



**RESPONSE TO ABERDEEN CITY & SHIRE FURTHER
INFORMATION REQUEST 03 – ISSUES 12, 13, 14 & 15**

AUGUST 2019

Homes for Scotland (HFS) is the voice of the home building industry in Scotland, representing some 200 companies and organisations which together deliver the majority of the country's new homes.

We are committed to improving the quality of living in Scotland by providing this and future generations of Scots with warm, energy-efficient, sustainable homes in places people want to live.

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.

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Introduction

Homes for Scotland welcomes the opportunity to respond to this further information request. This response has been discussed and agreed by the Grampian Home Builders' Committee.

We are pleased that a hearing has been arranged and confirm that Homes for Scotland wishes to attend. We have set out our response to the questions below in turn. Some of the questions touch on similar issues and so we have cross referenced our responses as necessary. We are grateful to the Reporter for allowing additional time to prepare this response.

Five appendices support this submission, as follows:

1. 2018 HLA extrapolated programming;
2. 2018 HLA based allowances;
3. Aberdeen & Grampian Chambers of Commerce Economics Work
 - a. Regional Context
 - b. Local Business Survey
4. Updated 2016 HLA based allowances.

1. Setting the housing supply target - ambition

(1a) The past Aberdeen City and Shire Structure Plan 2009 identified a target of 2,500 new homes to be built per year by 2016 and 3,000 by 2020. Is it correct that this target is not identified or brought forward in the extant Aberdeen City and Shire Strategic Development Plan 2014, or the proposed plan? If so, what is the reasoning for moving away from this ambition?

For the SDPA.

(1b) The Aberdeen City and Shire Structure Plan 2009 identified a housing requirement of 56,304 homes between 2007 and 2030 (an average of 2,346 per year); the extant Aberdeen City and Shire Strategic Development Plan 2014 identifies a housing requirement of 53,972 homes between 2011 to 2035 (an average of 2,159 per year); and the proposed plan sets a housing supply target of 55,120 for the period 2016 to 2040 (an average of 2,205 per year) but also adds a margin to set the housing land requirement at 64,272 homes to 2040 (an average of 2,574 homes per year). Are these calculations correct? And, if so, does this not suggest an ambitious growth strategy with higher year-on-year requirements than previously set at a strategic level?

The question of whether the proposed targets are ambitious cannot be resolved by looking back at the targets set out in previous strategic plans. These plans had different evidence bases, aspirations and policy contexts. Whether proposed targets are fit for purpose should primarily be judged against up-to-date evidence of housing need and demand. Secondly,

wider policy aspirations, including economic growth and job creation ambitions, are relevant as set out in Scottish Planning Policy (SPP, para. 115). Targets from previous plans are not listed as a consideration for setting Housing Supply Targets (HST) within SPP.

The HSTs from 2016-32, which inform the Housing Land Requirements (HLRs), are significantly below the housing need and demand projections for this period in both the Principal and High Migration Scenarios in the 2017 Housing Need and Demand Assessment (HNDA) (see Question 5b). Setting targets below the anticipated rate of household growth in the HNDA Principal Scenario does not represent an ambitious growth strategy. It would constrain household growth to a rate which is below what the evidence base projects will be necessary to meet need and demand.

The HSTs to 2032 are also inconsistent with ambitious economic growth planned for the region. The HNDA is an objective assessment of housing need and demand which is free from policy considerations. However, as SPP (para. 115) explains, the HST is ultimately a policy view which should consider a range of factors which include economic and job creation ambitions. The SDPA's Housing Methodology Paper (2018) lists evidence to demonstrate that the City Region "is in a position of strength and rightly has aspirations for economic and population growth" (para. 3.13). The following are listed as potentially contributing to higher rates of long term growth:

1. considerable investment from the United Kingdom and Scottish Governments, through the creation of the City Region Deal;
2. plans and programmes for a growing and diversified regional economy, wider economic growth aspirations, investment and the Regional Economic Strategy;
3. numerous large-scale infrastructure projects are in the process of completion such as; the Aberdeen Western Peripheral Route (AWPR), the Aberdeen Harbour Expansion South, improvements to Aberdeen International Airport, upgrading of regional rail links, offshore wind energy, The Exhibition Centre Aberdeen and high-quality office and commercial developments.

It is notable that the City Deal funding was agreed some time after the current SDP was adopted, the Regional Economic Strategy Action Plan has been updated recently and progress has been made on the various infrastructure projects, including the completion of the AWPR. These significant investments support the case for a more ambitious approach to housing delivery in order to support job creation and help ensure the large public expenditure leverages in private sector investment.

Placed in historical context the Principal Household projections, which inform the HNDA Principal Scenario (more detail in response to Question 5b), predict a reduced growth rate. The number of households in Aberdeen and Aberdeenshire increased by 29% between 1989 and 2014. The Principal Scenario predicts a 24% increase, but the High Migration Scenario predicts a 31% increase. The High Migration Scenario is more in line with historic household growth rates and is more appropriate in the context of economic aspirations outlined above.

