



TOP TEN PRIORITIES
FOR STEP-CHANGING HOUSING DELIVERY

In response to the Scottish Government Discussion Document 'Housing - Fresh Thinking; New Ideas', Homes for Scotland has taken the opportunity to reflect back on a number of key 'asks' submitted to the Scottish Government in 2008. Despite resolutely weathering over two years of economic downturn, it is clear that the industry's top priorities remain consistent.

Presented below is a 2010 update on Homes for Scotland's Top Ten Priorities for Step-changing Housing Delivery. In explaining each of the priorities, reference is made to a number of specific questions raised in the Discussion Paper.

It should be noted that the 'top ten' list has not been compiled in order of priority. Instead it is structured in a logical development sequence following the development process to the delivery of new homes.

1. **Continuing problems with mortgage lending remain the single biggest threat to the survival of Scotland's home building industry. This, coupled with insufficient debt funding being lent to corporate clients, is the major obstacle to recovery in the housing market.**
2. **The ongoing promotion and communication of housing development as 'good' for the economy, social cohesion and building up local communities.**
3. **Consistent sustained investment in new staff & skills within Local Authorities and the Private Sector.**
4. **The implementation of a properly developed, widely understood and inclusive definition of housing demand.**
5. **A greater release of residential development land in the planning process across strategic and local development plans under development now.**
6. **The alignment of Development Plans with Local Housing Strategies and Strategic Housing Investment Plans (SHIPS).**
7. **The integration and alignment of infrastructure investment plans prepared by utilities providers within Structure Plans/Frameworks produced by Local Authorities.**
8. **The introduction of dedicated project managers, facilitators or mediators for key housing supply investments.**
9. **Reduce expectations on industry to make all public development contributions at the same time together with the simplification of Section 75 Agreements including timescale targets that drive progress.**
10. **Simplification of regulatory burdens in relation to low carbon housing and lifetime home standards.**

Detailed expansion of these ten themes follows on the remaining pages of this submission.

1. Continuing problems with mortgage lending remain the single biggest threat to the survival of Scotland's home building industry. This, coupled with insufficient debt funding being lent to corporate clients, is the major obstacle to recovery in the housing market.

It is now two years since gross lending fell off the side of a cliff in late 2008. Since then the industry has had to rely on rhetoric about "slowly increasing lending levels" delivering tangible improvements in this area. But the fact of the matter is that the situation is only getting worse, particularly for First Time Buyers and those with little or no equity in their existing properties who are now struggling to find larger required deposits to buy a home to live in. Whilst our member's do all they can to assist buyers in this regard, the position with lending remains dire with, it seems, little prospect of improvement.

The situation was brought into sharp focus by a recent analysis of the mortgage products available to buyers of new homes. This showed a staggering 89% drop in the number of 90% mortgages available to buyers in the period May 2009 to May 2010 with only one product available on this basis. The number of mortgages available over other loan to value ratios also fell significantly and for those looking to purchase a flat, the situation is even worse with the best loan to value ratio available starting at 85%.

Our country is facing its biggest housing crisis since the Second World War but our banks appear to be failing spectacularly in this area with no apparent strategy in place to increase mortgage lending to credit-worthy buyers to more sensible levels and terms. The situation looks set to intensify once state support for the banking industry starts to be rolled-back during early 2011 as planned by Westminster Government.

If the new UK Government's hopes of a private sector-led recovery are to have any real credence in the housing sector, it must cut through the myriad of reasons that lie behind these lending issues and take urgent action to deliver a sustainable long-term mortgage market.

Focusing back on what the Scottish Government can do, several key unanswered questions come to mind when thinking about the issues of how we drive up housing supply and financial investment in Scotland.

a) Why don't Scottish Government/banks/developers work together to use Mortgage Indemnity Premiums or some other insurance captive premium to underwrite the perceived risks of higher LTV's and get the market moving again?

Mortgage Indemnity Premiums – are an insurance product that underwrites a banks risk in lending to an individual at higher than normal loan to value ratios. These were common place in the eighties and nineties. They allowed home purchasers, particularly first time buyers (FTB's), to proceed with buying a home even when they actually only had access to a relatively modest personal deposit. Developers themselves would more than likely fund these premiums at the minute, if they existed, provided it meant that FTB's were able to get on a routinely purchase a new home. This is certainly a much better way to incentivize a purchase as it does not undermine the value of the home involved in the same way that rampant discounting might.

b) Why is the Scottish Government not permitted to borrow in its own right?

Welsh Assembly Government and the Northern Ireland assembly both have borrowing powers already. Scottish Government is alone in not having such power amongst the devolved administrations. This is an area where great local impact could be made provided Treasury and Westminster backed the agenda. Such powers could be used to invest in new housing projects and infrastructure that leverage out matching private monies.

c) Why does investment always have to be focused on Capital?

