative:

> *"A mandatory industry wide scheme of having 10% of the workforce employed as apprentices would go a long way to plugging the skills shortage that emerged when the industry is busy."*

> *"Larger housebuilders should be forced to train apprentices. Reducing the training is not the answer."*

Other respondents did not mention apprenticeships, but did say that the industry needed to invest in skills shortages. According to one respondent:

> *"The industry needs to address the potential skills shortage. The CITB (Construction Industry Training Board) should not have withdrawn from school career fairs and job fairs. The industry has to be seen as an attractive and credible industry where you can learn a skill and contribute to the built environment."*

### Lobbying and working with government

Five respondents said that the industry should lobby government. Within these, one respondent said that the industry should lobby local and national government to streamline the planning process for smaller sites, and another said that the industry should petition government to ensure that vacant and derelict land and vacant properties are brought back into use.

Four respondents suggests that the industry could work more with government to co-ordinate plans or to improve government understanding of the sector. One of these suggested that developers could help develop state aid rules and statutory consents, especially planning, water and sewerage consents.

### Building standards

Two respondents said that the industry should introduce more stringent building standards. One of these said that the industry should create a level playing field across all sizes of house building with minimum standards for safety and quality. The other called for mandatory technical standards, such as space standards, that go beyond existing building regulations.

## Suggested changes – Other relevant stakeholders

Fewer than half of respondents suggested actions that could be undertaken by other relevant stakeholders to improve their organisation's output.

### Utilities

Eleven respondents suggested actions that could be undertaken by utility companies. Of these, four explicitly referred to Scottish Water. Two said that Scottish Water needed to become more customer-orientated, and one highlighted problems with surface water and existing combined systems. Another respondent argued that Scottish Water should remove some of their existing restrictions:

> *"Scottish Water should remove any restrictions on small sites under 25 units where an increased burden would have the minimum impact on their infrastructure. Small builders should not be paying for impact studies on networks owned by a highly profitable business that should know the capabilities of its network."*

Beyond this, three respondents said that utility providers needed to increase the pace of service provision, and two respondents said that communication between different utility providers needed to improve. One also said that utility companies should have an obligation to provide temporary supplies during the building stage.

### Finance

Five respondents suggested actions relating to finance that could be undertaken by other relevant stakeholders. Three of these explicitly referred to banks, and included suggestions that banks should adopt a more focused approach to lending, reduce borrowing interest rates, and be more receptive to SME loan applications.

One respondent said that mortgage providers *'should embrace novel methods of construction'*. Another respondent called for easier access to funds without specifying further.

### Other actions

Two respondents said that there was a general need for other relevant stakeholders to embrace a more positive attitude towards development, one said that there should be more focus on regeneration and brownfield development, and one said that other relevant stakeholders should be willing to take more risk.

Whilst this could have been included under Scottish Government actions, one respondent made the following suggestion for Scottish Environmental Protection Agency (SEPA):

> *"SEPA should take a more educational and partner-building approach to the industry. No-one wants to cause pollution, so offering advice and good practice while visiting sites would be a benefit."*

## Summary

Solutions included calls for (more) financial help, more co-ordination (of infrastructure and planning), and more co-operation between developers and those delivering planning, infrastructure and utilities. The need for action to be taken on or by Scottish Water was a recurrent theme.

# 5. Government Initiatives

This chapter addresses the following research questions:

- What is the level of knowledge of small developers about the Building Scotland Fund, the Help to Buy schemes, and the New Scottish Shared Equity scheme?
- What is their level of interaction with each scheme?
- How many homes have they sold under each scheme during the previous three years?
- How many homes do they expect to sell under each scheme during the next five years?

## Building Scotland Fund

Respondents were asked if they had heard of the Building Scotland Fund and, if so, how they had interacted with it. More than half had not heard of it, and only five had applied to use it. The results are set out in Table 5.1 below.