Homes for Scotland consider that for the reasons outlined above the High Migration Scenario should be used to inform the HST as it represents an appropriately ambitious yet achievable objective.

2. Setting the housing supply target - affordable housing

(2a) The housing supply target of 55,120 homes set in the proposed plan (using a modified principal migration scenario) includes 19,292 affordable homes (35% of the target). That would equate to 772 affordable homes per year for the period 2016 to 2040. Has that level of affordable housing delivery been achieved in the past?

For the SDPA.

(2b) In this context, how would application of the high migration scenario figures from the HNDA (69,200 homes) achieve a higher level of affordable housing delivery?

The delivery of affordable housing is directly related to the delivery of market housing as new housing developments are required to provide 25% affordable housing in both Aberdeen and Aberdeenshire.

Setting a higher HST would create a higher HLR, requiring each of the LDPs to allocate more effective housing land. This would allow higher levels of housing delivery and in turn more affordable housing delivery through Section 75 agreements.

The delivery of more housing also creates a more active housing market which delivers wider benefits. It directly creates more choice of new homes and indirectly helps to bring more second hand stock to the market as occupiers of new build homes vacate and sell their existing properties.

Over the longer term increased levels of supply can dampen house price inflation, increasing the proportion of households who can afford a home which meets their requirements in the private sector, other things being equal. This can help reduce the pressure on subsidised affordable housing in the long term, which is an important policy objective in light of the uncertainty over the continued scale of grant funding beyond 2021.

(2c) The HNDA suggests a high level of affordable housing is required using the low migration (56% of housing); principal migration (48% of housing); and high migration (49% of housing) scenarios. The proposed plan suggests that new housing development should, generally, contribute 25% affordable housing. Are there separate products supplied by the market housing industry and/or funding schemes/projects that will enable the delivery of the higher rate of affordable housing?

SPP states that "Affordable housing is defined broadly as housing of a reasonable quality that is affordable to people on modest incomes." (para. 126). New market housing includes homes of a range of sizes and support such as Help to Buy is available in some circumstances, reducing the required deposit. Some new market homes do meet the definition set out in SPP, providing affordable homes in addition subsidised affordable housing.

Increased housing supply also improves affordability. However, the HNDA modelling does not account for the impact of increased supply and the interaction of this with prices and rents in the long term. The tenure outputs from the HNDA are sensitive to minor changes in the assumptions used relating to house price, mortgage lending and wage data. The tenure splits in the HNDA are therefore susceptible to significant change over time.

3. Setting the housing supply target – housing completions

(3a) Historical housing completion data from 1981 to 2016 indicates only three years (1984, 1985 and 1993) where housing completions were over 3,000 units. The average from this 35 year period is 2,216 homes per year. Does this not indicate that adoption of the modified principal migration scenario figures in the proposed plan are akin to the average (using the housing supply target) and ambitious in the context of the housing land requirement?

We do not consider that past completions data is of primary significance to the setting of the HST or HLR, or the judgment of how ambitious it is. The HST should be set based on up-to-date evidence of housing need and demand as well as aligning with wider policy aspirations. Rates of past completions are not specifically mentioned as one of the factors which should inform the HST in SPP (paras. 114 and 115).

Past completions will be heavily influenced by past planning decisions relating to the amount and quality of land released for housing. Using completions data to set HSTs would introduce further path dependency into the planning system. If past completions had been less than was required to meet need and demand, then setting HST's on this basis would serve to exacerbate existing shortfalls in provision. This would be "planning to fail" and would implicitly rely on the rather despondent assumption that plan-making can do little to change what has gone before.

As an example, in the late 1990's / early 2000's the economy of the North East was particularly strong but the housing land supply was severely constrained due to out of date development plans. This resulted in planning by appeal. Completions in those years would have been substantially higher had there been a sufficient supply of allocated land. This, and other similar periods since 1981, are likely to have lowered the average completions. As such the averages are not an appropriate comparison.

Nevertheless, as a matter of fact both the Modified Principal HST (2,241 per annum for 2016-32) or Principal Projections (2,205 per annum) set lower targets than the rate of delivery over the 1981-2016 period.

Whether the plan is ambitious should primarily be judged on up-to-date evidence of housing need and demand and wider policy aspirations. In this context we consider the High Migration Scenario in the HNDA should be used, as set out in response to Questions 1b and 4a.

(3b) It is argued by parties that recent completion rates have been influenced by the drop in oil prices and other economic influences. During the period since 1981 have there been highs and lows in relation to oil prices and fluctuations in the economy? Is the average, therefore, not a good indication of what can be achieved?

We do not consider that average completions are a good indication of what can be achieved for the reasons outlined above. Oil prices do influence the regional economy and therefore the level of demand for housing. However, they are not the only determinant and the factors influencing new housing development are complex. For instance, planning policy has a fundamental role in restricting or increasing the availability of land. Land availability is a major constraint to the delivery of more homes in Scotland which has influenced past completions.