Investment has always been focused on capital traditionally within housing activity, but if part of the AHIP public funds were specifically used to service private based borrowings (maybe through the use of a Scottish Futures Trust based model, or some other form of private/public partnership) then far greater numbers of homes could be commenced now without placing an immediate burden on tight public finances.

d) Why do we not have longer term fixed rate mortgage products to give buyers financial certainty?

Long term fixed rate mortgages (over 10, 20 or even 30 yrs) are common place in parts of Europe and Asia. This ensures that home owners have certainty in their personal finances and are not so exposed to the vagaries of the short term wholesale lending market. Lending institutions are also given greater certainty of income/deposit which is very valuable to their net worth. Having products of this kind might help to rebuild consumer confidence and settle frayed nerves

2. The ongoing promotion and communication of housing development as 'good' for the economy, social cohesion and building up local communities.

Housing is a vital part of Scotland's economy. Prior to the downturn, the home building industry was the largest source of private investment in Scotland, contributing around £6 billion annually to the Scottish economy. The industry is a major employer, directly and indirectly responsible for the livelihood of more than 110,000 people in Scotland. With the reduction in output last year to 15,000 new homes a year, the number of people relying on the industry for employment is likely to have dropped to around 57,000, demonstrating clearly the link to our economy. It is crucial that we understand the impact that a healthy home building industry can have on the regeneration of towns and cities and the economy of Scotland as a whole. For example, if new home building output could be increased to the Scottish Government target of 35,000 per year there is potential to cut Scotland's current unemployment rate by 34% as a result of new employment so arising.

Well-functioning housing markets are part and parcel of well-functioning labour markets, attracting investment for Scotland PLC. In addition to building much needed new homes, the industry also provides important community amenities such as schools, shops and health and leisure facilities. The quality and type of housing is also a fundamental part of our environment, with well-designed quality new development improving the attractiveness of places we live and providing an energy efficient choice of home.

Since 2007, the Scottish Government has continually acknowledged the need to increase the supply of new homes in Scotland and this has been welcomed by the industry. It is clear however that once recovery of the housing market commences even more needs to be done. Scotland cannot fulfil its true potential unless there is a radical change in attitude to new housing. Over-protection of land and resistance to new development has created both a shortage of new homes and the affordability crisis that followed.

Positive attitudes to growth and development are required from central and, more crucially, local government. There is a need for a radical change in culture within local government. This includes planning officials whose role should be 'development enablers' rather than focussing on 'development control', and is even more important in the case of politicians. Positive local political leadership is crucial if the Scottish Government central aspirations for growth are to be met.

This change in outlook is particularly fundamental amongst Councillors involved in Planning Committees, who all too often continue to overrule or overturn decisions even when all Local Development Policies have been met and the professionally qualified local planning staff are supporting the proposal.

In Scotland's democratic society, it is vital that civic goals which meet the needs of as many people as possible are balanced alongside the more general environmental, social, economic, and infrastructure needs of a community. Unfortunately, negative attitudes towards development are often the loudest voices and as a result NIMBY attitudes can overtake the interests for the greater good. It is crucial that the wider benefits of planning gain through development are routinely publicised to help ensure that development is promoted as 'good' for communities.

Understanding of planning processes and development economics would enable the public to better assess capacities and limitations of home builders. This knowledge would equip the public to help shape needed growth in their communities in a more informed and thoughtful manner.

We each have a role to play in promoting the benefits of housing development and strong leadership to achieve this from the Scottish Government is a must.

3. Consistent sustained investment in new staff & skills

Local Authorities

Planning

The intention of the Planning (Scotland) Act 2006 was to streamline the planning system to make it more efficient but, over one year on from the introduction of the new planning regulations in August 2009, it is clear that the changes are taking some time to bed in.

Reference to recent Scottish Government Planning Performance statistics should make uncomfortable reading for Scottish Government and Local Authorities alike, as it's clear the much hoped for performance improvement has yet to materialise.

The current Scottish Government Consultation 'Resourcing a high quality planning system' (published July 2010) recognises the importance of planning to the Government's central purpose of increasing sustainable economic growth, while at the same time highlighting that the current economic and financial climate has reinforced the need for change to ensure the delivery of a quality service. Homes for Scotland will respond to the specific issues raised in this consultation separately but it is important to reinforce our observations here to re-emphasise the importance of an efficient planning system.

Consideration should be given to the following:

a) Alternative ways of resourcing planning

In the context of impending constraints on public spending, Homes for Scotland accepts that Local Authorities must maximise efficiency within planning departments. However crucially, the industry does not equate efficiency with a reduction in service.

