

Economic Data Inquiry

Homes for Scotland

Homes for Scotland is *the* voice of the home building industry.

With a membership of some 200 organisations together providing 95% of new homes built for sale in Scotland each year as well as a significant proportion of affordable housing, we are committed to improving the quality of living in Scotland by providing this and future generations with warm, sustainable homes in places people *want* to live.

1 Introduction

- 1.1 Homes for Scotland (HFS) is *the* voice of the home building industry in Scotland, with a membership of some 200 organisations together providing 95% of all new homes built for sale across the country as well as a significant proportion of affordable housing.
- 1.2 HFS makes submissions on national and local government policy issues affecting the industry. Its views are endorsed by committees and advisory groups utilising the skills and expertise of key representatives drawn from our member companies.
- 1.3 We therefore welcome the opportunity to provide evidence to the Economy, Jobs and Fair Work Committee on the issue of Economic Data, not least because the home building industry is a key driver of economic growth, and plays a central role in the physical, economic and social fabric of Scotland.
- 1.4 In the call for evidence the Committee outlined the remit of this inquiry as follows:
 - ✦ to examine the accuracy, utility and comprehensibility of Scottish economic statistics;
 - ✦ to consider what data is required for effective delivery and scrutiny of policy; and
 - to recommend where any improvements might be made.
- 1.5 The Committee requested responses which address the following specific themes:
 - ✦ Accuracy (how reliable is the data)
 - ✦ Utility (how useful is it)
 - ✦ Interpretation (how to make sense of it)
 - ✦ Scrutiny (what are we measuring and does it encourage effective scrutiny).

2 Statistics and the Scottish home building industry

- 2.1 Scotland needs more new homes. In order to make Scotland a better place in which to live, work and invest, it is essential that we have

enough homes of all tenures in the right locations to meet the diverse housing needs and aspirations of our growing population. Nothing is more important to the welfare of Scotland's people than a good quality home that meets their needs and provides a safe, secure and long-term foundation for them to live happily and develop their potential.

- 2.2 As the voice of the home building industry in Scotland, we work to ensure a policy and planning environment in which home building can thrive, because in doing so we not only help meet the housing needs of Scotland's people, but we also create jobs, generate significant additional Gross Value Added (GVA) to the Scottish economy, contribute to improved health and education outcomes, help tackle climate change and improve the overall energy efficiency of Scotland's total housing stock.
- 2.3 With housing also intrinsically linked to a wide range of other policy areas, ensuring that all those living in Scotland have access to a range of quality housing options is fundamental to our country's social wellbeing as well as its future growth and success. According to independent analysis commissioned and published by HFS, a total of 15,562 new homes were built in Scotland in 2014, generating the following benefits:
- ✦ £730m invested in land and buildings for homes
 - ✦ £614m spent on suppliers
 - ✦ £3.2bn direct, indirect and induced GVA (2013).¹
- 2.4 In addition, in 2014 the home building industry supported over 63,000 jobs in Scotland, creating 4.1 jobs for every home built and providing hundreds of graduate and apprentice opportunities as well as delivering over £139m tax revenue and over £83 million investment in affordable housing, education, leisure and community facilities and infrastructure (via section 75 contributions).² Therefore, as a key driver of Scotland's economic wellbeing and vitality, it is important that decision makers and industry leaders have ready access to a reliable, accurate and useful range of key performance data in order to monitor key trends in the housing market and to protect, develop and sustain the Scottish home building sector going forward.

3 Homes for Scotland response

- 3.1 HFS monitors and analyses a diverse range of information to better understand the current economic environment for housing. This information is derived from some datasets that might not strictly be defined as 'economic data' but for the purposes of this response we have considered all data that provides useful insights into a detailed understanding of the housing system in its widest sense, as well as housing's contribution to the wider economy.

¹ Nathaniel Lichfield & Partners for Homes for Scotland (2015) "The Economic and Social Benefits of Home Building in Scotland" – see <http://bit.ly/2iKFx4K> ² Ibid.

3.2 This information comes from many different sources, some of it carrying official statistical status from Scottish Government or the Office of National Statistics (ONS) and other sources that do not publish 'official statistics' as such but do regularly publish data that provide good indicators of activity related to the housing market. As it stands, no single body can provide all the necessary information or data to fully describe the housing system in all its complexity. This requires data gleaned from many disparate sources: data which has strengths and weaknesses that we expand on below.

3.3 Some of the most relevant and useful sources of data that HFS works with include:

3.3.1 **The Scottish Government (SG)** which publishes a huge array of relevant data related to housing. This includes detailed information on housing starts and completions, as well planning performance data. The starts/completions data published by the SG provides the benchmark for the sector and is derived from Local Authority returns based on their building control activity. This information is collated and validated against other proxy indicators for house building activity and provides the most authoritative statistic of activity across Scotland and its Local Authority areas. However, because the private completions data is derived from Local Authority returns there is considerable lag in reporting the output of the private completions. This means these figures are always a quarter behind the social housing completions data and at least 6 months out of date by the time they are published. To overcome this slight weakness and to get a more current picture of completions, HFS is currently exploring various other datasets which provide useful proxies for housing completions. These additional datasets come from a variety of sources and include:

3.3.2 **Scottish Water (SW)** is in a unique position to provide information about new connections in Scotland. HFS is currently in dialogue with SW on this matter and there are some encouraging signs that the connections data may provide some helpful and timely insights. The connection figures are based on the amount of infrastructure charges that SW collects each year; every new property connecting to the SW network is liable for such an infrastructure charge.