Previous planning decisions impact upon past performance and planning decisions made now will impact upon what is delivered in the future. The starting point for plan making

should be the assumption that the plan is capable of affecting change and that it should be led by up to date evidence on the amount of housing which is necessary to meet existing need, demographic change and ensure alignment with wider policy aspirations.

(3c) The 2018 Housing Land Audit (HLA) identifies that 343 fewer homes were completed in 2016 and 734 fewer homes in 2017 than anticipated in the 2016 HLA (with a total of 1,966 and 2,059 homes built in these years). Do these shortfalls not indicate that aspirations do not always transpire into reality? What reassurance is there that higher levels of housing completions will occur in the future? And, how are these shortfalls considered in relation to the period to 2040?

The delivery of sites does not always go according to plan. Landowners cannot always find buyers, builders cannot always raise finance. Sometimes sites allocated for housing are refused planning permission against officer recommendation and an appeal is necessary, adding significant delay. Even where planning applications are successful, delays in obtaining consent, clearing conditions and road construction consents (a particular problem in Aberdeen) can delay lead-in times. Sites which have been subject to extensive site investigation can still encounter unexpected issues with ground conditions once construction begins, particularly on brownfield sites. Housing development therefore is subject to many risks which can delay and prevent delivery.

The audit is a snapshot of the land supply at a specific time and should be based upon the best evidence available at that time. The basis of the programming should be firmer than an aspiration, but slippage in programming does occur and sites can stall, hence why the generosity margin is essential. Homes for Scotland would agree on the narrow point that programming in the 2016 Housing Land Audit did not accurately predict completions in 2016 and 2017. However, we consider care should be taken in drawing too many conclusions from two years' analysis.

We are unclear what element of the PSDP / representations the question asking 'what reassurance is there that higher levels of housing completions will occur in the future' is referring to. However, it seems particularly pertinent to the SDPA's programming assumptions from the end of the audit period (2023 for the 2016 HLA and 2025 for the 2018 HLA) to 2032. Whilst the site specific assumptions have not been published, it is clear from comparison of the SDPA's allowances and HFS allowances informed by our extrapolated programming, that the SDPA is assuming delivery rates for sites which are significantly in excess of what has been agreed in the Housing Land Audits (See Question 6e).

The apparent over programming of existing supply reduces the allowances for new allocations and will undermine the ability of the City Region to meet the SDP targets as insufficient effective land will be made available. Housing targets and aspirations are more likely to be realised if the allowances are informed by robust and transparent delivery assumptions.

(3d) The 2016 HLA figures suggest an average anticipated housing completions between 2016 and 2023 of 2,614 homes per year. For the period 2018 to 2025 the 2018 HLA anticipates 1,907 homes per year. Are these averages not closer to the principal and modified principal migration scenario figures set out in the HNDA and the authority's housing methodology paper than the high migration figures?

Homes for Scotland considers that housing need and demand and ambitions for economic growth should inform the setting of the HST and allocation of new supply rather than basing targets on what existing supply is expected to deliver. Nevertheless, our analysis suggests

the programming in these periods is more closely aligned with the High Migration Scenario of 2,807 dwellings per annum (dpa) than the Housing Supply targets of 1,950 (dpa) for the 2016-19 period and 2,200 (dpa) for the 2020-32 period. Our review of the 2018 HLA shows programmed completions of 20,969 for the 8 year period from 2018-2025 or an average of 2,621 dpa.

We consider that it is reasonable to assume that new allocations in the Aberdeen and Aberdeenshire LDPs could increase this rate of delivery by c. 200 dwellings per annum to enable the High Migration Scenario to be met.

4. Setting the housing supply target – other matters

(4a) The authority refer to a range of constraints which would prevent the adoption of the high migration scenario figures for the housing supply target. Commentary, and evidence to support conclusions, on the following is requested:

- ***Capacity of the construction sector – skilled labour; supply chains and logistics.***
- ***Water supply and impact on water abstraction on the River Dee.***
- ***Regional economic factors.***
- ***Inter-dependency between delivery of market and affordable housing at a local level.***
- ***Availability of resources and impact on minerals.***
- ***Planned demolitions.***
- ***Planned new or replacement housing or housing being brought back into effective use.***
- ***The risk to existing strategic allocations.***

Homes for Scotland does not consider that any of these matters would constrain housing delivery to such an extent that the High Migration Scenario could not be met. No evidence has been presented to indicate that planned demolitions, new housing brought back into use or the inter-dependency between delivery of market and affordable housing at a local level would constrain housing delivery. In any case its unclear how these factors could conceivably constrain delivery.

We do not consider that skilled labour, supply chains and logistics would prevent the high migration target from being met. Both the agreed 2016 and 2018 Housing Land audits anticipate years with programming in excess of 3,000 dwellings per annum. If this level of completions can be sustained for several years, it could be sustained in the longer term too, boosting employment.

