

Ian Walford
Acting Chief Executive

Longmore House
Salisbury Place
Edinburgh
EH9 1SH

Direct Line: 0131 668 8693
Direct Fax: 0131 668 8699
Switchboard: 0131 668 8600
hschiefexecutive@scotland.gsi.gov.uk

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Public Petitions Committee
Room T3.40
The Scottish Parliament
EDINBURGH
EH99 1SP

Dear Mr Howlett

PETITION PE1444

Thank you for sending me a copy of this petition and for raising this important issue. I have discussed this with colleagues in other parts of the Scottish Government and this letter therefore constitutes a single, collective Scottish Government response to your request for information.

The EU Council of Ministers agreed that Member States would have the power to vary the rate of VAT on repairs and maintenance to dwellings in 2009. Since then, the Scottish Ministers have made regular requests that the UK Government consider reducing VAT in this area.

Most recently, during 2012, the Cabinet Secretary for Culture and External Affairs repeatedly urged UK Government Ministers to abandon their new policy of imposing VAT on approved alterations to listed buildings, and to take a positive step in the other direction by reducing VAT on repairs and maintenance to people's homes. The Cabinet Secretary received letters from UK Government Ministers on 17 May 2012, 28 May 2012 and 18 July 2012 refusing to change their policy.

The impact on the historic environment of imposing VAT on approved alterations to listed buildings will be significant, notwithstanding the financial effect. Alterations to historic buildings are needed in order to ensure these culturally important buildings continue to have a role and are able to adapt to the modern world. Regrettably, this decision is not reversible due to European Regulations on VAT.

The Scottish Parliament held an important debate which touched on the topic of VAT relief for repairs and maintenance on 10 November 2011. The Parliament agreed by a large majority to pass the Motion laid by the Cabinet Secretary for Culture and External Affairs calling on the UK Government to reduce the rate of VAT levied on this category:

1.



Motion, as amended, agreed to,

That the Parliament recognises the importance of high-quality buildings and places and the vital contribution that they make to Scotland's economy as well as its cultural identity; acknowledges the importance of sharing skills, vision and practice in design and placemaking and the need to address the effects of climate change, engage communities and develop Scotland's skills base; recognises this, and the previous, administration's development of architecture, planning and design policies; acknowledges the economic benefit of reusing existing buildings, and calls on the UK Government to reduce VAT for renovations, repairs and home improvements to 5%, which would act as a significant stimulus to the building industry; notes that prioritising the use of brown field sites, in addition to the renovation of existing buildings, would both protect the greenbelt and enhance local communities, and considers that local communities should be an integral part of any regeneration of their local environment or facilities.

The UK Government has not acceded to requests from Scottish Ministers to reduce VAT on repairs and maintenance to dwellings. The Scottish Government will continue to take opportunities to press for this change, which we believe would improve the condition of people's homes, as well as stimulating economic activity in the construction sector and wider economy, bringing empty homes back into use and reducing the incentive to use non-VAT registered contractors.

The issue of declining building condition is not limited to tenements, or to 'traditional buildings'¹. The activity we are undertaking in respect of VAT is therefore only one strand in a range of inter-connected activities aimed at tackling the issue. The Cabinet Secretary for Culture and External Affairs held a Summit Meeting with Chief Executives from across the construction, financial and conservation sectors on 19 November 2012. The Summit heard that around 75% of Scotland's traditional buildings (those built before 1919) show disrepair to critical elements².

The summit acted as a launchpad for some exciting new projects to address the serious decline in building condition, including development of a pilot *Traditional Building Healthcheck* scheme. The Cabinet Secretary announced a range of projects to be taken forward with key delivery partners. These aim to address our problems with traditional buildings in a coordinated way, on several fronts, with the overarching aim of removing obstacles to a proactive approach to maintenance, and changing the reactive culture of crisis repairs. They included:

- * ***Establishing the Evidence Base*** – publishing existing strands of evidence on the condition of traditional buildings to establish a baseline for improvements. A paper,

¹ *Traditional Buildings* means buildings constructed using traditional methods and materials, usually before 1919, which is taken as a proxy measure for construction techniques in e.g. the Scottish House Condition Survey.

² Historic Scotland: *Establishing the Need for Traditional Skills* (2012)



- ❖ *Establishing the Need for Traditional Skills* is available on the Historic Scotland website: <http://conservation.historic-scotland.gov.uk/establishtraditionalskills.pdf>
- ❖ **Strategy for Culture Change** – developing a long-term strategy aimed at changing the reactive national culture of repair and maintenance.
- ❖ **Product Development and Incentives** – exploring how to motivate people to maintain their properties more proactively, e.g. through a pilot *Traditional Building Healthcheck* scheme, which we will be working with Construction Skills Scotland and the Stirling City Heritage Trust to develop.
- ❖ **VAT reduction on repairs and maintenance** – continuing to make the case for reducing the VAT rate into line with new-build projects
- ❖ **Public Sector Investment** – ensuring that grant streams are focused with an emphasis on encouraging repair and maintenance.

The Summit and the projects it launched contribute to the Government's policies relating to youth employment, sustainable housing, climate change and regeneration, and the overall goal of economic recovery and sustainable growth. These initiatives were developed in partnership with a range of stakeholders and the Built Environment Forum Scotland (BEFS) held a workshop for its members to discuss the issues beforehand.

The summit was hailed a success by attendees. Chairman of BEFS, Cliff Hague said: "Scotland's stock of traditional buildings needs care and attention. It makes economic sense to keep older buildings in a good state of repair – investment in regular maintenance saves on larger scale repair later. It supports local jobs and helps carbon reduction. This initiative should put repair and maintenance up the 'to do list' of everyone that has responsibility for, or a stake in, Scotland's built heritage."

ConstructionSkills Scotland will be working in partnership with Historic Scotland on the Traditional Building Healthcheck scheme. The organisation's Director, Graeme Ogilvy said: "The aim of the scheme from a construction point of view will be to stimulate the repair and maintenance market. The inspections will be independent, and contractors with the appropriate skills and qualifications will be appointed to undertake any work identified.

"This will encourage homeowners to undertake repairs, as those in the scheme would receive a report outlining the state of repair for their property, and locate a list of qualified contractors to undertake any work identified. The project will create more work for construction companies in Scotland, by enabling them to understand the criteria for becoming an approved contractor, and open up new work opportunities. In addition, it will drive up demand for repair and maintenance activities and will consequently increase demand for training and skills."

At the Federation of Master Builders, Director Grahame Barn said: "We strongly support Historic Scotland's Traditional Building Healthcheck scheme. Identifying problems quickly can prevent small jobs becoming, large expensive headaches for homeowners. The scheme is an excellent way to raise awareness of the repair and maintenance of traditional buildings,



as well as sustaining small local construction companies, who provide jobs and train apprentices in traditional building skills.”

I hope this is helpful.

Yours sincerely

IAN WALFORD
Acting Chief Executive