- i) Use of consultants - we advocate the introduction of the outsourcing of tasks as an effective means of ensuring efficiency. Use of private consultants, on strict delivery contracts, would ensure the efficient use of resources. Use of the private sector, particularly whilst updating development plans, is common practice in other spheres of local government and elsewhere in the European Union,
- ii) Shared/pooled services - We welcome exploration of shared or pooled services, particularly where specialist knowledge is required i.e. Design Reviews, Strategic Environmental Assessment, Renewables. Demand on resources, however, must be assessed fully to ensure the service is fit for purpose and the pooled/shared services must also be fully covered by any Customer Charter.

b) Planning fees intrinsically linked to improvement in performance

Given the economic climate that we currently operate in, Homes for Scotland opposed any increase in planning fees at this time. Despite this, opposition an increase of 10% on all planning fees was introduced from April 2010.

We strongly support the Cabinet Minister's view that any further increase must intrinsically be linked to performance. We must ensure that 'customer care' is introduced into the system. This should be done through the strengthening of 'processing agreements' with set commitments on timescales and agreed

rebates where service levels have not been achieved. The agreements should be binding on the Local Authority to ensure compliance by all related departments and effective delivery, i.e. finance, roads, education etc.

We need to move away from Local Authorities taking “as much time as it takes” and “at whatever cost is involved” to process planning applications. The use of rebates where delivery has failed may well be the way to achieve this.

Homes for Scotland would also wish to explore use of the suggested ‘brokerage service’ to facilitate cross-sector work, promote good practice and ease the blockages that impede development.

c) Proportionality and quality of planning applications

Homes for Scotland has previously submitted to the Scottish Government the results of a short exercise demonstrating some of the pre-application costs involved for developers in submitting a planning application. It is clear from this exercise that if a more efficient planning system is to be delivered in Scotland, proportionality of information is key.

In too many cases home builders are asked to produce complicated consultant's reports to accompany applications, only to discover that, on receipt of that complex report the Planning Authority often employs a consultant to analyse the content of the report.

Recent communications with the Scottish Government, COSLA, the Joint Agencies Group and Heads of Planning have all contained unfounded assertions that poor quality planning applications are causing delay in the planning regime. In the continued absence of any evidence to back up such claims, Homes for Scotland plans to undertake an exercise to establish whether home builders are the ‘culprits’. Following which we will be willing to act as a broker if the problem is found to relate to specific developers and/or their consultants.

d) Increased support to planning schools

The Scottish Government must ensure the planning professions education capacity is protected and call for the expansion of Planning Schools. Homes for Scotland continue to lobby against the meantime postponed Scottish Funding Council's proposals to reduce the funding for Architecture, Built Environment and Planning by 22%. This would move the ‘Built Environment’ into the lowest funding group and is risking far-reaching consequences for stakeholders.

Course content should also be examined with flexible opportunities afforded such as the re-skilling of other design led professionals and introduction of commercial or development economics as an integral part of any new planners education directly into the syllabus.

Building Control

Homes for Scotland remains convinced that the private sector should be given the opportunity to deliver a building control service in Scotland, alongside Local Authorities currently fulfilling this role, when the Verifier licenses are renewed in 2011.

Such a dual arrangement would significantly increase customer choice and as a result provide added reasons to drive service standards and quality improvements even further than currently seen across the whole verification network.

As we have explained previously, the home building industry does not believe that building control resources are adequate in terms of finances, timeliness of decision making, certainty of outcomes, consistent interpretation or physical staff numbers. This has led to delays and a poor quality of service offered to our members.

Local Authorities are currently under no financial obligation to expand building control resources nor are they under any pressure from Scottish Government or COSLA to fully consider the ring-fencing of building control fees. There is no incentive to ensure an adequate increase in resources, especially in relation to warrant application processing and adequate on-site inspection. This will continue to lead to inconsistency in service across Scotland.

The forthcoming public spending cuts are only going to worsen the current situation and any drop in service when the industry is struggling to recover is simply not acceptable.

The low carbon agenda with its implications for new house designs and/or renewable 'add-ons' will heighten the skills and resource base required for Building Control. This agenda should demand increased investment in the verification process, yet at a time of savings and cut-backs, we believe Local Authorities ability (or willingness) to up-skill and resource to be extremely limited.

A more efficient and flexible service could inevitably be delivered by the addition of private sector verifier licenses. In our view the most obvious way of achieving this aim would be the inclusion of warranty providers within the verification license structure. New homes are already inspected thoroughly to ensure compliance with warranty provider requirements. There is potential therefore for the process to be streamlined, making use of the expertise and experience employed by each of the warranty providers and combining the role that they would traditionally undertake. After all, the inspections undertaken by warranty providers are far more frequent and wide ranging than those currently undertaken by Verifiers. This could ensure the focus of limited public sector funds while at the same time increase the quality of service afforded to home builders.

