ITEM 6 – MAINTAINING A FIVE YEAR EFFECTIVE HOUSING LAND SUPPLY

Report by: Ian Angus, SDP Manager

PURPOSE

The purpose of this Report is to set out a common approach to the measurement of the five year land supply for the six Local Development Plans (LDP) across SESplan in the context of housing requirements set out within Strategic Development Plan (SDP) 1 and the approved Supplementary Guidance.

RECOMMENDATIONS

It is recommended that the SESplan Joint Committee:

1. Approves the Guidance set out in this Report and commends it to Member Authorities to be taken into account in Plan monitoring and in the assessment of planning applications for housing against SDP Policy 7 where such proposals are made for land not allocated for this purpose in the Development Plan.

2. Agrees that further discussion should take place with the Scottish Government to discuss the emerging approach to measuring the five year effective land supply in the context of the market economy and the availability of public sector funding for the provision of affordable housing.

RESOURCE IMPLICATIONS

None.

LEGAL AND RISK IMPLICATIONS

None.

POLICY AND IMPACT ASSESSMENT

No separate impact assessment is required.
BACKGROUND

Policy Context

1. Paragraph 110 of Scottish Planning Policy (SPP) states that the planning system should 'identify a generous supply of land for each housing market area within the plan area to support the achievement of the housing land requirement across all tenures, maintaining at least a 5 year supply of effective housing land at all times.'

2. Key to this is the requirement under the Housing (Scotland) Act 2001 to prepare a local housing strategy supported by a Housing Need and Demand Assessment (HNDA) and the advice and guidance set out within Planning Advice Note (PAN) 2 / 2010 on Affordable Housing and Housing Land Audits. There is also the need for an effective measure on the maintenance of a five year effective land supply.

3. Paragraph 115 of SPP states that plans should address the supply of land for all housing. They should set out the housing supply target (separated into affordable and market sector). Paragraph 118 of SPP states that SDPs should:

   • Set out the housing supply target and housing land requirement for the SDP area, each local authority areas and each functional housing market area;
   • State the amount and broad locations of land which should be allocated in LDPs to meet the housing land requirement up to Year 12 from the expected year of plan approval, making sure that the requirement for each housing market area is met in full; and
   • Beyond Year 12 and up to Year 20, provide an indication of the possible scale and location of housing land, including by LDP area.

4. It should be noted that SDP1 does not set housing supply targets, but there are housing requirements that set the levels for site allocations within LDPs. As set out above, supply targets in SDP2 are also required to be set by affordable and market tenure and these form the basis of housing land requirements. SPP also directs LDPs to meet the housing land requirement to Year 12. Previously LDPs were also expected to identify which sites could be effective to meet the requirement to Year 7, hence the two separate requirement periods (2009 – 2019 and 2019 – 2024) in SDP1.

5. Paragraph 119 of SPP states that LDPs in city regions should:

   • Allocate a range of sites which are effective or expected to become effective in the plan period to meet the housing land requirement of the SDP up to Year 10 from the expected date of adoption; and
   • Provide for a minimum of five years effective land supply at all times.
6. Further to the allocation of land to meet the housing requirements within LDPS, planning authorities should also carry out regular monitoring of housing completions and the progress of sites through an annual housing land audit. Audits are key to demonstrating the availability of sufficient effective land to meet the requirement for a continuous five year supply and to provide a snapshot of the amount of land available for the construction of housing at any particular time. Paragraph 127 of SPP indicates that, where the housing supply target requires the provision of affordable housing, the SDP should state how much of the total housing supply target affordable housing represents.

7. Paragraph 54 of PAN 2/2010 advises that not all sites in the audit will be effective and it is important that effective sites i.e. unconstrained sites are distinguished from those which are affected by constraints which cannot be overcome in time to contribute to the housing land requirement. Paragraph 55 advises that to assess a site or a portion of a site as being effective, it must be demonstrated that within the five year period beyond the date of the audit that the site can be developed for housing and will be free of constraints on the following basis:

- **Ownership** - the site is in the ownership or control of a party which can be expected to develop it or release it for development;
- **Physical** - the site, or relevant part of it, is free from constraints related to slope, aspect, flood risk, ground stability or vehicular access which would preclude its development. Where there is a solid commitment to removing the constraints in time to allow development, or the market is strong enough to fund the remedial work required, the site should be included in the effective land supply.
- **Contamination** - previous use has not resulted in contamination of the site;
- **Deficit Funding** - any public funding required to make residential development economically viable is committed;
- **Marketability** - the site, or relevant part of it, can be developed in the period under consideration;
- **Infrastructure** - the site is either free of infrastructure constraints, or any required infrastructure can be provided realistically by the developer or another party to allow development; and
- **Land Use** - housing is the sole preferred use of the land in planning terms.