3.3.3 **Energy Performance Certificates (EPCs)** can provide very useful insights into the volume of new dwellings and their size / energy efficiency/ location. This is a key information resource but currently in Scotland this data is not accessible in the same way it is in England and Wales, where more than 15 million EPC records with full address information are downloadable. We have explored some of this data in England and Wales and believe it provides very useful additional insights to housing completions which are not available elsewhere. We are aware of SG plans to publish EPC data at a more granular level

and we very much welcome any such initiatives. We will continue to engage with SG statisticians to consider how best this new information resource might be utilised to better understand new dwellings in terms of size, type and location.

3.3.4 **Registers of Scotland (RoS)** produces aggregate analysis of residential sales activity and house prices across Scotland and its 32 Local Authority areas. This information complements the official UK House Price Index from ONS which provides a variety of detailed house price indices by property type and geography. However, because RoS charges licence fees to access its granular Residential Sales data, it is not utilised as much as it might otherwise be by the many organisations who would benefit from full access to property level price paid information for all residential sales. In England and Wales this data is freely available as a download from the Land Registry website, so we would be keen to see the equivalent Scottish data made similarly accessible. We are particularly interested in new build sales data which RoS has begun to report on, as it could provide powerful insights on what is being sold where and when and we believe it could offer enhanced information compared with what is currently available in England and Wales through the Land Registry. We look forward to considering this in collaboration with RoS.

3.4 It is worth pointing out that the skills and resources required to interrogate these various large datasets are not necessarily found across all organisations. There is clearly a need for collaboration across the housing and planning sector so that best use can be made of these new information opportunities.

3.5 Local authority Housing Land Audits are published at different times by each authority and there is value in collating the data contained in these audits into a national resource that can be explored and analysed more readily than is currently the case. We are aware that the Improvement Service has already undertaken this collation exercise as part of its Spatial Hub and we look forward to considering how the wider housing and planning sectors might make better use of this important information

3.6 **The Bank of England** publishes an enormous range of financial statistics and data. Some of the most useful and timely information relating to the home building sector is mortgage approvals for the entire UK, though it does not currently provide any geographical splits to this data, which means approvals data is currently not available for Scotland alone. Mortgage Approvals are a good lead indication of the actual mortgage activity that can be expected in subsequent months.

3.7 **UK Finance** (encompassing Council of Mortgage Lenders) produces a range of data on mortgage lending across the UK and its constituent countries. The Scotland data on mortgages is published a little later than the UK-wide numbers, but still provides the basis for very useful

insights into the market here. One gap in the data for Scotland is a lack of detail on Buy to Let lending which provides a good indicator of landlord appetite for investment in the Private Rented Sector.

- 3.8 **Her Majesty's Revenue and Customs (HMRC)** produces useful monthly counts of residential transactions which provide a consistent basis for comparing residential sales activity across UK and its constituent countries. The HMRC data for Scotland is now derived from information supplied by Revenue Scotland. **Revenue Scotland** publishes monthly statistics on all notifiable residential transactions which provides timely information on sales by particular price bands in Scotland only. This complements data published by Registers of Scotland.
- 3.9 The **Land Registry** publishes price paid data for all residential transactions in England and Wales. This data includes full address and postcode, and is freely available, which makes a whole range of analysis possible that is impossible to achieve in Scotland without licensing data from Registers of Scotland.
- 3.10 HFS considers **Planning Application Data** in dialogue with its members and also makes use of commercially-sourced data such as **Glenigan's** planning data to get a detailed overview of all relevant planning decisions related to housing. This provides the basis for analysis of the likely future supply of housing in terms of projects and units, which we plan to publish soon. We are also currently exploring the SG's planning performance statistics at a granular level as part of a small collaborative research project. It is hoped this data provides potential for some further insights into the housing system and helps identify where there are any particular issues with respect to planning delays.
- 3.11 The **National House Building Council (NHBC)** publishes a range of data on completions derived from its warranties data. This is the basis for DCLG's published housing completions data that has come under the spotlight recently for undercounting actual activity, because whilst NHBC's website states that it currently insures over 1.6m homes, with a market share of approximately 80% - the fact is the proportion of the new build market which it covers (i.e. their market share) fluctuates.

4 Summary & Conclusions

- 4.1 The variety and complexity of the socio-economic data becoming available is increasing dramatically. This data has the potential to support a far deeper understanding about the homes that are built and the places where those homes are situated, as well as the people within them and how those homes are performing.
- 4.2 Making sense of all this disparate information is not straightforward and the particular skill sets required to do this are not necessarily within a single organisation. This suggests a more sophisticated and

collaborative approach to exploring and dissemination of economic data might be appropriate, something which has been hard to achieve in the housing and planning sectors to date.

- 4.3 One big barrier is the perception that this requires **big** budgets or **big** IT systems: in all probability, it does not. What it does require is some specialist data skills and experience to be coupled with a commitment to collaborative approaches between the disparate organisations which are sitting on much of this data. By drawing on some of the latest web-based services, it is possible to explore and disseminate information rapidly and in ways that would have been extremely costly only a few years ago.