Drainage and Roads Engineers

Although not as acute a problem as planning and building control, the shortage of drainage and roads engineers is delaying the time it takes for a developer to gain necessary construction consents after planning is secured, and therefore delaying delivery even on 'approved' schemes. Changes in design and process including the use of SUDS, designing places and designing streets guidance, modern master planning and the place-making agenda, create new skill requirements for drainage and roads engineers. It is crucial that density and road designs are considered in correlation with planners to ensure clarity on what can and can not be done in any given location without the current endless 'ping-pong' decision making where developers become 'the ball' batted to and from competing needs of different departments within the same Local Authority.

Private Sector

Consideration must be given to the capacity of the industry to achieve the aspired doubling in production to at least 35,000 homes per annum by 2015 once the current market conditions have recovered. There is an absolute requirement to consider carefully the skills shortages which exist in Scotland and to provide innovative solutions to address these matters. As a country we need to look beyond the tough times and ensure we have an appropriate level of capacity in five, ten or twenty years. Positive actions are needed now if we are to make any significant impact on our future labour and skills market.

To represent the evolving nature of skill requirements within home building and modern methods of construction, there is an overwhelming need to further develop new routes into the sector. We must also not forget the challenges we face due to an ageing workforce and those that have left the industry during the downturn and are unlikely to return. Apprenticeships should remain the cornerstone of trade skills development but consideration should also be given to new methods of adult re-skilling, multi-skilling and/or shared apprenticeship arrangements.

The recession has understandably restricted the ability of employers to support apprenticeships due to a fundamental lack of workload. That said, the initiatives brought forward by the Scottish Government to safeguard and adopt apprenticeships were welcomed. There are currently around 1,000 apprentices training in housing construction at the moment, with the potential to increase this number to around 2,500

if production is increased to the aspired level by 2015. Analysis should be undertaken on the effectiveness of each of the current Scottish Government supported funds promoted and consideration given to their expansion.

We should consider the merit of wider use of Community Enterprise Development, following in the footsteps of impressive schemes such as those delivered by Taylor Wimpey and Cruden through Raploch's R3 initiative promoting local employment opportunities. This contribution to the community is arguably much more worthwhile, effective, visible and sustainable than for example traditional developer contributions to upgrade the local play park.

A vibrant industry will continue to increase the demand for Technical and Professional staff. Developing graduate entry programmes, management development, the promoting of careers in construction and protecting the funding allocated to the Built Environment within both further and higher education establishments will remain a key requirement if the desired objectives for growth are to be met.

4. The implementation of a properly developed, widely understood and inclusive definition of housing demand.

Historically plans for growth have been prepared utilising General Registrar of Scotland (GROS) projections, which in many instances resulted in planning for decline. GROS projections simply carry forward past trends, and at best plans have utilised GROS plus a substantial percentage for flexibility. This is not a sophisticated measure of demand. The 2008-base household projections suggest a net increase per annum of 19250 households over the next two decades. Clearly that does not fully reflect the aspiration to produce 35000 new houses per annum. The reason is that demand is much more complex than simply household growth, and encompasses factors such as social and economic mobility, satisfying housing aspirations, housing stock replacement and so on.

The Government's Housing Need and Demand Assessment Methodology (HoNDA), introduced as part of the new planning system in August 2009, is intended to oblige planning and housing authorities to examine these issues in greater detail, in order to provide a true market-based perspective on the need for housing land in development plans. It recognises that the need for affordable housing, while important, is only a part of the overall picture of housing needs and demands. Scottish Planning Policy also encourages authorities to work in Housing Market Partnerships with a wide range of stakeholders including the private development industry.

Early experience with this approach is very mixed. Many Councils and consultants complain that the methodology offers inadequate guidance on analysing private market demand. Some good work has emerged, but much work remains focussed largely on affordable housing needs, with GROS relied on as a default position for the overall scale of housing requirements. However, many studies have yet to fully exploit the range of secondary data sources available on market activity.

The Government should be looking to improve its HoNDA Guidance in respect of market demand analysis. There is also a need for stronger requirements on Councils to form genuine participative partnerships and for them to see the production of a strong evidence base for plans as a collaborative exercise, rather than a Council activity with a statutory consultation element tagged on at the end of a secretive process or grudgingly entered into in a tokenistic way.

Given the importance of establishing housing demand, it is absolutely necessary that the process is accountable. At present, the final approval of a HoNDA lies with the Scottish Government Housing Investment Division, but once so approved the methodology of a HoNDA cannot be further questioned at a planning Inquiry. However, it is already clear that other stakeholders can legitimately have a different view of housing need and demand, and may not support the approach or conclusions of a HoNDA. If the HoNDA is a fundamental basis of a development plan's strategy, then objectors must have the right to have their concerns heard by a Reporter if objections cannot be resolved by negotiation. A process must

be introduced to allow disagreements on the definition of modelled demand to be resolved with the industry.

5. A greater release of residential development land in the planning process across strategic and local development plans under production now.