The SDPA's Schedule 4 response (Issue 12) asserts that both mineral availability and water abstraction from the River Dee are constraining factors. However, no specific evidence is provided to explain at what threshold these would have a limiting impact on delivery. Homes for Scotland does not consider either of these factors would prevent the High Migration Scenario from being met.

In relation to the risk to strategic allocations, we deal with a similar point in response to Questions 7b and 7c below. The risk is unfounded as it appears to implicitly rely on the assumption that the homebuilding industry has a fixed appetite for development and that substitution from one site to another is relatively straightforward. Neither of these assumptions are accurate. Furthermore, constraining supply across the whole city region on the unfounded assumption that it would assist delivery on a few strategic sites would be a very blunt policy intervention which would risk perverse consequences such as inflated land and house prices.

Finally, we consider that rather than acting as a constraint on setting a higher target, regional economic factors justify an upward adjustment to the target. Homes for Scotland commissioned work by the Aberdeen & Grampian Chambers of Commerce (AGCC) in May 2018 and submitted this to the MIR consultation (Appendix 3). It found that the economy was beginning to recover after the sharp drop in oil prices between 2014 and 2016 with employment growing again. This trend was confirmed in the recently updated Regional Economic Strategy (RES) Action Plan.

A detailed survey of AGCC members found that the availability of suitable regional housing was amongst the top five negative impacts upon recruitment. 62% of business had lost a potential recruit due to the cost of housing in the North East. Availability of housing in preferred locations was also impacting upon recruitment. It will be essential to address these constraints in order to make the most of City Deal funding, other infrastructure investment and realise the ambitious growth strategy set out in the RES and Proposed SDP.

As our response to Question 1b explains, several major infrastructure projects have been completed or had funding granted since the previous SDP was adopted. We consider that these combined with ambitious growth plans and the negative impact of existing housing pressures justify adoption of the High Migration Scenario.

5. Adoption of a modified principal growth scenario

(5a) The authority suggests in its schedule 4 response that the modified principal figures would result in 636 additional homes per year for the period 2020 to 2032 and an additional 1,721 per year between 2032 and 2035. Are these figures actually overall rather than per year?

For the SDPA.

(5b) Concerned parties argue that the principal migration scenario figures should be used instead of the modified figures but this would result in a lower average housing supply target. Why should the principal figures be used?

Homes for Scotland supports the use of the High Migration Scenario as the basis for setting the HST. Use of the Principal Scenario would be preferable to the Modified Principal Scenario. Using the Modified Principal Scenario is inconsistent with SPP as it is not aligned with the HNDA output.

We note and agree with the SDPA's ambitions for higher growth in the longer term than the Principal Projection shows (Housing Methodology Paper 2018, para. 3.13). However, rather than achieving the positive modification the SDPA explains is its intention in the Housing Methodology Paper (para. 3.13), the result of using the Modified Principal Projection is in fact a reduction in the HST over the period to 2032.

Whilst over the period from 2016-35 the Principal and Modified Principal projections set the same target, it is only the target to 2032 which will need to be met through housing allocations. This is because LDPs are only required to allocate land for the ten year period following adoption (DPP, para. 119). Setting higher targets for the long term which do not need to be acted upon is not a substitute for planning to meet housing need and demand in the short to medium term.

The approach taken by the SDPA defers dealing with unmet housing need and demand, leaving it to future plans instead. Setting a HST based on the Modified rather than Principal Scenario would result in a significant cumulative undersupply for the period, with a shortfall of 1,084 remaining by 2032 (Figure 5.1). The HLR is 1,301 dwellings lower for the 2016-32 period using the Modified rather than the Principal Scenario as our PSDP submission demonstrated. It is not an appropriate strategy to meet housing need and demand.

The PSDP should be amended to meet housing need and demand promptly and in full, otherwise unmet need and demand will accumulate with undesirable social and economic consequences.

