



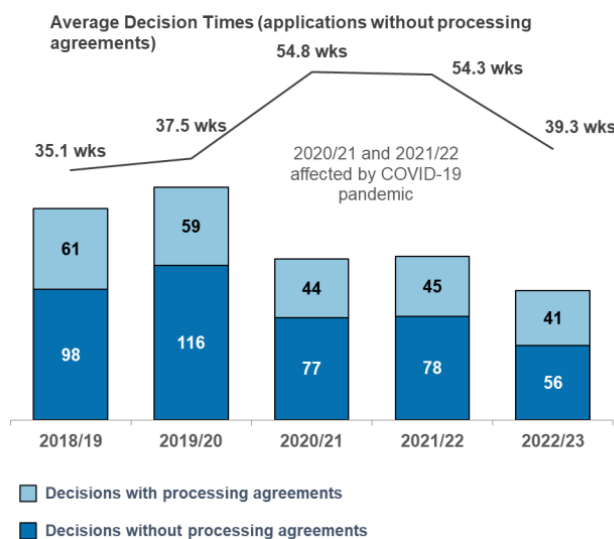
**HOMES FOR SCOTLAND’S FOLLOW UP RESPONSE TO THE COMPETITION AND MARKETS AUTHORITY UPDATE REPORT ON THE HOUSEBUILDING MARKET STUDY  
SEPTEMBER 2023**

HFS is responding to the update report and consultation on a market investigation reference. We note that following preliminary analysis the CMA has grouped the issues into five main themes. Our response is focused on the planning theme and to a lesser extent land banks. Our strong view is that planning and land availability in Scotland are the major blockers to positively influencing the outcomes as noted in paragraph 11 of the update report.

Whilst not intending to repeat the points made in our original response in March, which still stand, we wish to reiterate and highlight the following:

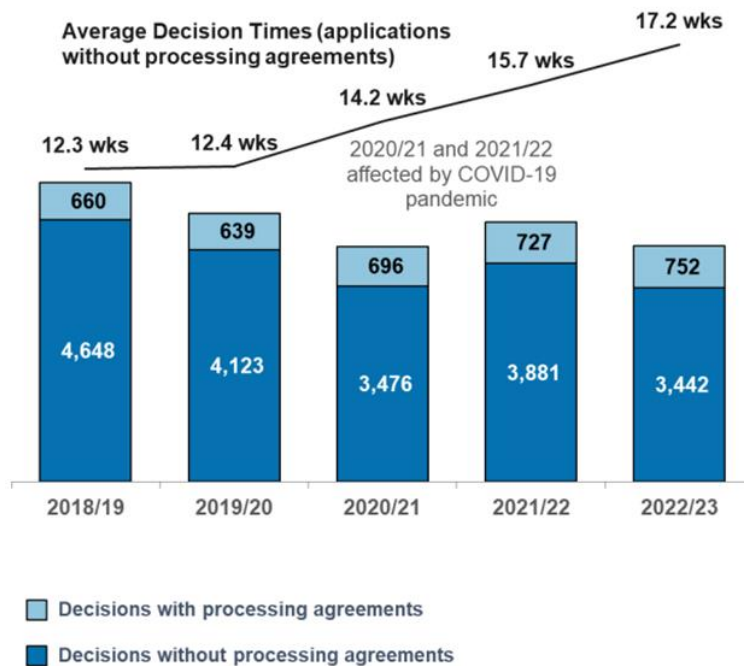
- Since the HFS response in March, [updated planning statistics](#) have been published by the Scottish Government. These further highlight the under-performance of local planning authorities in determining planning applications.

Figure 12: Major Housing Developments



The annual statistics from April 2022 to March 2023 show that despite there being a 46% decrease in the number of major<sup>1</sup> planning applications compared to 2019/20, decision times are above pre-covid levels at an average of 39.3 weeks. This is nearly two and a half times the 16 week statutory target for such applications. This is despite planning application fees being at an all-time high with the maximum fee having more than doubled in the last decade.

Figure 4: Local Housing Developments



The number of local housing development applications has also fallen by 12 per cent whilst processing times have risen nearly 40 per cent compared to 2019/20 and now stand at 17.2 weeks (more than double the eight week statutory timeframe). This has particular impact on SME home builders and rural housing.

Please refer to question 8 (a) of our March response for background on what is contributing to lengthy decision times.