Despite the current market slow down, there is still a proven demand for more housing in Scotland and additional land continues to be needed to meet the established needs of communities in the medium and longer term. The biggest threat to achieving this is not the market, but a widespread attitude amongst planning authorities that lower house building rates means less need for land, and consequently that currently identified existing land supplies will suffice for much longer than anticipated.

At best, complacency is widespread amongst Councils. At worst, there is a defeatist attitude that they can do nothing in the face of market forces. There is little willingness to grasp a fundamental point – that much of the existing land supply is now burdened by unaffordable costs imposed by those same Councils seeking to exploit high land values to fund public infrastructure and amenities. If there was a willingness to remove or ease those burdens then much land would become effective once again. The alternative is to accept that, until the market corrects itself sufficiently, new land free of these burdens can be identified.

In the meantime, Councils continue to over-estimate the amount of housing land capable of being developed within the current shelf life of their new 5 year plans. In addition, the failure in some emerging plans to properly deal with assessing housing demand is producing under-estimates of housing requirements. Together, these two flaws could produce a new round of development plans every bit as deficient in housing land allocations as some of their predecessors, ironically creating the conditions for future housing shortages at a time when the desire exists in Government to eradicate this endemic flaw in the planning system.

For instance, the Main Issues Reports for the two key strategic development plans in Scotland, South East Scotland together with Glasgow and Clyde Valley, state that NO NEW HOUSING LAND is needed before 2019 and 2025 respectively. Both plans fail to deal adequately either with demand or effective land supply, and the consequences for housing shortages are alarming. By contrast, Aberdeen and Aberdeenshire's Structure Plan has opted for a high-growth scenario AND a very generous new land supply.

The National Planning Framework 2 has failed to set the context in terms of national aspirations and regional guidance on housing distribution. The Directorate of Planning and Environmental Appeals is making decisions on housing site appeals which reject viability constraints on existing land supply as a reason to identify replacement sites, despite clear guidance in SPP that this should happen. The Government Planning Division seems unwilling to direct Councils to address these critical issues, for instance by following the lead from Aberdeen.

The key question for the industry is therefore who is able to recognise an emerging national problem and assist us to do something about it?

6. The alignment of Development Plans with Local Housing Strategies and Strategic Housing Investment Plans (SHIPS).

The 2006 Planning Act and Scottish Planning Policy established a new approach to integrating land use planning and Councils' housing planning functions. The intent was clearly set out that using a common basis of the Housing Needs and Demand Assessment, the Local Housing Strategy becomes the key strategic document identifying the overall scale of housing need across all tenures. The development plan allocates a generous supply of land to meet those needs and formulates policies to encourage development, and the SHIP is the resource planning document for delivery of subsidised housing. All of

that process can take place across a housing partnership area which may cross Council boundaries (such as a strategic development plan area), enhancing joint working across boundaries and across stakeholders, and eradicating anomalies between plans at different geographic scales.

Unfortunately practice to date suggests that on the ground we are very far from this planning nirvana. The preparation of Local Housing Strategies was deferred until 2010, but new-style development plans are already emerging. There are growing concerns about the ability of Councils to produce the work components in the necessary sequence, and as a consequence there are already planning options emerging without the benefit of results from a HoNDA or the overarching guidance of a LHS. The adoption of new working practices between planning and housing officers is happening much faster in some Councils than others. The involvement of stakeholders in the process is also highly variable.

It is important that the Scottish Government acts decisively to ensure that the intentions of its own 2006 Planning Act are actually carried through by Local Authorities in every instance. There are already complaints emerging about unrealistic timescales, yet there was widespread support for the Act's intention to make the planning process quicker.

The development industry needs a faster planning system, with predictable outcomes and it needs a system properly-integrated throughout its various stages.

7. The integration of infrastructure investment plans prepared by utilities providers within Structure Plans/Frameworks produced by Local Authorities.

As indicated above, in the small number of areas where land supply has increased much of it is stuck in the system awaiting the provision of infrastructure. One of the main blockages to delivering new build is the lack of coordination between the allocation of sites and planning of infrastructure for those sites. There are two crucial parts to this issue which need to be addressed:

(i) The Planning of Infrastructure Provision

The planning of infrastructure should be integrated with the planning of land supply with the responsible departments brought in at the beginning of the process and funds earmarked well in advance. Identifying problems at this stage would result in a much more streamlined, efficient process of planning for infrastructure provision in Scotland.

Through the work of a Planning Gain Co-ordinator, Aberdeen City and Shire Council's operate a successful approach to the planning of infrastructure provision. The Future Infrastructure Requirement Service (FIRS) involves close partnership working by a wide range of agencies (a number of council departments, Transport Scotland, Scottish Water, NHS, Nestrans, and the neighbouring authority City or Shire) to establish the infrastructure requirements to support development. Members of the FIRS Group assess the likely impact of future development and the extent to which existing services and facilities can support new development.