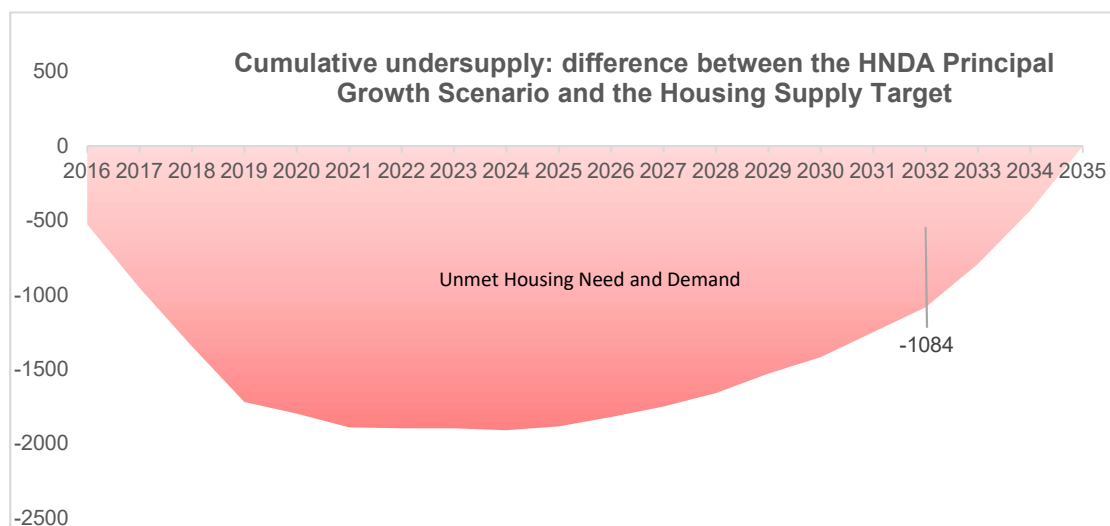


Figure 5.1 Cumulative Undersupply

(5c) Why does the proposed plan refer to the period 2016 to 2020 if, as stated by the authority, the plan does not cover that period? And, is it justifiable to reduce the housing supply target to 1,950 for that period?

The Plan must cover the period over which the HNDA applies. This is a requirement of SPP “The HNDA, development plan, and local housing strategy processes should be closely aligned” (para. 114), “They should set out the housing supply target... based on evidence from the HNDA” (para. 115). If the HST did not start at the beginning of the HNDA period then there would be no way of accounting for under delivery in the period since 2016 and so this housing need and demand could go unmet and would not be planned for.

This principle is particularly important as the HNDA identifies a backlog of existing need totalling 820 households (either homeless or concealed households living in overcrowded accommodation) which it seeks to meet over the first 10 years of the HNDA from 2016-2025. Starting the HST at 2020 would mean that 328 of these households, in the most acute need, would not be planned for.

In Schedule 4 (Issue 12) the SDPA claims that the respondents incorrectly include the period 2016 to 2019 within the total Housing Supply Target (HST) up to the period 2032. However, this response conflicts with the SDPA’s explanation of the methodology which we received by email at the PSDP stage. They explained:

“We looked at the HLR from 2016-2032 which totalled 43,680 and then subtracted the effective supply 2016-2032 which was 35,345. The difference was 8,335. As such we set allowances for 8,335 for the period 2020-2032.” (SDPA)

We believe there is some confusion here with the Schedule 4 response appearing to contradict the methodology which the SDPA has used.

We consider that the PSDP must cover the 2016-19 period in order to be consistent with Scottish Planning Policy. The figure for this period should reflect the HNDA High Migration Scenario. Our second preference would be the Principal Scenario.

6. Use of housing land audits

(6a) Is it correct that the HNDA has a base-date of 2016 but is informed by data from 2012 and 2014? And, if so, does that suggest that using data sources from different years to inform the housing situation is acceptable?

For the SDPA.

(6b) The authority argue that the agreed 2016 HLA figures should be used to inform the proposed plan and calculate the effective housing land supply. When the authority refers to “total effective land supply” (Table 3) is it referring to effective land supply and land that is expected to become effective beyond five years?

For the SDPA.

(6c) The 2016 HLA identifies a “total effective land supply” of 37,077 homes whereas the agreed 2018 HLA identifies a total of 37,442. Therefore, would applying the 2018 figures slightly reduce the need for local development plan allowances?

There is common ground between HFS and the SDPA that the 2016 HLA should be the basis for calculating the allowances. Though HFS consider that actual completions should be used for 2016 and 2017 whereas the SPDA use programming instead.

Nevertheless, we would not object to using the 2018 HLA and set out the implications of this in response to Question 9a. The allowances relate to specific timescales and so a detailed analysis of the programmed effective supply is required to answer the question. This is set out in Appendix 1 and 2.

(6d) Were the 2016 and 2018 HLAs agreed with the house-building industry or contested? If contested, which sites were not agreed and what impact does that have, if any, on the housing land supply?

Homes for Scotland is pleased to confirm that both were agreed.

(6e) How has the total effective land supply been calculated? And, as argued by parties, has the total effective land supply been falsely inflated? If so, how?

We are unsure what assumptions the SDPA has made in calculating its effective land supply. We understand that the basic methodology used by HFS and the SDPA for calculating the 2016-32 allowances was the same i.e. effective supply for the 2016-32 period has been subtracted from the 2016-32 HLR. However, calculating the 2020-32 allowances (PSDP Table 3) using the Modified Principal Scenario gives allowances of 8,335 using the SDPA effective supply assumptions and 11,446 using HFS assumptions. It is therefore apparent that the SDPA assumes an effective supply which is c. 3,000 dwellings in excess of HFS programming.

To calculate effective land supply, Homes for Scotland projected already agreed 2016 HLA programming until the end of the plan period or until site capacity was reached. It is apparent that the SDPA has used a different approach. However, the approach taken is not explained nor are the assumptions involved. It is important that these assumptions are made available as they directly impact upon the amount of new homes the LDP's will have to allocate land for.