**Table 5.1: Knowledge of and interaction with the Building Scotland Fund**

|  | Number of respondents |
|---|---|
| Applied to use it | 5 |
| Heard of it but not applied to use it | 22 |
| Not heard of it | 30 |
| Total | 57 |

Respondents who had heard of the Building Scotland Fund were then asked how they had heard about it. The results are set out in Table 5.2 below.

**Table 5.2: How respondents had heard about the Building Scotland Fund**

|  | Number of respondents |
|---|---|
| Homes for Scotland | 13 |
| Press and media | 9 |
| Other builders | 1 |
| Estate agents | 1 |
| Friends | 1 |
| Total | 25 |

Respondents were then informed that "the Scottish Government Building Scotland Fund was designed to support the development of new housing, modern industrial and commercial space, and industry-led research and development". They were informed that "the £150 million fund intended to invest £70 million during 2018/19 and £80 million over the 2019-20 and 2020-21 financial years, and that the funding threshold was reduced to £350,000 to encourage more applications from SMEs in January 2019". Respondents were then asked whether this made a difference to their organisation. A large majority of respondents said that they were not aware that the threshold had been reduced, compared to nine respondents who said that they were. Respondents were then asked whether this made a difference to their organisation; 14 answered yes, 15 answered no, and 27 did not know.

## Help to Buy

Respondents were asked if they had heard of any of the Help to Buy (Scotland) schemes and, if so, how they had interacted with it. All respondents had heard of it, and almost one in two had made sales under it. The results are set out in Table 5.3.

**Table 5.3: Knowledge of and interaction with any Help to Buy (Scotland) scheme**

|  | Number of respondents |
|---|---:|
| Registered and made sales under it | 27 |
| Registered and sales pending under the scheme | 4 |
| Registered with the scheme but no sales made under it | 12 |
| Heard of it but not registered on it | 12 |
| Not heard of it | 0 |
| **Total** | 55 |

Three respondents chose 'Other, please specify'. Of these, two 2 said that the Help to Buy scheme was not applicable to them due to the low price threshold, and were deemed to have heard of the scheme but not registered on it. The final respondent said that they were not currently investing in housebuilding, and was excluded as their prior level of interaction with the scheme was unclear.

Another respondent who initially answered that they had not registered with any Help to Buy scheme later indicated that they had, and was therefore removed.

Respondents were then asked which out of two Help to Buy (Scotland) schemes that they had heard of. The results are detailed in Table 5.4 below.

The 43 respondents who had said that they had registered with Help to Buy (Scotland) were then asked which out of two Help to Buy (Scotland) schemes that they had registered with. The results are also detailed in Table 5.4 below. More respondents had registered

with the Help to Buy (Scotland) Small Developers scheme than had registered with the Help to Buy (Scotland) scheme.

**Table 5.4: Level of interaction with each Help to Buy scheme**

| Scheme | Heard of it | Registered with it |
|---|---|---|
| Help to Buy (Scotland) scheme | 37 | 19 |
| Help to Buy (Scotland) Small Developers scheme | 35 | 28 |
| **Total** | 54 | 43 |

* Totals will not match bases as respondents could choose more than one category.

The ten respondents who had validly answered that they had not registered with Help to Buy (Scotland) were asked why they had not registered with it. Their responses were as follows, with the number giving each response indicated in brackets:

- It did not seem relevant for their business (8).
- It looked too complicated to register (1).
- Looking to register soon (1).

# New Scottish Shared Equity for Developers (Lift scheme)

Respondents were asked if they had heard of the New Scottish Shared Equity for Developers (Lift scheme) and, if so, how they had interacted with it. Very few had registered on it, and almost half had not heard of it. The results are set out in Table 5.5.

**Table 5.5: Knowledge of and interaction the new Scottish Shared Equity for Developers (Lift scheme)**

| | Number of Respondents |
|---|---|
| Registered and made sales under it | 1 |
| Registered and sales pending under the scheme | 0 |
| Registered with the scheme but no sales made under it | 3 |
| Heard of it but not registered on it | 28 |
| Not heard of it | 25 |
| **Total** | 57 |

Two respondents chose 'Other, please specify' and stated that the scheme was not applicable to them due to the low price threshold. These respondents were deemed to have heard of the scheme but not registered on it.

