

Appendix 2: Letter from Chief Planner – “Providing an Effective Supply of Land for Housing”

Directorate for the Built Environment

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Heads of Planning

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Dear Colleague

Providing an Effective Supply of Land for Housing

I am sure you are aware that questions have been raised in some areas regarding the provision of an effective housing land supply as a result of the changed economic climate. In some cases developers have found it difficult or even impossible to finance housing developments and this situation threatens the delivery of new housing. The main issues have been the cost and difficulty of raising debt finance, shorter repayment periods, the tighter mortgage market and the general uncertainty over the long term market conditions. In some cases these factors have led to the land owner withdrawing land from the market because the price being offered is now below expectations. These factors mean that in some instances the approach to the planning and delivery of housing land has to be reconsidered.

Scottish Ministers continue to place a strong emphasis on the provision of new housing and therefore on maintaining a supply of land in the right places which is free of all constraints and can be developed. It is the role of the planning system to enable the development of well designed, energy efficient, good quality homes in sustainable locations. Housing development is also important as a contribution to the Government’s overarching objective of increasing sustainable economic growth.

Scottish Planning Policy (SPP) states that a supply of effective land for at least 5 years should be maintained at all times to ensure a continuing generous supply of land for housing. Planning authorities should monitor land supply through the annual housing land audit, prepared in conjunction with housing and infrastructure providers. Development plans should identify triggers for the release of future phases of effective sites where a 5 year effective supply is not being maintained.

The concept of ‘effective housing land’ centres on the question of whether a site can be developed i.e. whether “residential units can be completed and available for occupation” (Planning Advice Note (PAN) 2/2010: Affordable Housing and Housing

Land Supply paragraph 55). The PAN also says an effective site has to be free of seven specified constraints and bearing in mind the current economic climate I would like to draw your attention to the following extracts:

Ownership – the site is in the ownership or control of a party which can be expected to develop it or release it for development;

Physical – the market is strong enough to fund the remedial work required;

Deficit funding – any public funding required to make residential development economically viable is committed by the public bodies concerned;

Marketability – the site or a relevant part of it can be developed in the period under consideration;

Infrastructure – any required infrastructure can be provided realistically by the developer or another party.

In the changed economic climate, maintaining an effective 5 year land supply which meets these criteria will require a flexible and realistic approach. Constraints may have to be reassessed and the 'deliverability' of sites reconsidered.

If the circumstances affecting sites mean that there is no longer a 5 year supply of effective housing land, my expectation is that planning authorities will take steps to comply with the SPP. The housing land audit can be used to achieve this by identifying sites that are no longer effective and highlighting a need to bring forward new sites. This process will allow infrastructure providers to comment and enable any implications for the development plan strategy to be considered. Consideration should be given to a range of actions which may render sites developable, for example, phased funding and prioritisation of infrastructure. Where a planning authority has a 5 year supply of effective housing land but the impediment to developing that site is the general availability of mortgages or low level of demand from purchasers then there will be little if anything to be gained by releasing additional sites.

Work on many development plans is progressing well. Actions to deliver the housing policies and proposals, and the key infrastructure, are expected to be included in the Action Programmes. They will be an opportunity to demonstrate that an effective land supply for housing is being provided through an up-to-date, plan-led system. Supplementary guidance will be appropriate for detailed policies and small allocations. There may however be areas where the changed economic climate requires a more urgent response because a 5 year effective supply is no longer available and in those circumstances you should consider whether non-statutory supplementary guidance would be of benefit.

Yours faithfully

JAMES G MACKINNON
Chief Planner