Similarly, Highland Council has introduced a pre-application service including a project management approach and the engagement of all council departments and key agencies early in the planning process. This process offers agencies ample opportunities to identify suitable mitigation solutions. Highland Council also successfully demonstrates the use of technology such as video-conferencing and websites to help overcome barriers such as officers unable to participate due to resource or time constraints.

Approaches like this from Aberdeen City/Shire and Highland Council truly embrace the ethos and ambition of planning reform and we would encourage other planning authorities and key agencies to use them as models to shape their future engagement in development planning.

(ii) The Delivery of Infrastructure

To achieve increased delivery it is crucial that infrastructure is delivered timeously and in the right places. The provision of infrastructure has traditionally been the responsibility of the development industry to deliver through direct provision or through commuted payments under Section 75 planning agreements.

Typically, investment in major infrastructure is required during the early phases of development which means a developer is obliged to secure funding for such capital investment in advance of any income from completed development.

The provision of affordable housing has in recent years been achieved through obligations contained in Section 75 agreements whereby land has been required to be allocated within any residential development site, depending on the requirements identified in the Local Housing Strategy. The availability of serviced land is dependent on the private sector developer providing the necessary infrastructure to ensure that affordable housing land supply is forthcoming.

Home builders invest large sums of cash up front and for a long period of time before achieving any returns through house sales. This model was possible due to the high availability of credit from competing institutions. Over the past decade lending was based on the assumption that the price of land would not fall; that land could therefore be safely lent against; and that the mortgage market would always be there to allow householders to buy houses as fast as they were built. These funding mechanisms worked effectively in a rising market.

The old funding mechanisms have simply stopped working due to the lack of cash flowing around the financial system. Financial constraints are affecting many parts of the economy at present. However, they are particularly troublesome in housing because of the long-term nature of the investments made by buyers and suppliers. The financial tap was turned off at both ends resulting in many firms experiencing problems in relation to finance: either in the form of the difficulties potential purchasers are having in raising mortgage finance, or in terms of the development finance they themselves require to sustain and expand their own operations

In the absence of funding, the ability to secure the necessary infrastructure investment and the subsequent housing is greatly reduced. We must fundamentally reconsider the now unaffordable costs imposed by Councils seeking to exploit previous high land values to fund public infrastructure and amenities. There has been lots of 'delaying' and 'postponing' of Section 75 agreements but no fundamental 'scrapping' or consideration of 'why contribute at all' debate as yet.

A rolling Infrastructure Investment Fund should be established by the Scottish Government or in conjunction with the European Investment Bank and/or European Social Fund monies to pre-fund infrastructure with contributions paid into the fund as development commences. This fund should be made accessible to Local Authorities and public bodies to fund large scale development projects in advance of private development, with future claw back or repayments being made as receipts from development sales have been generated – not before.

8. the introduction of dedicated project managers, facilitators or mediators for key housing supply investments.

The creation of dedicated project managers, facilitators or mediators available within each Scottish Local Authority should be proposed as an appropriate mechanism for managing the progression of an application through to the delivery of housing. It is acknowledged that it is not traditionally seen as the planner's role to ensure the delivery of planned projects. Such a facilitator or project manager would have the internal approvals and powers to require the various departments to contribute towards the debate on an issue, make timely and competent decisions on a matter, or attend meetings when required.

Having this 'vision maker' with appropriate authority would prevent the fragmentation of responsibilities between departments becoming a major blockage to development as the appointed person would have seniority across the board. This worked well in the Scottish Government's 'Polnoon' pilot project and the lessons and combined experience of the private developer and Local Authority in this instance should be replicated wherever possible across Scotland.

The introduction of project managers would be viable through a number of different routes, a) appointing individuals within Local Authorities, b) introducing a new agency to sit alongside Local Authorities with a team of project managers or c) tapping into an existing national department or agency with existing skill sets; for example Scottish Enterprise. Further consideration should be given to the best way forward for this concept.

9. Reduce expectations on industry to make all public development contributions at the same time, together with the simplification of Section 75 Agreements, including timescale targets that drive progress

There is a longstanding, mistaken belief that the increasing cost burdens imposed on home builders can simply be deducted from the price of land. In fact the line of least resistance has always been the house selling price and that is where the burden of increased costs has finally come to rest. This has been possible in a market where house prices have been on an upward trend, but will not be possible when the market sentiment has collapsed and will remain substantially subdued for the foreseeable future.

Currently in Scotland, 70% of development is on brown field sites. Most of that land has an 'existing use' value. If the residual valuation falls below that figure land is simply withdrawn from the market or sold for another use. Therefore it is not possible to continually layer and compound the contributions that the home building industry is expected to pay without a direct impact occurring on the output of new homes.