## Outputs: Past three years

Respondents were asked how many of the speculative build (or other) homes that they had developed over the past three years had been sold under the Help to Buy (Scotland) scheme. Most had sold none. The results are set out in Table 5.6.

**Table 5.6: Number of speculative build (or other) homes developed over the past three years sold under the Help to Buy (Scotland) scheme**

| Homes | Number of Respondents |
|---|---|
| None | 39 |
| 5 or fewer | 7 |
| Between 6 and 10 | 4 |
| Between 11 and 30 | 3 |
| More than 30 | 4 |
| **Total** | 57 |

Respondents were then asked how many of the speculative build (or other) homes that they had developed over the past three years had been sold under the Help to Buy (Scotland) Small Developers scheme. Most had sold none. The results are set out in Table 5.7.

**Table 5.7: Number of speculative build (or other) homes developed over the past three years sold under the Help to Buy (Scotland) Small Developers scheme**

| Homes | Number of Respondents |
|---|---|
| None | 41 |
| 5 or fewer | 4 |
| Between 6 and 10 | 2 |
| Between 11 and 30 | 8 |
| More than 30 | 2 |
| **Total** | 57 |

Respondents were also asked how many of the speculative build (or other) homes that they had developed over the past three years had been sold under the New Scottish Shared Equity for Developers scheme. One respondent said that they had sold between six and ten, whilst all 56 other respondents said that they had sold none.

The 28 respondents who had not sold any homes under any Scottish Government initiatives during the past three years were then asked to explain in their own words the main reason for this. The results were as follows, with the number of each explanation in brackets. Some respondents provided more than one reason:

- The price thresholds were too low (6).
- No buyers had been interested (4).
- Focused on building for the social sector (4).
- Focused building for the high-end market (2).
- Only recently registered (2).
- New company (2).
- Properties are typically bought by buy-to-let investors (1).
- Cannot compete with larger developers (1).
- Not secured planning permission for developments (1).
- Process seemed too complicated (1).

## Outputs: Next five years

Respondents were asked how many of the speculative build (or other) homes that they estimated that they would develop over the next five years would be sold under the Help to Buy (Scotland) scheme. Most expected to sell none. The results are set out in Table 5.8.

**Table 5.8: Number of speculative build (or other) homes estimated to be developed over the next five years that will be sold under the Help to Buy (Scotland) scheme**

| Homes | Number of Respondents |
|---|---|
| None | 36 |
| 5 or fewer | 5 |
| Between 6 and 10 | 6 |
| Between 11 and 30 | 2 |
| More than 30 | 8 |
| **Total** | 57 |

Respondents were then asked how many of the speculative build (or other) homes that they estimated that they would develop over the next five years would be sold under the Help to Buy (Scotland) Small Developers scheme. Most expected to sell none. The results are set out in Table 5.9.

**Table 5.9:  Number of speculative build (or other) homes estimated to be developed over the next five years that will be sold under the Help to Buy (Scotland) Small Developers scheme**

| Homes | Number of Respondents |
|---|---|
| None | 30 |
| 5 or fewer | 5 |
| Between 6 and 10 | 6 |
| Between 11 and 30 | 9 |
| More than 30 | 7 |
| **Total** | 57 |

Respondents were also asked how many of the speculative build (or other) homes that they estimated to develop over the next five years would be sold under the New Scottish Shared Equity scheme. Most expected to sell none. The results are set out in Table 5.10 below.

