

NPF 4 – CALL FOR IDEAS

THE DELIVERY OF HOUSING AND THE MAINTENANCE OF A GENEROUS SUPPLY OF HOUSING LAND

1.00 Introduction

- 1.01 Paragraph 110 of SPP advises that development plans should identify a generous supply of housing land sufficient to maintain a minimum five year effective land supply at all times. This has been a consistent government policy for some decades. Despite that fact, each emerging strategic development plan and local development plan attracts representations from housebuilders and associated agencies seeking to increase the supply of housing land over that proposed by Planning Authorities.
- 1.02 This paper considers the individual elements in the process of securing the required generous supply of housing land and, in particular, the ability of a local development plan to maintain a minimum five year effective land supply at all times. The author of this paper has been a substantive private sector participant in each annual housing land audit in the North East of Scotland since 2003 and draws on that experience in the response for the 'call for ideas'.
- 1.03 Since 1975, the planning system has delivered housing land in the more populated parts of Scotland through a two tier administrative approach. Structure Plans and Strategic Development Plans set the amount of housing land required to meet demand and Local Plans and Local Development Plans identify individual allocations to meet the strategic allowances.
- 1.04 This two tier approach to housing land supply delivery has not been an unqualified success. At the strategic level, housing land supply is simply a numerical exercise undertaken without any possible regard for the ability of local development plans to identify effective allocations to meet the strategic allowances. This is particularly true in circumstances where spatial strategies direct allowances to specific locations within a single housing market area. The HNDA does not deliver information in terms of need below the level of the individual HMA or Administrative area. Accordingly, at a strategic level, there can be no available information base to assess whether the allowances can be translated into effective housing allocations having regard to a particular spatial strategy.
- 1.05 This disconnect between the strategic approach to housing land supply and the local development plan approach to the same issue has created an insurmountable problem. If the spatial strategy of the

structure plan or strategic development plan directs allowances to locations where it is impossible to identify allocations which are effective or capable of becoming effective in the relevant plan period then the delivery of a generous supply of housing land sufficient to satisfy the provisions of paragraph 110 of SPP, itself, becomes an impossibility. This problem cannot be resolved during the examination of a local development plan which, must necessarily, conform generally to the strategic development plan.

- 1.06 While the roll of strategic development plans in the delivery of a generous supply of housing land and housing may well be redundant in early course, understanding the implications of spatial strategies will continue to require careful consideration.
- 1.07 In the first instance, it is critically important to understand the methodology which must necessarily be used to determine the requisite housing allowances for any given plan period in any given HMA. The Planning Advice Note on housing land supply in circulation in 1996 provided a fairly simplistic approach to calculating the strategic housing land requirement. In effect, the number of households at the start of the plan period was deducted from the anticipated number of households at the end of the plan period and the result of this simple equation was then adjusted to accommodate demolitions and the provision of second homes etc. This approach has absolutely no regard to the need to maintain a minimum five year effective land supply at all times through the development plan.
- 1.08 The objective of the provisions of paragraph 110 of SPP is to ensure that at the end of any particular plan period there still remains a minimum five year effective land supply. Subject to a review of the strategic housing requirement, that residual land supply is then augmented to ensure that a minimum five year effective land supply exists at the end of the subsequent plan period.

2.00 Calculating the allowances necessary to satisfy paragraph 110 of SPP

2.01 At this first stage of the process of delivering the requisite land supply we are just dealing with numbers without any necessity to consider spatial strategies or the effectiveness of individual sites which might subsequently be allocated in local development plans.

2.02 To understand the difference between the methodology promoted many years ago in the Planning Advice Note that is still widely used today and the methodology which satisfies paragraph 110 of SPP two steady state models have been prepared and are given as Appendix A. Methodology A delivers the allowances necessary to meet the strategic requirements while Methodology B delivers the allowances necessary to maintain a minimum five year effective land supply based on the strategic requirements **at all times** during the relevant plan period. It is the words '**at all times**' in paragraph 110 of SPP that drive Methodology B. Without those words a development plan would just have to deliver the strategic housing allowances on day one of the first plan period to satisfy SPP. That is exactly what Methodology A actually achieves and why so many development plans incur supply shortfalls during the first plan period.

