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The Scottish Parliament
RURAL AFFAIRS AND ENVIRONMENT COMMITTEE

Statement of Evidence to the
Rural Housing Inquiry

May 2008

Context

Homes for Scotland is the representative body of the private home building industry in Scotland. Homes for Scotland represents the interests of over one hundred and thirty member organisations who provide 95 of every 100 homes built for sale in Scotland. It also has a rapidly expanding membership of professional and other service businesses engaged in the industry. With that level of coverage of the sector, Homes for Scotland is now recognised by Government and the commercial sector as the authoritative voice of the home building industry.

One of Homes for Scotland's key areas of work is the land use planning system. Land is probably the single most important resource for home builders, and it is the planning system which delivers that land. Homes for Scotland works to form constructive relationships with Central and Local Government in order to promote the efficient operation of the planning system. A great deal of time has been invested alongside the Government on the current reforms to the planning system.

Homes for Scotland is pleased to be invited to submit evidence to the Rural Affairs and Environment Committee on rural housing.

Introduction

The majority of Homes for Scotland's members are large to medium-sized home builders, and at first sight they may have little interest or involvement in rural housing issues. However, the Government's own definition of "rural" includes settlements of up to 3000 population, and such settlements do often accommodate housing developments of significant size and impact on their areas. There are of course many market towns in rural areas slightly larger than 3000 population which nevertheless act as main service centres for rural areas. The planning issues which exercise home builders are largely the same ones, whether in urban, rural or market town contexts.

Government Engagement

The Minister for Communities and Sport, Stewart Maxwell MSP, has established a Housing Supply Task Force as part of the process of consulting on Government housing policy. The Government's policy discussion document Firm Foundations sets out an aspiration for significantly-higher rates of home building in Scotland by 2015 – a 40% increase from around 25000 p.a. to 35000. The role of the Task Force is to examine some of the issues which may either facilitate or frustrate this aspiration. Evidence has been considered specifically for rural parts of Scotland, and the main points emerging so far from the Task Force's work are:

- Construction costs are significantly higher in rural (and particularly island) areas; exacerbated by the prevalence of smaller developments which lower the economies of scale
- Significant elements of the 'community' have no effective voice in the planning process – homeless, young people and people wanting to live and work in the area

- There can be resistance to housing development, including affordable housing provision, from those who are concerned that development is taking place for incoming residents rather than to meet the housing needs of the local population
- Conflicts can exist between environmental considerations and the needs of the people
- Planning agreements and Affordable Housing policies are making a positive impact in the delivery of affordable housing in many rural areas
- There is a lack of speculative private sector building in rural Scotland
- The planning system has a culture of containment that focuses development to sites in existing settlements, including rural villages, rather than in the open countryside where people want to live
- The co-ordination of infrastructure provision is an issue in rural Scotland. While difficulties remain, primarily around the alignment of investment programmes, water and sewerage infrastructure provision seems to have experienced a positive shift in recent times
- In many rural areas (most notably in Dumfries & Galloway) there is an adequate housing supply allocated in development plans but land prices can prevent sites being accessible to housing providers
- In more remote rural areas there are concerns about the genuine effectiveness of sites included in development plans

Homes for Scotland's Position

In our view, the fundamental issues might be summarised as:

- Attitudes to development in rural areas, with a strong predominance of views that development should be restricted or resisted in rural areas. This prevailing attitude fails to acknowledge that development brings a range of associated benefits, both social and economic, to communities. The voices of those who favour development, and often the voices of those who would most benefit from development, are less often heard.
- The planning process generally is failing to identify sufficient housing land, and then failing to bring that land forward for development at a sufficient rate. This is neither an urban nor rural issue, but a Scotland-wide problem
- Issues of infrastructure and community facilities arise across Scotland, but the increased focus on private contributions for funding causes particular difficulties in rural Scotland where the scale of development and the dispersed nature of settlement makes provision more difficult and less cost-effective
- The challenges of restrained supply, developer contributions and higher development costs in rural areas all act against the need to provide housing which is affordable in areas where, in many cases, average incomes are lower than in urban areas
- Delivering affordable housing in rural areas is then important, but is challenging in a context where need is less concentrated and where public subsidy is focused on areas of high deprivation. However, land values, developer returns and the scale of development do not generate the same opportunities for private contributions