In one Scottish Local Authority area (Fife) our analysis shows that if a developer was unlucky enough to have to meet the maximum demanded charges under education, transport and affordable housing headings, (as currently being consulted upon by the council), this would equate to a charge rate of £44,000 per plot!

On top of this sum, in Fife, site specific negotiations would have to be concluded for amounts to meet the following potential contribution headings – Community Facilities, Open Space, Landscaping, Public Art, Renewables, and SUDS.

All of which usually has to be paid for by the developer before ever a spade is put in the ground!

Another Local Authority in the central belt of Scotland (West Lothian) is already onto its 17th piece of "Supplementary Planning Guidance" so far, each one of which being a different heading for developer contributions that they expect the development industry to come forward with, in their area, since the introduction of the new Planning Act!

The documents are so voluminous they have had to publish a separate "Developer Contributions" summary guide to signpost developers into the various appropriate headings and publications.

Such developer contribution costs are patently unviable in the current market and any system that allows such figures to even emerge into the light of day just for consultation is clearly not fit for purpose.

Most of these demands must now be streamlined and minimised, with the process of agreeing the amounts concerned accelerated.

The continued uncertainty surrounding developer contributions has serious long-term detrimental effects on the home building industry. There must be clarity on the total sums involved and a properly consulted upon, simple trigger mechanism, which details all the complete list of issues being addressed.

The mechanism should also highlight the directly linked responsibilities of public bodies and the Scottish Government's own contributions.

In addition, if new systems or changes to these processes are to be made, it is vital that transitional arrangements are put in place to ensure those impacts can be accounted for within development appraisals and projects already promoted through the system do not become unviable.

The Scottish Government needs to produce a clear policy as to what elements of infrastructure are to be provided or contributed towards by developers and what is to be funded by the public purse. It must then ensure local authorities stick to that framework. The use of standard model terms for Section 75 Agreements would be one way to simplify the process. The timing of agreements should also be brought forward with firm headline timescale targets for completion to minimise delays.

For simplicity, where appropriate, Local Authorities should state developer contributions in conditions of planning consent rather than using complex Section 75/Section 69 Agreements, as has been the increasing trend. Under no circumstances should Section 75 or 69 Agreements be used as a substitute for planning conditions. Instead they should be utilised only when it is not appropriate to use a condition.

10. Simplification of regulatory burdens and standards

Targets to increase the supply of new housing are looking nigh on impossible to achieve in light of the growing regulatory burden on the industry. The extent of new regulations and the added requirements they place on developers come at significant cost, this is particularly concerning at a time when the market sentiment remains at all time lows.

In particular, the following have major cost implications:

(i) Carbon free housing by 2016

As yet there appears to be little authoritative guidance as to how net zero carbon housing is to be achieved, but initial industry based live project experiments in Scotland appear to indicate very high costs. It remains to be seen if customers are actually prepared to pay that cost, the weight of evidence and feedback from the likes of RICS and CML clearly implies not at this point in time.

The associated language can add to the confusion surrounding carbon reduction - 'zero carbon', 'net zero carbon', 'carbon neutral' etc. The UK Government has gone for 'zero carbon'. The Scottish Government thankfully is targeting "net zero carbon" which is much more foreseeable, but in the immediate future we are actually talking about trying to achieve low carbon or "carbon neutral" developments as the default mainstream standard.

Building Standards introduced this year give Scotland the highest technical standards of anywhere in Europe. New homes built to today's standards have already reduced their carbon emissions by 70% from 1990 levels. To put the performance of new build homes into perspective, in 2009 it is estimated that the average home in Scotland will use over 23,750 kWh per year and emit around 5.8 tCO₂ per year (Scottish Government Energy Efficiency Action Plan). New homes typically use between 7,200 and 10,400 kWh per year and only emit around 1.6 – 2.2 tCO₂ per year.

The Sullivan Report 'A Low Carbon Building Standards Strategy for Scotland' (November 2007) provided a route-map of the moment towards achieving "net zero carbon" homes in Scotland through amendments to building standards. Such a staged route still has merit, providing sign-posts and certainty to the homebuilding industry. However, the Sullivan Report requested that the 2013 proposed standards would be published at the same time as the 2010 standards, to ensure the industry has time to fully prepare, but disappointingly this has not been done. In fact the SAP Assessment Tools needed to demonstrate

compliance with the 2010 standards will not even be available until the launch date in October meaning no house builders are able to pre-empt the standards in their own designs.

Homes for Scotland found the cost analysis undertaken by Davis Langdon on behalf of the Scottish Government in 2008 of great interest. The 2010 standards being introduced in October will already require increased capital investment of between £3k and £8k per home, 2013 standards between £8k to £14k, and the 2016 standards between £14k and £25k. If the Scottish Government wants to increase the supply of new homes in Scotland a balanced approach is a must. At the traditional rate of output of around 25k units per year, the cost of meeting the 2016 standards at £25k per home would be £525m per year for the private sector (based on 21k units delivered) and £100m per year for the public sector (based on 4k units delivered). We see no evidence of this additional public funding being placed into the Scottish Government's Affordable Housing Investment Programme to compensate for these effects.