2.03 Both steady state models present the best case scenario. These are scenarios where there are no negative influences during the lifetime of the development plan which might adversely affect the full effective delivery of every allocation during the relevant plan period. In this hypothetical model the annual strategic target is met with absolute precision every year during each plan period. All existing sites in the effective land supply at the base date of the plan deliver their full anticipated capacity of housing within the relevant plan period. All sites programmed as effective beyond the five year watershed at the base date of the plan also deliver in full and as anticipated. No new allocations become constrained and, again, deliver their anticipated capacity of housing in full. The annual rate of supply attrition does not exceed the annual strategic requirement. In this ideal, best case scenario the additional allocations necessary to satisfy the flexibility percentage added to the strategic target to provide the strategic requirement are not needed but only in circumstances where Methodology B is utilised.

2.04 In this best case scenario the out-turn on the last day of the first plan period when Methodology B is used is that the minimum five year effective land supply is still available ready to be augmented by the allocations for the second plan period. Without using Methodology B, there is no way of calculating what the allowances might be required to maintain the minimum five year effective land supply beyond the end of the first plan period.

- 2.05 In the real world, many influences can have a negative impact on the performance of the development plan in maintaining the minimum five year effective land supply. These are noted below:
- Annual supply attrition exceeds the annual strategic requirement thus suggesting that the HNDA under-estimated demand across all tenures;
 - Sites in the existing effective supply at the base date of the development plan become constrained;
 - New allocations fail to be effective or become effective during the relevant plan period; and
 - Annual completion rates on larger development sites anticipated at the base date of the development plan fail to be achieved.
- 2.06 In these circumstances, the flexibility percentage becomes available to support the maintenance of the minimum five year effective land supply pending a review of the second plan period allowances and, if necessary, an early draw down of additional housing sites. A plan based on Methodology A runs into trouble early in the first plan period. The flexibility percentage is incapable of maintaining the minimum five year effective supply throughout the first plan period.
- 2.07 In summary, the use of Methodology B throughout Scotland provides the most robust and consistent method to determine the adequacy of a development plan's housing allowances.

3.00 HNSA

- 3.01 The HNSA is the starting point in the calculation of the housing allowances in the development plan. The primary purpose of the HNSA is to provide a genuine assessment of the housing land requirements over all tenures, in each HMA and in each Administrative Area. It should be demonstrably credible and robust.
- 3.02 To be robust and credible, the HNSA needs to be produced without any external interference. A application of a pre-determined spatial strategy which directs where the housing need is to be met and thus pre-judges and influences the out-turn of the HNSA should not pass the scrutiny of the Centre for Housing Market Analysis. It would be inconceivable, for instance, that the housing requirement in Falkirk could be numerically identical to that in Inverness in any given plan period. However, in the case of Aberdeen City and Aberdeenshire the bottom line housing requirements have been identical in each HNSA delivered since 2007 despite the differing populations, widely different population demographics and population forecasts. To balance the figures to accommodate this artificial distribution of housing need a component of the affordable housing need in the Shire part of the Aberdeen Housing Market Area has traditionally been re-located to the City without any prior approval of the elected Members of either Authority. Such practices should not be acceptable or tolerated within a planning system that seeks to be transparent and accountable.
- 3.03 The HNSA requires to accommodate demand across all tenures in full. By their very nature, assessments of housing need must necessarily be more accurate in year 1, i.e. the year after the input data has been analysed, rather than in later years. The requirements stated in the HNSA should not be demonstrably different from the anticipated completions provided by the Housing Land Audit in the early years after the publication date of the HNSA. Clearly, if the HNSA provides a requirement which is demonstrably less than the anticipated annual completion rate then the HNSA should not be considered to be robust or credible. In such circumstances, the precautionary principle should prevail and the anticipated completions over the five years from the base date of the plan or HNSA should form the minimum strategic target.