- There needs to be a recognition that not all rural areas are experiencing the pressures of high demand, immigration and pressure on facilities. Economic regeneration is needed in parts of rural as well as urban Scotland

Attitudes to rural development and Government policy for rural areas

There appears to house builders to be a strong and vociferous lobby in rural areas which believes that development in rural areas is inherently damaging to the environment and character of those areas. This position is clearly at odds with Government policy on rural development, as expressed through Scottish Planning Policy (SPP) 15 Planning for Rural Development (February 2005). It is Homes for Scotland's view that the policy thrust of this SPP has not yet worked through into development plans. In some cases the fundamental attitudes towards development in rural areas within rural Authorities, in particular amongst elected representatives, remains unchanged by SPP15. The key messages of SPP15 are clearly summarized in paragraph 5:

“Rural Scotland needs to become more confident and forward looking, both accepting change and benefiting from it, providing for people who want to continue to live and work there and welcoming newcomers. Traditional ways of living will remain but new ones should function alongside. The intention is to have vigorous and prosperous rural communities, ranging from small towns and villages to dispersed settlements. The countryside should be able to absorb more people content to live and able to work there. Coastal areas too should play their part. The clear goal will be to maintain the viability of existing communities and bring new life to many places which have seen years of decline.”

Paragraph 18 then makes clear that development is key to the future of rural areas:

“This SPP advances policy in respect of small scale rural housing developments including clusters and groups in close proximity to settlements, replacement housing, plots on which to build individually designed houses, and holiday homes. The overall message is that there is considerable scope for allowing more housing developments of this nature and that this should be expressed in development plans, either as part of general settlement policy or as a separate sub-set on rural housing policy.”

Homes for Scotland agrees that there is a balance to be struck between development and environmental policies, but the SPP is clear that new development is essential if rural Scotland is to prosper rather than stagnate. There are pressures for development peculiar to rural areas, including the demands of tourism, leisure and holiday and second homes. Many authorities and communities seem reluctant to acknowledge that these pressures are additional to the demands for housing created by population growth, general and affordable housing needs. SPP15 is again clear on the Government's policy position in paragraph 24:

“There is also a large demand for holiday, weekend and second homes in some rural areas. In recognition of the significant economic role which these can play, planning authorities should allocate land in their development plans to help meet this demand in

addition to other housing requirements. One of the factors influencing community vibrancy is the ability of the local area to accommodate and absorb mixed housing developments.”

Housing is an important element of economic growth in rural areas. Much housing in rural Scotland is built by small, locally-based developers, so that both the inputs to the economy from housebuilding – wages, sub-contractor and supply contracts and so on – and the returns to business owners are recycled within communities. Housing availability is essential to attract and retain population to work locally and use local facilities. However, housing alone is not sufficient to revitalise the rural economy, hence the focus in SPP15 on an integrated approach to rural economic and social development. But house building can and does play a major part in the economic prosperity of all of Scotland.

The planning process

The fundamental aspects of the planning system which delay housebuilding are common across Scotland, notwithstanding that specific rural planning policies may apply. The key issues, which have been well-rehearsed to Government throughout the consultation process on reforming the planning system, include:

- Development plans take too long to prepare and are often out of date
- Development plans persistently under-estimate need and demand for housing
- Plans persistently allocate insufficient land even to deliver the inadequate housing targets set
- The process of securing planning consent, even for sites identified in a development plan, has become inordinately long and tortuously slow. It can typically take 3 – 6 years to secure all necessary consents and start construction. The plethora of policies, and additional requirements introduced outwith the development plan through Supplementary Planning Guidance, make negotiation of development proposals enormously complicated for both developers and planning officials
- A growing number of planning authorities have endemic problems of recruiting and retaining adequately-skilled and experienced staff

A key objective of the reform of the planning system is to increase its speed and efficiency. While the detailed “design” of the new system is ongoing, concerns are beginning to be voiced in many sectors of the development industry that emerging proposals do not appear to significantly shorten or simplify the process. This must remain a matter for close scrutiny by all concerned, including cross-Party MSP’s.

Infrastructure constraints and cost issues

There is no doubt that costs of many things are higher in rural areas, from food and fuel through to materials and the unit costs of construction. Transportation costs, importation of skilled labour and the lack of economies of scale are obvious factors. Against that, land costs can be lower in rural areas. Overheads for builders can be higher, given that the volume builders tend not to be major players in rural areas.