Another recommendation of the Sullivan Report was to remove Scottish Planning Policy 6, with the sensible intention to drive future sustainability measures through building standards and not through planning. Unfortunately the last minute changes to the Climate Change (Scotland) Act 2009 prevented this favoured approach from being adopted.

The Act now says - "A planning authority, in any local development plan prepared by them, must include policies requiring all developments in the local development plan area to be designed so as to ensure that all new buildings avoid a specified and rising proportion of the projected greenhouse gas emissions from their use, calculated on the basis of the approved design and plans for the specific development, through the installation and operation of low and zero carbon generating technologies" Section 72. 3F – Climate Change (Scotland) Act, June 2009.

Despite this statutory requirement as early as 2008 the UK Green Building Council Zero Carbon Task Group found that "4 out of 5 homes are not capable of having sufficient roof space to service..... the required level of low and zero carbon generating technologies". Another example of policies being implemented despite the practicalities.

In an ideal world a supply of new build homes would quickly replace the aging, inefficient existing stock of homes in Scotland. In reality, there are 2.33 million households in Scotland and because we are only currently building 15,000 new homes per annum, we are only replacing 0.65% of the stock each year. If all new build homes were built zero net carbon from tomorrow, based on current build rates we would only make an annual impact on emissions of a 0.18% reduction. Even if we were able to triple current production the replacement rate achieved would still be less than 2% per year, with an impact on emissions of just over 0.5% each year.

Homes for Scotland continue to argue that the balance between investment in improving new build standards and improving the existing stock in Scotland is wrong. We accept that the home building industry is easier to regulate but the spending of the investment is completely inefficient. If for example home builders were asked to contribute for consequential improvements to neighbouring homes as a community gain from their development, at say £1,500 to £3,000 per unit built, there would be the potential to invest up to £75m in existing stock improvements based on production rates of 25,000. To illustrate the scale of this investment, that could fund free loft insulation in 262,500 homes - or 11% of the existing stock each year. This would result in far greater carbon reductions per pound spent.

We cannot ignore the facts when Scotland is challenged with increasing the supply of much needed new homes against a background of sustained and substantial reduction in the capital resources available, with the additional complex challenge of meeting Climate Change commitments.

(ii) 'Lifetime Homes' regulations

Whilst low carbon housing is a matter of high priority, the same cannot be said for 'lifetime homes' which were, in fact, introduced as a mandatory requirement for all new build homes in Scotland in May 2007.

The regulations required most house types to be redesigned. This was a large task for both the industry and building control departments. Their impact on smaller houses was totally adverse in terms of design and costs. It has been estimated that a small house of say 63m² had to increase in size by up to 7m² and the additional incurred cost could be as high as £10,000 per home. The inherent down side of these regulations is that they lead developers into abandoning smaller homes altogether thus increasing the problems of affordability.

Although having laudable motives (enabling elderly, infirm and disabled people to live independently in their own homes) the blanket nature of the policy is a serious concern. The implementation of this policy had no regard to its impact on the supply of affordable homes for younger people entering the market. Since the amenities of a 'lifetime home' add to the cost of all new homes, this puts the home builder in the bizarre position of having to charge customers extra for something they often have no desire to buy. Indeed younger people and first time buyers who plan perhaps only a few years in their first or second home, have been highly irritated at having to pay extra in spite of smaller rooms because space has been shaved off to accommodate extra circulation space for wheelchairs and stair lifts, items for which they have no foreseeable need.

Within the context of worsening supply and to ensure best value from tightly constrained public funds, this kind of investment and special measures should be only targeted towards that percentage of the population who actually have such important and fundamental needs; rather than penalizing the majority of the normal buying public. We believe that a proportionate and balanced response is needed. The Standards should only apply to that proportion of new homes provided in a housing market area matching the proportion of the local population predicted to have such special needs. Typically this would equate to not more than 1 in 10 homes.

Summing up

It is clear that a wide range of other equally important and vital policy objectives are also being pursued and added into the expensive mix, in particular through the ever expanding use of Supplementary Planning Guidance.

For an increase in supply of housing to take place in Scotland, consideration must be given to the prioritisation and potential delay of any new or up and coming regulations. The degree, scale and viability of implementing new flexibility within existing standards must also be urgently explored.

The use of future standards 'route maps' (as with changes to sustainable Building Standards) should be expanded and cover planned changes to guidance from SEPA, Scottish Water, Scottish National Heritage, Historic Scotland and Roads guidance amongst others.

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