It appears that the SDPA's land supply position assumes much higher rates of completions on sites than has been agreed in the Housing Land Audit. We do not consider that it is reasonable to deviate from agreed rates of completions, without justification as this approach reduces the allowances. By assuming a unilateral position on expected programming without wider consultation, the PSDP is inconsistent with the approach to managing land supply which SPP requires

“Planning authorities should actively manage the housing land supply. They should work with housing and infrastructure providers to prepare an annual housing land audit as a tool to critically review and monitor the availability of effective housing land, the progress of sites through the planning process, and housing completions, to ensure a generous supply of land for house building is maintained and there is always enough effective land for at least five years.” (para. 123)

The PSDP approach is also inconsistent with Planning Advice Note 2/2010 which explains the 'vital' role of Housing Land Audits

“Annual housing land audits are the established means for monitoring housing land. This information [in the audit] is vital to the preparation of the development plan and the audit process enables adjustments to the supply to be made in response to issues identified.” (para. 45).

Taken together these two policy documents set a clear expectation that the monitoring of land supply and programming should be done collaboratively with stakeholders and that Housing Land Audits will be central in informing any adjustments to supply – allowances in this instance. As the 2016 HLA was agreed with the industry it is unclear why the PSDP assumes different programming and does not justify the reason for the departure from agreed programming.

The use of the Modified Principal Scenario by the SDPA and the apparently inflated programming have the effect of minimising the amount of land which is required to be allocated. The approach in both instances is inconsistent with relevant policy and is not adequately explained or justified.

If the 2016 HLA is used Homes for Scotland consider that the allowances should be as set out in the appendices to our PSDP submission. The SDPA Schedule 4 response identified some typographical errors in our previous submission. These have been updated (with changes in red text) and are included as Appendix 4.

7. Housing land requirement – generous margin

(7a) CALA homes refer to the extant SDP including a 25% margin compared to a 17% margin for the proposed plan. Is the 25% figure derived from what the HNDA (2011) suggested and the actual housing requirement set in that document? If not, the source of the figure should be explained. Similarly, for the proposed plan is the 17% figure taken across the period 2016 to 2040?

(7b) Is there evidence to suggest that adoption of the 20% margin over the housing supply target would dilute demand; undermine the delivery of other sites; and lead to the failure to meet the spatial strategy set out in the extant 2014 SDP? Or, would an increase improve choice and distribution of housing across the region and improve supply?

The 20% margin will improve choice as it will lead to further land being made available, increasing opportunities to build new homes. Increased supply of land will provide opportunities for new entrants to the market and for existing homebuilders to upscale their delivery. The capacity of the industry is dynamic and it can respond to increased land supply by increasing housing delivery. As such we do not consider the scenario of diluted demand due to increased availability of effective sites is realistic, particularly at a time when constrained supply is a major impediment for many private and social housing providers across Scotland.

Furthermore, the land market is relatively illiquid. New allocations provide new opportunities for those looking to develop new homes. However, new allocations do not provide potential alternative sites for home builders attached to or underway on existing sites. The time and cost penalties of swapping would be prohibitive, particularly for an industry reliant on debt finance, where any delay quickly leads to escalating interest costs.

The under delivery in 2017 and 2018 compared to the 2016 HLA programming demonstrates that sometimes sites deemed effective stall or suffer delays (highlighted in Question 3c). It is for this reason that the generosity margin exists. The 2017 and 2018 programming was 27% higher than actual delivery. Whilst this is a small sample, it further justifies using a generosity at the top of the 10-20% range for the period to 2032, a position which is common ground between Homes for Scotland and the SDPA.

(7c) Is there justification to suggest, as argued in representations, that allocation of additional housing would prevent an improved rate of delivery?

No, this argument is incompatible with the evidence. Insufficient effective land supply is a significant constraint to the delivery of new homes.

The variety of sites available is set to significantly diminish over the plan period. Our analysis (Figure 7.1) shows that by 2032 the existing housing land supply will be reduced to just thirteen active sites delivering just over 700 dwellings in that year, well below the HST and roughly a third of the delivery rate in recent years. To put this into context the 2,388 completions anticipated in 2018 by the 2018 HLA are spread across 133 active sites and many different builders of all scales. New allocations are imperative not only to improve the delivery rate, but also to sustain current rates of delivery.

Smaller sites will be particularly scarce by the end of the plan period. Our analysis of the 2018 Housing Land Audit, with sites programmed out until 2032, shows an increasing reliance on the largest sites (500 dwellings or over) with a markedly diminished supply of smaller sites (less than 500 dwellings) within five years. Sites of less than 500 dwellings are expected to deliver 1,705 dwellings in 2018, 71% of the programmed land supply, but this total falls to 392 dwellings by the end of the agreed HLA period in 2025. In the longer term the contribution declines significantly to less than 100 dwellings per annum by 2029. By 2032 our analysis shows that just one of the 13 active sites will have capacity of less than 500 dwellings.