Rural areas may also experience higher costs for providing infrastructure and community facilities, again partly related to issues of scale, dispersed populations and so on. Therefore, it is easy to see that the desire by local authorities to seek more and more developer contributions to such infrastructure and facilities is actually more difficult to realise in rural areas. Leaving aside the very important question of whether authorities are entitled under law and policy to seek all the contributions they ask for, the immediate impact of these cost issues is the effect on meeting the aims of Government policy for rural development. The pressure on costs, and hence on the price and affordability of housing, is a factor working directly against the objectives of meeting rural needs.

Affordable housing

In that context, it is no surprise that rural planning authorities argue that their need for affordable housing is as great as in urban areas. Yet the need for affordable housing can be more difficult to define in dispersed rural populations, and the targeting of resources to areas of concentrated deprivation tends to limit the resources available to support affordable housing in rural areas. SPP15 recognises the issues in paragraph 19:

“SPP3 states that development plans should allocate sufficient land to meet housing requirements including affordable housing. In most rural areas innovative and flexible approaches will be required to deliver affordable houses in suitable numbers.”

Without substantial HAG funding, and without many obvious concentrations of need, there has to be a recognition that private developers have an important role to play in accommodating an element of affordable provision within developments. That can only happen if there is an understanding of the need to release a good supply of sites of a reasonable size and to provide for a suitable mix of tenures to match the demands of the area. The scale of releases is important. Land values in rural areas will generally be lower than in urban areas, hence the scope for the landowner and developer to absorb reductions in value to facilitate affordable housing as well as infrastructure is less. Appeal decisions in rural areas have recognised that there is a delicate balance of costs and viability on smaller sites, in particular. The lesson from such cases is that if development of all tenures is essential for the health of rural areas then commercial viability for the developer is a key factor in delivery.

There also needs to be a greater recognition of the role that rural landowners can play in affordable housing. Welcome initiatives have been taken by the Forestry Commission on the release of land for affordable housing, as an example. The Committee is also taking evidence

from the SRPBA, whose members have taken innovative approaches to reusing farm and estate properties. There has to be a recognition that the “conventional” approaches to affordable housing through HAG funding to Housing Associations, and the application of planning policies securing percentage contributions of land, need to be augmented by assistance to individuals and bodies working “on the ground” in rural areas.

None of this is assisted by public agencies who apply policy stances making innovative approaches difficult. Scottish Natural Heritage continues to focus on the environmental aspects of policy rather than, in our view, taking a balanced approach to securing the social and economic health of the countryside. The National Park Authorities continue to pursue planning policies based on constraining development, without understanding that the demand for both market and affordable housing are interlinked. The latter cannot successfully be tackled without the enabling provision of the former. Both Park Authorities are pursuing unrealistic affordable housing policies combining high percentage requirements with low site size thresholds. While the Cairngorms NPA is beginning to acknowledge that land has to be released to secure affordable housing enabled by private development, neither Authority shows any real understanding of the availability of resources or the economic impact of their policies on developers and landowners.

Regeneration

SPP15 paragraph 30 reminds us that rural Scotland has a diversity of problems:

“There are some parts of rural Scotland, particularly the small former mining areas in the central belt and fishing towns along several parts of the coast which are in urgent need of environmental improvement and economic stimulation. They are often characterised by areas of social housing where relative isolation presents additional problems for low-income tenants. Generating development in rundown areas where demand is low is one of the biggest challenges facing those charged with the task of upgrading. There is also the issue of acquiring funding of the scale necessary to make an impact and co-ordinating the regeneration activity with the other agencies concerned.”

Housing undoubtedly has a part to play in rural regeneration, but it cannot be the case that housing alone can drive this regeneration. Homes for Scotland has had to point this out forcefully to some planning authorities who rightly identify the need for regeneration of, for instance, former coal mining areas, but whose only solution appears to be to seek private developer funding. Regeneration is a multi-faceted and multi-agency approach. The housing industry can certainly assist in creating value within the land and housing markets, but the long history of regeneration initiatives in Scotland show clearly that housing market growth tends to respond to, rather than initiate, economic regeneration.

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