**Table 5.10:  Number of speculative build (or other) homes estimated to be developed over the next five years that will be sold under the Help to Buy (Scotland) Small Developers scheme**

| Homes | Number of Respondents |
|---|---|
| None | 49 |
| 5 or fewer | 2 |
| Between 6 and 10 | 2 |
| Between 11 and 30 | 4 |
| More than 30 | 0 |
| **Total** | 57 |

The 18 respondents who estimated that they would not be building any homes under any Scottish Government initiatives in the next five years were asked to explain in their own words why this was the case. The responses were as follows, with the number of respondents included in brackets:

- The price thresholds were too low (5).
- The process seemed too complicated (2).
- Focused on delivering affordable homes (2).
- Not expecting to be offered (2).

- Cannot compete as the costs are too high (1).
- Lack of financial support (1).
- Focused on building for the social sector (1).
- Lack of customer interest (1).
- Not current target market (1).
- Not currently investing in house building due to other barriers (1).
- Still need to investigate the schemes (1).

## Summary

The Help to Buy schemes are well known by small and medium housing developers, and roughly half of respondents had made sales under it.

Most respondents had not made any sales under either Help to Buy scheme during the past three years, and most did not expect to make any sales under it during the next three years.

More than half of respondents had not heard of the Building Scotland Fund, and only five had applied to use it.

Just over half of respondents had heard of the New Scottish Shared Equity scheme, but only four had registered on it.

# 6. Staffing and subcontractors

This chapter addresses the following questions:

- How many apprentices do developers currently employ, and do they intend to retain apprentices once they have completed their apprenticeship?

- How many people do developers currently employ, and has this increased, stayed the same or decreased during the past three years?

- What subcontractors do developers use?

## Apprentices

Respondents were asked about the number of apprentices that they currently employed. The results are set out in Table 6.1 below. More than half said that they did not currently employ any apprentices, whilst just under half said that they did.

**Table 6.1: Number of apprentices currently employed**

| Apprentices | Number of respondents |
|---|---:|
| None | 30 |
| 1 to 3 | 13 |
| 4 to 6 | 5 |
| More than 6 | 9 |
| **Total** | 57 |

Of the 27 respondents who said that they currently employed apprentices, 25 said that they intended to retain them once they had complicated their apprenticeship, while two said that they did not. The latter two were then asked to explain why they did not intend to retain them once they had completed their apprenticeships. Both said that this was because they subcontracted all their labour and would not have positions available for them.

## Employees

Respondents were asked how many, if any, people they currently employ. The results are set out in Table 6.2 below. Almost half said that they did not currently employ any people, and 24 said that they employed five or fewer people.

**Table 6.2: Number of people currently employed**

| Employees | Number of respondents |
|---|---|
| None | 28 |
| 5 or fewer | 24 |
| Between 6 and 10 | 2 |
| Between 11 and 30 | 2 |
| Between 31 and 50 | 0 |
| More than 50 | 1 |
| **Total** | 57 |

Respondents were then asked whether the number of people they employed had increased, stayed the same or decreased compared to three years ago. The majority of respondents said that their number of employees had either increased or stayed the same, while eleven said that it had decreased.

The 11 respondents who reported that the number of people they employ had decreased compared to three years ago were asked why this was the case.

- Building fewer properties due to financial constraints (4).
- Staff have left and not been replaced (2).
- Employment of an Full Time Equivalent (FTE) employee was terminated (1).
- Lack of local labour and apprenticeship training (1).
- Not enough sales (1).
- Previous company was forced into liquidation (1).
- Company has been mothballed (1).

## Subcontractors

Respondents were asked which subcontractors they had used during the past three years. Most respondents had used a wide range of subcontractors. The results are set out in Table 6.3.

**Table 6.3: Subcontractors used during the past three years**

| Subcontractors | Number of Respondents |
|---|---|
| Plumbing | 53 |
| Electrical | 52 |
| Joinery | 50 |
| Bricklaying | 47 |
| Plastering and decorating | 52 |
| Roofing | 50 |
| Gas | 41 |
| Renewables | 40 |
| **Other** | 10 |

* Totals will not match bases as responses may be coded in more than one category.