Slow decision times, uncertainty for applicants and ever increasing costs to progress a planning application (all at the applicant's risk) are having a severely negative impact on the supply of new homes in Scotland. (See Appendix 1 for an SME perspective)

The contrasting position with business and industry developments should also be noted (24 weeks for major applications and 12.4 weeks for local applications).

The availability of deliverable land is having a significant impact on the supply of new housing. Land is the raw material required for the delivery of new homes and so it is critical that there is enough land available, in the right places and that is deliverable in order to meet the needs and demands of those in need of a new home.

<sup>1</sup> Major planning application is sites of more than 2Ha and / or 50 homes.

Please refer to question 12 of the March response for background on the main reasons for constrained land availability in Scotland.

We wish to re-iterate our fundamental concern that the legislation and guidance for current and future local development planning, adopted earlier this year, does not allow for any mechanism by which to allocate further housing land, outside of plan reviews, in the case of an under-delivering housing land supply pipeline.

The ability to allocate more land in the case of an under-supply of new homes, or shortfall, against a housing land requirement figure was a long established process to ensure we are meeting the identified housing needs and demands for each local authority area. By removing this 'fix', we are certain that the scarcity of deliverable land will only worsen as a result leading to much less opportunities for new house building across Scotland.

The tool currently utilised in Scotland to identify the actual housing need and demand numbers is not fit for purpose and entirely reliant on secondary data. It is optional for local authorities to undertake any form of primary research which is not acceptable and leading to figures that are way below the true need and demand for new homes. The tool is also extremely limited by the fact that it utilises previous completion figures to predict demand, thus subsuming negative trends associated with historical under supply and projecting these into the future.

We note that the CMA intends to publish a working paper in the autumn of this year setting out further analysis and provisional views on any measures to tackle any areas of concern.

We believe that any measures should focus on

- how to simplify and speed up the effective determination of a planning application,
- how to assess actual housing needs and demands in Scotland, and
- how to ensure that there is enough deliverable land available to meet the identified housing needs and demands more accurately.

Lastly, we wish to raise a concern over a statement made in section 2.104 of the update report. The report states that, "*Land use statistics were not readily available for Scotland and Wales, but we note that no housebuilders or other parties have stated there are issues with respect to the availability of potentially developable land in these countries either.*"

This statement is inaccurate as HFS specifically raised this point in our initial response to the CMA market study consultation in March. The answer to question 12, and on page 8 of the HFS response, in the opening line states that, "*The scarcity of deliverable and marketable land is a major challenge for home builders in Scotland*".

HFS would be grateful for a correction to be made in the update report to reflect this point.

## APPENDIX 1:

Extract from [Minutes of the Convention of the South of Scotland meeting on 27 February 2023](#):

SME Home Builder:

Thank you very much. I'm probably one of the older people here. I started work back in 1989 in the *local authority* x and I've been based there ever since. We used to be able to build in every single settlement in the *local authority* x and sell private housing. Unfortunately over time we can no longer do that. Prices have not kept up with the increase in building costs. While you can't do much about the regulatory costs with increase in building control standards to improve installation and bring in heat pumps and all the rest of it, where I think you can save costs and therefore free up and allow more settlements to be able to be commercially viable for developers is to reduce some of the burdens caused through the planning system.

The massive risk in the planning system is going for planning consent. If you're on a big site of 1000 houses or so or even 100 houses, these costs are spread over a vast number of units. We go for development sites of six to 12 houses. The fixed costs are the same. The risk is often greater, because [they] tend to be in smaller communities with stronger community representation and more objectors. It's a simple thing to do. But if you can do that, then you'll speed up and free up more housing demand and probably reduce the need for the expenditure on social rented housing, because more people will be able to get onto the housing ladder. For example, we're asked to do flood risk assessments when a building site's halfway up a hill. You're asked to do environmental surveys when there's been no previous development on the site. It's not a fault of the officials at the council, because they're just following what they see as good practice elsewhere in the country. But I noticed in the new - is it [NPF4]? The new one that's out that came round.

It does make a statement that planning obligations have to be relevant to purpose. I think de minimis needs to come into things. If you can speed up the planning process, if you can reduce the conditions and maybe put a little bit more responsibility back to the officer so he can make a decision. Trust his professionalism. These guys are well trained. They're experienced. Allow them to take a decision and back it up, that they don't need to do as many surveys. Then I think you'll free up and you'll speed up the planning process.