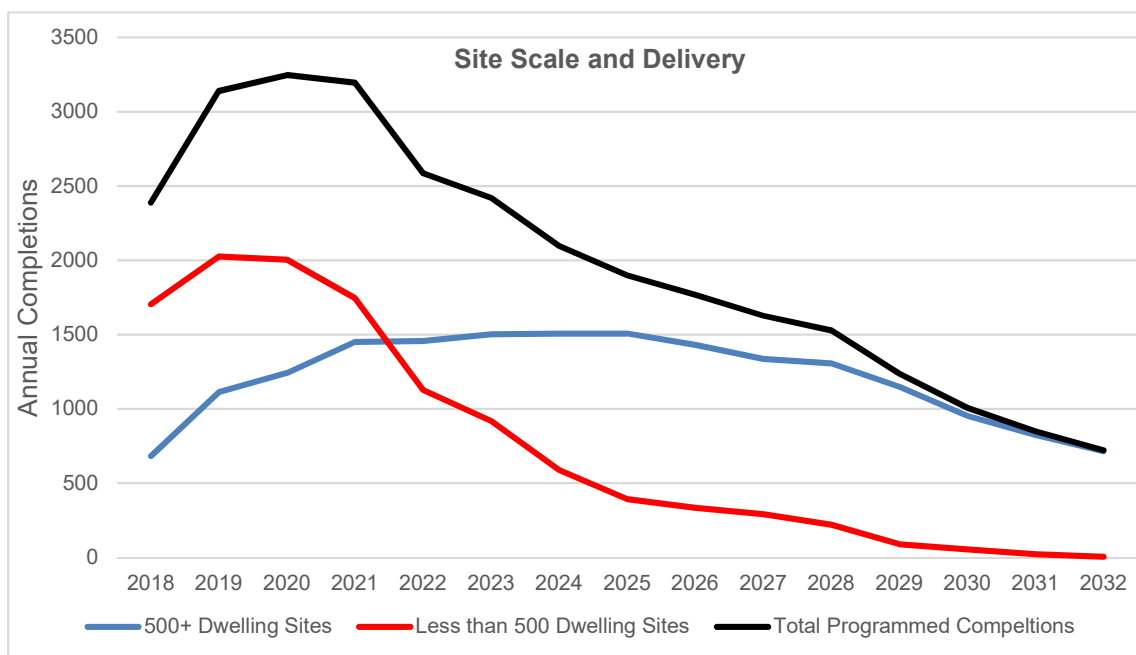


Figure 7.1 Site Scale and Delivery

The denuding of the supply of smaller sites, if unaddressed, would have significant negative impacts on delivery. Sites of under 500 dwellings have historically been responsible for a large proportion of new housing delivery. They also generally have shorter lead-in times, are more manageable for small and medium sized companies to develop and allow a more varied land supply as smaller sites can be allocated in greater variety of locations. Whilst the contribution of 500+ dwelling sites is forecast to increase, the level of delivery (Figure 7.1) will not be enough to meet housing need and demand.

Figure 7.1 shows that the City Region faces a significant shortage of land in the longer term. The decrease in the variety of sites is particularly pronounced. Further allocations are essential to sustain and improve upon current rates of delivery.

(7d) Does Scottish Planning Policy (at paragraphs 116 and 118) require an increased margin to be added beyond year 12 and up to year 20?

Yes, paragraph 116 suggests that the “overall HST” applying “over the plan period” should be increased by a margin to establish the HLR.

8. Constrained sites

(8a) Does the constrained supply (9,828 homes identified in the 2016 HLA) indicate a failure of the spatial strategy to deliver?

We do not consider this is necessarily the case. However, it does suggest that insufficient attention may have been paid to the deliverability of new allocations at the plan-making stage.

(8b) Could the constrained supply become effective within the plan period to augment the housing land supply? If so, where could sites come forward and at what scale could be anticipated?

Constrained sites could become effective, but equally as highlighted in Question 8a sites which are currently considered effective could become constrained. Rather than undertaking a complicated exercise to understand if/when constraints could be overcome and which sites are at risk of becoming constrained in the future, we consider it is most appropriate to proceed using the agreed baseline in the 2016 HLA or the 2018 HLA. This is the most robust way in which to proceed and we understand is common ground between HFS and the SDPA.

(8c) Is Aberdeenshire unable to support an effective housing land supply? And, if so, would this be sufficient justification to allocate more in the Aberdeen Housing Market Area to compensate?

There is considerable demand for new housing in Aberdeenshire, however the overall level of demand is significantly lower in the Rural HMA compared with the Aberdeen HMA.

9. Housing allowances

The allowances are calculated by subtracting the total effective land supply from the housing land requirement. This results in an allowance for 2020 to 2032 of 8,335 homes (43,680 effective supply minus 35,345 requirement) and for the period 2033 to 2040 an allowance of 18,860 homes (1,732 effective supply minus 20,592 requirement). The period beyond 2032 has been split in the proposed plan providing 9,000 over three years from 2033 to 2035 and 9,860 between 2036 and 2040.

(9a) How would using the HLA 2018 figures affect the allowances?