Subcontractors specified by respondents who chose 'Other, please specify' included groundworks, landscaping, fencing, painting, civil engineering, decontamination, and foundation constriction.

Respondents were then asked what proportion of their work was subcontracted out. Twenty-one said all, 17 said most, 18 said some, and one said none.

## Summary

Just under half of respondents currently employed apprentices. Most respondents who currently employed apprentices intended to retain them once they had completed their apprenticeship.

For most respondents, their number of employees had either increased or stayed the same during the past three years. Although almost half of respondents did not currently employ any staff.

Most respondents used a wide range of subcontractors, and more than one in three subcontracted out all their work.

# Conclusions

Overall, small housing developers in the survey appeared to be relatively optimistic about the numbers of homes that they expected to deliver in the five years following this survey. Nevertheless, they still expected to face a number of obstacles, such as problems with infrastructure, difficulties with the planning system, financial barriers and delays in delivery of utilities. They expressed frustration over additional work, loss of income and viability problems stemming from these obstacles.

## Output

The majority of respondents were focused primarily or exclusively on new build work, and more respondents expected to build new homes during the next five years than did during the previous three years. More respondents expected to convert buildings into homes over the next five years than did during the previous three years, and more respondents expected to bring empty homes back into use over the next five years than did during the previous three years. Fewer respondents built for the social sector than for the private sector, but more respondents expected to build for the social sector over the next five years than did during the past three years. More respondents also expected to sell homes across the full range of price brackets in the following five years than had during the previous three years. It should be caveated that the difference in timeframes means that these results are not directly comparable, but they do suggest that more developers were expecting to enter a wider range of sectors and activities in the future.

## Obstacles

The biggest obstacle for SME developers during the past three years was found to involve the planning system. The majority of respondents had experienced difficulties with obtaining planning consent for development during the previous three years and also expected this to be the case during the next five years. Most respondents had also experienced difficulties with infrastructure during the past three years, such as with negotiating S75s and meeting S75 obligations. More than one in three respondents had experienced a lack of skills during the past three years, and similar numbers expected this to continue. On the other hand, fewer respondents expected to experience financial obstacles over the next five years than had experienced them during the past three years, suggesting a level of optimism in this area.

## Solutions

Respondents called for a range of actions from both local and national government that they believed would improve their organisation's output. This included action on funding and finance, such as more public funding for development, and working with banks to develop solutions to the difficulties over the lack of development finance, the cost of development finance, and lending criteria. Respondents also called for central government to influence local authorities and utility companies on planning and the delivery of utilities. Scottish Water was frequently identified as a particular issue.

Respondents also saw the value in themselves either individually or as a group engaging more openly with government and utility providers in order to foster mutual understanding and develop relationships that could be used to overcome obstacles. Further to this, some respondents suggested that the industry could address the skills shortage by training more apprentices.

## Government Initiatives

The Help to Buy schemes were well known by SME developers. Most respondents had registered under one of the schemes, and roughly half had made sales under at least one of them. However, most had not made any sales under the Help to Buy schemes during the past three years, and most did not expect to make any sales under it during the next three years. Levels of knowledge and engagement with the Building Scotland Fund and the New Scottish Shared Equity scheme were far more limited.

## Staffing and subcontractors

Just under half of respondents currently employed apprentices. Of these, most intended to retain them once they had completed their apprenticeship.

Almost half of respondents did not currently employ any staff. For most respondents, their number of employees had either increased or stayed the same during the past three years. However, most respondents used a wide range of subcontractors, with some contracting out all of their work.

# Annex A: Method and Detailed Tables

## Method

The research consisted of an electronic survey of small developers. The sample was not intended to be statistically representative of all small developers, but efforts were made to include a full range of small developers from across Scotland (urban and rural, and of different sizes). This method means that the findings have been reported as the absolute number of responses and as patterns in answers.

The survey was distributed by email to members of Homes for Scotland, to members of the Federation of Master Builders, and to developers registered on at least one of the Help to Buy (Scotland) schemes.