4.00 Annual Housing Land Audit

- 4.01 The housing land audit should provide an annual snapshot of the magnitude of the effective land supply available to meet the strategic target over the following five year period. At the base date of an emerging development plan the Housing Land Audit also provides the effective land supply which must be deducted from the strategic housing allowances to determine the numerical magnitude of the allocations which the local development plan must then identify.
- 4.02 In general terms, the annual housing land audit has a tendency to over estimate rather than under estimate the available effective land supply. The potential to over estimate the effective land supply originates from a number of sources. Housebuilders may inflate their anticipated completions on sites that are under construction or about to commence construction. This problem has previously been noted in Inverurie where the audit returns of a number of competing housebuilders exceeded the actual maximum annual demand in the settlement. The housing land audit audit committee agreed to an across the board percentage reduction to accommodate the cumulative over estimation.
- 4.03 A much more common problem is the inclusion of anticipated annual completions from sites that have no planning consent. The 2013 Housing Land Audit for the Aberdeen Housing Market Area contained 20 sites which were merely 'allocated' and devoid of any planning consent. The total contribution from these sites to the forward five year effective land supply was 3,327 houses equivalent to 30% of the overall effective land supply identified in the audit. The 2018 housing land audit revealed that these 20 sites had only delivered 1,103 houses in the previous five years. The 2013 audit result had been inflated by 2,233 houses on allocated sites that had no planning consent. The conclusion of the 2013 audit was that there was an effective supply sufficient for 5.7 years when a contribution from small sites of 507 houses was included. When the non performing 'allocated' sites are removed from the calculation the supply sufficiency dropped to just 4.54 years equivalent.
- 4.04 Because this issue is sufficiently significant to conceal whether or not a minimum five year effective land supply exists at any given audit point it is recommended that a consistent approach based on the precautionary principle is adopted throughout Scotland. Allocated sites without any planning consent should not contribute towards the five year effective land supply when first entering the housing land audit. If no planning application has been submitted in respect of a new allocation within four years of the audit date of entry the site should be constrained on ownership grounds, i.e. the site owner has not provided adequate commitment to delivering housing on the site within the relevant plan period.

- 4.05 In the case where a new allocation has obtained an 'in principle' planning consent at the behest of the landowner rather than an identified housebuilder it should be restricted to contributing to the five year effective land supply from year 5. Where an identified housebuilder has been responsible for submitting the 'in principle' planning application the contribution towards the five year effective land supply should not commence earlier than year 4. In cases where a full planning consent has been obtained by a landowner rather than an identified housebuilder the contribution towards the five year effective land supply should still commence in year 5. It is generally the case that when an identified housebuilder acquires a site that has the benefit of a planning consent obtained by the landowner the housebuilder is more than likely to apply for permission for an amended or different development proposal thus disregarding the initial planning permission.
- 4.06 In the case where an identified housebuilder has obtained a full planning permission or a matters specified in conditions consent the site should commence contributing to the effective five year land supply in year 3 except in circumstances where a building warrant and roads construction consent has also been obtained prior to the audit date.
- 4.07 In all cases where Scottish Water require to initiate a growth project to accommodate the approved development after planning consent has been granted the entry years for the first contribution of the site to the five year effective land supply should be set back by two years to reflect the generally experienced response time of Scottish Water to such circumstances.
- 4.08 In relation to local development plan preparation, constrained sites in the audit at the base date of the plan should not be counted towards meeting the strategic allowances. Similarly, while 'allocated' sites from a previous plan period without planning consent do not form part of the constrained supply at the base date of the development plan they should not be assumed to be effective for the purposes of calculating the strategic allowances. Taking an allocation through the planning system for the first time is the best way to ascertain whether or not it is effective or can become effective during the relevant plan period. In the absence such a critical test there cannot be sufficient confidence that the site will deliver housing within the relevant plan period.
- 4.09 Long term constrained sites require to be defined more accurately. If an allocation has been included within a local development plan but has not attracted a planning application on or before the fifth anniversary of its entry into the audit then it should be considered to be a long term constrained site. It should not be taken forward in subsequent plans. Instead it should merely be left within the settlement

boundary as white land on the basis that its constrained status might discourage development interest.

