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8 January 2009

David McLaren
Senior Assistant Clerk
Local Government and Communities Committee
Room T3.40
The Scottish Parliament
Edinburgh
EH99 1SP

Dear Mr McLaren

**National Planning Framework 2 – Proposed Framework
Local Government and Communities Committee - Call for Views**

I am writing in response to the Local Government and Communities Committee's call for views on the proposals contained in "National Planning Framework 2 – Proposed Framework".

We welcome the Framework's recognition that housing is central to the Government's ambition to increase Scotland's rate of sustainable economic growth and we acknowledge, as indicated in paragraph 75 of the Framework, that a great deal has been done to put in place a modernised housing and planning delivery framework.

The Government's policy paper "Firm Foundations" promoted an aim of building 35,000 houses per annum by 2015. This compares to average house completions over the period 2003 to 2007 of 24,700 per annum.

The combined housing requirement set out in development plans across Scotland at a base date of 2006 equates to 24,200 houses per annum. However, some parts of Scotland under-perform in terms of meeting their development plan requirements while others exhibit stronger housing markets than anticipated by the development plans.

At an output of around 24,000 units per annum, the Scottish house building industry contributed £6bn annually to the Scottish economy and supported just over 100,000 jobs. The industry is a major contributor to the Scottish economy and although output is falling dramatically at the present time, it will again become a major contributor to Scotland's success when the recession eases, not least, because of the pent-up demand in the market for new homes.

However, the current economic turmoil will condition market responses for the foreseeable future and, if commitments on affordable housing, community regeneration and homelessness are to be met, the current approach to procurement of investment in housing requires to be re-assessed. The planning system needs to be more responsive to economic constraints and local authorities need to be resourced to unlock investment in infrastructure.

Against that backdrop we cannot accept that it is sufficient for a National Planning Framework to set the planning context for delivery of future investment in housing by stating that: -

“.... notwithstanding the consequences of the current downturn, there remains a pressing need for the planning system to help deliver growth in the long-term supply of new homes throughout both urban and rural Scotland to respond to long-term housing pressures and to improve the affordability, stability and fairness of Scotland's housing system.”

The National Planning Framework (NPF2) should provide clear guidance on 5 key challenges: -

1. Land supply: current approaches to land supply need to be revisited to ensure that land is made available in suitable locations where there is a “market” for housing – historically the location and quality of much of the land released for residential development has acted as an impediment to the delivery of new homes;
2. The provision of essential infrastructure necessary to unlock housing development (roads, schools, affordable housing and major public transport improvements): Increasingly in recent years, it has been assumed that all these items would be financed through rising land values and Section 75 agreements. There are complex issues to be addressed with regard to the provision of infrastructure through private investment. Rising land values have been used to finance private investment in public infrastructure but these rising values are in part a consequence of a restricted land supply, defeating the aim of greater output. The impact of the recent collapse in land prices will affect the dynamic of the housing market for the life of NPF2 (This matter is dealt with later);
3. Attitudes towards the funding of risk in the current economic climate: It will be more difficult to finance housing development and emerging risk assessments may render it impossible to forward fund major items of infrastructure;
4. The culture of planning: For almost a decade Scotland's planning system has regarded housing development in a negative light, notwithstanding the fundamental importance of house building to the wellbeing of our communities and the contribution it makes to national economy;
5. Housing quality: Despite the current economic turmoil there remains a pressing need to address qualitative issues associated with design, sustainable development, customer services and community engagement.

We do not believe that NPF2 sets sufficient direction to the planning system in terms of making land available for new housing. Nor does it address adequately the question of infrastructure provision.

If we are to see increased investment in housing the Planning System must embrace culture change. Planning authorities must be encouraged to take a more enabling role towards essential development which makes a major contribution to the Scottish economy.

NPF2 should be setting out clear regional guidance to planning authorities on the scale and location of housing provision. Without that guidance national targets and aspirations for the delivery of new homes, including affordable homes, are less likely to be met and investment in infrastructure will be extremely difficult to assess and unlock.

To/...

To move progressively to 35,000 completions by 2015 clearly requires higher development plan housing requirements. The scale of increase in completions is likely to raise requirements across Scotland, but inevitably some areas will grow more than others. Assessing those patterns of growth needs to be based on:

1. An understanding of development plan requirements and their relationship to actual market trends
2. An assessment of the factors which will influence future rates of growth nationally and regionally
3. The influence of other planning objectives such as regeneration
4. The availability of land to meet future requirements

Homes for Scotland has considered one scenario for regional growth patterns resulting in 35,000 completions by 2015. That review made an assessment of the land currently available, or likely to become available, through the planning system to deliver the resultant housing and concluded that, by 2015, there could be a shortfall of land identified in plans of up to 90,000 units.

We take the view that these are the types of issues which should be in NPF2, along with guidance to both planning authorities and developers on where additional housing is to be accommodated to meet national policy aspirations.

In a very real sense every development plan in Scotland, including those adopted in 2008, has been rendered out of date by the events of the last 12 months.

Land release policies contained in the most up-to-date development plans were formulated during a period of economic growth, rising house prices and increasing land values. There is an expectation built into these plans that the house building industry will provide funding for road improvements, public transport, drainage systems, affordable housing and schools.

Falling land prices, coupled with a major market correction in house prices, has severely curtailed the private sector's ability to finance the provision of infrastructure. In addition the "front-funding" of projects to upgrade physical infrastructure or provide new community facilities such as schools will be severely restricted by current approaches to the pricing of risk by lending institutions. Put simply, there is insufficient liquidity in the system for the private sector to meet expenditure requirements especially in relation to large scale development proposals.

The provision of supporting infrastructure is critical to the successful procurement of investment in housing. Local planning authorities and the development industry require clear unambiguous guidance from Government on the funding of infrastructure. NPF2 could be the vehicle to signal alternative funding arrangements for infrastructure, such as Tax Incremental Finance, which allows infrastructure to be funded by borrowing against future Council and business tax receipts which arise from the development concerned. NPF2 might also address the role of the Scottish Futures Trust in supporting new development.

The National Planning Framework should not and must not remain silent on these matters.

Homes for Scotland would ask the Local Government and Communities Committee to seek the following changes to NPF2: -

1. Provide greater direction on the location and supply of land in order to meet the Government's published target of 35,000 units per year by 2015;
2. Give stronger guidance on the future funding of infrastructure required to unlock development;

3. Confirm that, under current and foreseeable economic conditions, it is unrealistic to expect major infrastructure to be funded solely through Section 75 Agreements: and
4. Recognition that culture change must be embraced to ensure our planning system can be used effectively to facilitate and promote the private investment Scotland will need if we are to achieve sustainable economic development.

Yours sincerely



Allan Lundmark
Director of Planning and Communications