Using the 2018 HLA, with site programming extrapolated to 2032 would lower the housing allowances. Our extrapolated programming is set out in Appendix 1. The consequential changes to the allowances are set out in Appendix 2. If it is decided that the 2018 HLA should be used instead of the 2016 HLA, Appendix 2 would replace Appendices 5 & 6 in our Proposed SDP submissions with amended allowances based on the programming in Appendix 1 of this submission.

The table over the page summarises the impact on the 2020-32 allowances of moving from the 2016 HLA to the 2018 HLA (using HFS programming for both). It shows that overall the allowances are reduced, but with a slight increase for the Rural HMA and a decrease for the Aberdeen HMA. All of the allowances remain higher than in Table 3 of the PSDP due to the apparent differences in programming assumptions discussed in response to Question 6e.

Homes for Scotland does not object to using the 2018 HLA. However, any update must be transparent about the delivery assumptions it makes beyond the agreed Audit period, ending in 2025. We consider that our approach shown in Appendix 1 should be used. We have updated Table 3 of the Proposed LDP so that delivery assumptions for each period are clearly shown making the allowances more intelligible and transparent, these are shown in Appendix 2.

Scenario	HMA	2020-32 Allowance Using 2018 HLA	2020-32 Allowance Using 2016 HLA	Difference
Principal 80/20	Aberdeen HMA	8522	10474	-1952
	Rural HMA	2712	2273	439
Modified 80/20	Aberdeen HMA	7482	9434	-1952
	Rural HMA	2451	2012	439
High 80/20	Aberdeen HMA	18005	19958	-1953
	Rural HMA	5081	4643	438
Principal 85/15	Aberdeen HMA	10771	12724	-1953
	Rural HMA	463	23	440
Modified 85/15	Aberdeen HMA	9666	11618	-1952
	Rural HMA	267	-172	439
High 85/15	Aberdeen HMA	20848	22799	-1951
	Rural HMA	2241	1801	440

(9b) Are the allowances for the period 2033 to 2035 contrary to the authority's position that completion rates closer to 3,000 homes per year are not achievable?

For the SDPA.

(9c) Is the site at Royal Devenick Park allocated and/or considered as part of the recent local development plan examination? In other words, is it a new proposed site or is it part of the established supply?

For the SDPA.

(9d) Would it present a difficulty if Aberdeenshire Council and Aberdeen City Council took different approaches in identifying any strategic reserves for housing?

Homes for Scotland consider that identifying strategic reserves would be prudent long-term planning.

(9e) Is it reasonable to allow local development plans to dictate what is considered to be "small scale" in relation to housing allocations?

We do not see any merit in defining "small scale" in the SDP.

(9f) Would the introduction of further strategic sites instead of small scale allocations undermine the potential delivery of existing strategic sites?

Homes for Scotland supports a varied housing land supply as set out in response to Question 7c. For the reasons set out in response to Question 7b we do not consider further strategic (c. 500+) allocations would undermine the delivery of existing large sites as those currently engaged on existing sites are unlikely to be able to substitute for another site without incurring prohibitive costs. However, our analysis in response to Question 7c

suggests a particular shortage of smaller (sub 500 dwelling) sites will emerge in the medium term (beyond 2021/22).

10. Housing market areas

(10a) Parties argue that a 85%/15% split in housing between the Aberdeen Housing Market Area and Rural Housing Market Area could be achieved while maintaining a 50%/50% allocation to both Aberdeen City and Aberdeenshire. Would such an approach result in greater allocations in the AHMA part of Aberdeenshire? And, what impact would that have on delivery in the RHMA?

An 85/15 split would mean more allocations in the Aberdeenshire part of the AHMA if the 50/50 split was maintained between the Council areas. We consider this would be desirable as it would lead to more allocations being required in the part of the authority where development is generally most sustainable and where the housing market is stronger. It is logical to direct development to sustainable locations which can be viably developed.

Using the 80/20 split would lead to allowances being split roughly 50/50 between the Aberdeenshire part of the AHMA and The Rural HMA if the 2018 HLA is used (Appendix 2). We consider that this approach would be less likely to result in deliverable allocations and that the split in allowances should instead be significantly in favour of the Aberdeenshire part of the AHMA for the reasons outlined above.

Paragraph 6.6 of the authority's Housing Methodology Paper states that 45% of the identified housing land supply in the RHMA is constrained. Of these constrained sites in the RHMA, 67% have a marketability issue. Paragraph 6.7 of the Housing Methodology Paper goes on to state that 40% of completions in the RHMA between 2006-2016 were on unallocated sites (compared to 25% in the Aberdeenshire part of the AHMA), further highlighting the issue with the delivery of allocated sites in the RHMA.

Given that nearly half of sites in the Rural HMA are constrained and 40% of delivery comes from unallocated, mostly small sites, it calls in to question any approach which would require significant new allocations in the Rural HMA. New allocations should instead be focused on the Aberdeenshire part of the AHMA. Using an 85/15 split would better align with this strategy, allowing more sustainable development to viably take place.

We do not consider this approach would impact upon the delivery of new development in the Rural HMA. The HLR sets the minimum not the maximum amount of allocations.

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