8. Paragraph 56 of the PAN advises that the contribution of any site to the effective land supply is that portion of the expected output which can be completed within the five year period. In effect, the SDP and subsequent LDPs provide housing land to facilitate development. However, it is for the housebuilders and funders of affordable housing to deliver development on the ground.
Maintaining a Five Year Supply

9. The approved SDP1 and Supplementary Guidance on Housing Land identify the housing land requirement for SESplan and each of the six member authorities. Each of the six emerging LDPs will identify sufficient land to meet the housing land requirement as directed by the approved SDP. However there are recognised challenges to housing delivery to meet the requirements of the approved SDP and maintain a five year housing land supply for several reasons.

10. SPP does not specify how the five year land supply should be measured, but in general terms the starting point for the calculation is the latest housing land audit, compared with the five year requirement set out in the approved development plan. As stated above, SDP1 was based on two periods (2009 – 2019 and 2019 – 2024). This means that from 2015 onwards the calculation will span these two periods. To do this requires an assessment of over / under performance over the plan period to date, with the calculation also using the appropriate portion of the overall requirement from the two periods.

11. Whilst undertaking the calculation on this basis in times of economic stability is entirely sensible, in times of recession, the calculation is not sufficiently robust to reflect lower levels of demand or that there will be a higher level of constrained land on the basis of financial or marketability criteria only. It also does not reflect that infrastructure delivery may not have moved forward as quickly as anticipated. In turn, this means that despite there being a sufficient supply of land in any given area which, in a strict application of ownership, physical or other such planning criteria, is effective and able to be developed, additional land has to be brought forward to meet the artificial shortfall created by an increase in land classed as constrained on a demand or financial / market basis. Bringing forward additional land when there is already a more than adequate supply of land risks undermining the overarching strategy of the SDP. It may also lead to uncertainty compromising the delivery of necessary infrastructure.

12. Notwithstanding that across SESplan there is considered to be a generous supply of housing land, the current economic climate means that sites are not coming forward for development as envisaged by the approved SDP. There have been considerable delays in bringing forward sites since 2009 as a result of the economic downturn.

Affordable Housing

13. Setting a framework for the delivery of affordable housing is one of the key issues for SESplan to address. There are many challenges. National policy is clear that the housing supply target identified within SDP2 should be separated into affordable and market sector. Where the housing supply target requires provision for affordable housing, SDPs should state how much of the housing land requirement this represents.
14. Housing land audits and the subsequent calculation of the five year land supply are generally undertaken across all tenures. The recent assessment of housing need and demand for SDP2 identified that over the period to 2029, 64% of the overall housing need and demand is for affordable tenures (52% for social rent and 12% for below market rent). SPP directs LDPs to require an affordable housing contribution within a market site of generally no more than 25%. Clearly there will be difficulties in meeting the estimated 64% of housing need and demand which is for affordable housing if affordable housing contributions are set at 25% and as challenges in securing social housing funding and providing such tenures become more pronounced.

15. Calculating the five year housing land supply across all tenures doesn’t take into account that the majority of need and demand for housing is within the affordable sector. The resulting housing land calculation is used to identify whether there is a shortfall in housing land and therefore a need to bring forward additional housing sites to make up the shortfall. However, the majority of the land supply across the SESplan area is led by the private sector rather than by providers of social or below market rented housing, meaning that the land brought forward does not necessarily address the affordable housing need and demand and adds to an established private land supply. Further identifying land on the basis of such a calculation undermines existing development plan strategies and leads to an over allocation of housing land against a background of constraints on the development industry.

THE FIVE YEAR EFFECTIVE LAND SUPPLY

16. It is important that issues surrounding land supply are treated on a common basis across the region. Member Authorities in calculating the adequacy of the five year effective land supply should recognise that the starting point for calculating the five year housing land supply is the housing land audit compared with the five year requirement set out in the approved SDP1 and Supplementary Guidance on Housing Land. However, in the monitoring of Plans and in the determination of applications this needs to be considered against a wider array of measures by Member Authorities including:

- Need and demand in relation to both market and affordable housing;
- Completions (over a series of different time horizons) of both market and affordable housing;
- The availability of Scottish Government funding for Affordable Housing Investment and Supply Programmes;
- Demand in relation to house sales (transactions), mortgage interest rates, mortgage advances, secured lending and interest payments as a percentage of income; and
- Data on past performance and growth prospects in relation to Gross Value Added (GVA), construction sector capacity, house prices and the labour market.
17. The approach outlined above should be the subject of further discussion with the Scottish Government to ensure that there is a common understanding of the issues and potential approach towards the measurement of the five year effective housing land supply.

**MONITORING**

18. An Annual Housing Update will be prepared for consideration by SESplan Joint Committee by no later than December each year. The Annual Housing Update will consider effective land supply and performance against the approved SDP, progress of Strategic Development Areas and include a commentary on other factors such as completions and significant appeal decisions.

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