5.00 Flexibility percentage

5.01 The addition of a flexibility percentage to the strategic housing target to provide the strategic housing requirement represents an essential safeguard. It should ensure that the development plan has the capability of maintaining the minimum five year effective land supply at all times. Currently, the range of between 10% and 20% of the strategic housing target seems to be arbitrarily fixed and unrelated to the potential performance of the local development plan.

5.02 If the other recommendations in this paper are adopted then it is reasonable to fix the percentage at the lower 10% limit. However, the trade off for the adoption of the lower flexibility margin should be the introduction of an annual monitoring procedure. Every development plan should include a schedule of all new allocations and all effective sites in the existing land supply at the base date of the plan. The schedule should extract the annual housing land audit data including audit reference number, gross capacity, residual capacity, site area, planning status including the date of the grant of any planning consent and anticipated completions over the following five year period. An annual report to Scottish Ministers indicating whether the development plan is achieving the delivery of the strategic housing target in each HMA would identify whether there is a need for early intervention to augment the land supply if the effective land supply including the flexibility margin was likely to fall below the minimum five year strategic requirement. Similarly, early identification of non-performing allocations would be possible.

5.03 In circumstances where it is anticipated that a shortfall in maintaining the minimum five year effective land supply is likely to arise a rapid augmentation protocol should be introduced involving a call for sites, an appraisal of sites to establish effectiveness, community consultation through Community Councils and rapid approval by Planning Authorities as an addendum to the LDP Housing Schedule.

6.00 Summary and Conclusions

- 6.01 If there is to be a serious commitment to the delivery of more housing in Scotland the Government needs, in the first instance, to introduce a framework of measures that can be applied consistently across the whole country.
- 6.02 The mathematical model which ensures that the proposed land supply in any local development plan is numerically sufficient to maintain the minimum five year effective land supply at all times should be applied to all local development plans regardless of whether they have been adopted or are in the course of preparation. Those adopted LDPs that fail the mathematical test should be the subject of a rapid land supply augmentation protocol to ensure compliance by all Planning Authorities.
- 6.03 Directions relating to the proposed modifications to the housing land audit procedure should be introduced as a matter of urgency and the result of that exercise used to inform the mathematical assessment of each Local Development Plan's actual capacity to deliver housing and to maintain the minimum five year effective land supply.
- 6.04 Allocations in LDPs that contribute to meeting the strategic housing requirements and which are drawn from the constrained supply or existing sites that have no planning consent at the time of the next housing land audit should be discounted and the rapid land supply augmentation protocol used to replace their contribution by new effective sites. Where it is ascertained that a particular HMA cannot accommodate the supply augmentation through the identification of additional sites it is likely that the spatial strategy and the HNDA are defective. Immediate review of the HMA and adjacent HMAs should be initiated.
- 6.05 In circumstances where a Planning Authority is minded to maintain an existing spatial strategy to distribute housing allowances or allocations in a subsequent local development plan it should be necessary, in the first instance, to prepare a detailed report for Scottish Ministers identifying the distribution of housing completions and comparing same with the distribution of housing allocations promoted by the spatial strategy. In circumstances where there is a mismatch between the distribution of the allocations and actual completions the Planning Authority should be required to provide a modified spatial strategy which serves the objective of delivering a generous supply of housing land in locations where demand exists.

- 6.06 Annual monitoring of local development plan performance by reference to housing land audit data should continue for a period of five years followed by a review of the above recommendations to determine whether further or modified interventions at a national level are deemed necessary.
- 6.07 The recommendations made in this paper will provide the Scottish Government with the management tools necessary to ensure that a generous supply of housing land is delivered through the planning system as the essential precursor to the increased delivery of housing. The adoption of the recommendations will also assist in the medium to longer term programming of infrastructure delivery.

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