### A note on timeframes

Respondents were asked about their experiences over the previous three years and their expectations for the following five years. These timeframes were kept from a similar survey conducted three years prior to this one.

### A note on sample size

Fifty-seven responses were received. Every response was valid and represented a developer's experience and expectations. Given the number of responses, the spread across the country, the spread of sizes of enterprise and the degree of consensus in the responses, it was possible to say that the responses may overall have been suggestive of the perspectives of small developers in Scotland in general. On the contrary, when respondents were grouped by size and geography, the smaller categories were unlikely to have represented the majority of experiences and expectations of the particular group due to the very small sample sizes. Consequently, detailed analysis by size and geography has not been undertaken.

### A note on 'base' sizes

The base set out in each table was the number of respondents that answered each particular question. In the most cases, the base was 57, as all questions were compulsory. In a few cases, questions were only presented to respondents who had answered a previous question in a particular way, resulting in a base below 57. Occasionally, invalid responses had to be removed from the data. It is key to understanding the findings to know the bases because they gave an indication of the weight of the issue. So for example, if 10 of 57 respondents had answered the question in a particular way, it was likely that the answer, although valid and significant for those 10, was less of an issue than if 10 of 14 did so.

### Respondents by local authority area

Table A.1 below sets out the number of respondents by each local authority area. Respondents were asked to indicate the local authority area in which they had undertaken most of their business during the past three years. This is detailed in the first column. Respondents were then asked to indicate any other local authority areas in which they had

undertaken business during the past three years. These results are detailed in the second column. The 'Total' column indicates the total number of respondents who had undertaken business in each local authority area.

**Table A.1: Numbers of respondents doing main and other business by local authority area**

| Local authority | Most business | Other business | Total |
|---|---|---|---|
| Aberdeen City | 2 | 3 | 5 |
| Aberdeenshire | 5 | 3 | 8 |
| Angus | 1 | 3 | 4 |
| Argyll & Bute | 0 | 0 | 0 |
| Clackmannanshire | 0 | 3 | 3 |
| Dumfries and Galloway | 3 | 1 | 4 |
| Dundee | 3 | 6 | 9 |
| East Ayrshire | 1 | 3 | 4 |
| East Dunbartonshire | 1 | 1 | 2 |
| East Lothian | 0 | 5 | 5 |
| East Renfrewshire | 0 | 1 | 1 |
| Edinburgh | 3 | 6 | 9 |
| Falkirk | 1 | 3 | 4 |
| Fife | 4 | 6 | 10 |
| Glasgow | 6 | 4 | 10 |
| Highland | 3 | 5 | 8 |
| Inverclyde | 1 | 1 | 2 |
| Midlothian | 1 | 5 | 6 |
| Moray | 4 | 2 | 6 |
| Na h-Eileanan an Iar | 0 | 0 | 0 |
| North Ayrshire | 1 | 1 | 2 |
| North Lanarkshire | 2 | 10 | 12 |
| Orkney | 1 | 0 | 1 |
| Perth & Kinross | 2 | 4 | 6 |
| Renfrewshire | 0 | 1 | 1 |

| Local authority | Most business | Other business | Total |
|---|---|---|---|
| Scottish Borders | 2 | 3 | 5 |
| Shetland | 1 | 0 | 1 |
| South Ayrshire | 0 | 2 | 2 |
| South Lanarkshire | 2 | 9 | 11 |
| Stirling | 1 | 2 | 3 |
| West Dunbartonshire | 0 | 1 | 1 |
| West Lothian | 6 | 4 | 4 |
| **Total** | 57 | N/A | N/A |

**How to access background or source data**

The data collected for this <statistical bulletin / social research publication>:

☐ are available in more detail through Scottish Neighbourhood Statistics

☐ are available via an alternative route <specify or delete this text>

☐ may be made available on request, subject to consideration of legal and ethical factors. Please contact <email address> for further information.

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