

ITEM 8 – 2016 Annual Housing Update

Report by: Graeme Marsden, Planner

Purpose

This Report presents the 2016 Annual Housing Update to the SESplan Joint Committee for consideration and noting. The Joint Committee are also asked to agree that it will not be produced by a specific December timescale.

Recommendations

It is recommended that the SESplan Joint Committee:

1. Note the summary and content of the Annual Housing Update, attached as Appendix 1 to this report; and
2. Agree that the Annual Housing Update should be produced on an annual frequency instead of by a specific end of year timescale.

Resource Implications

As set out below.

Legal and Risk Implications

All risks are detailed in the SESplan Risk Register and reported to Joint Committee on an annual basis.

Policy and Impact Assessment

No separate impact assessment is required.

1. Background

- 1.1 On 18 May 2015, the SESplan Joint Committee approved non statutory guidance on maintaining a five year effective supply of housing land. The guidance indicates that an Annual Housing Update will be prepared for consideration by SESplan by no later than December each year. The updates are to

consider the effective land supply and performance against the approved SDP and comment on other factors such as completions and significant appeal decisions.

1.2 The updates will assist in monitoring the development plan, inform future plans and add to the context for the consideration of proposals within the SESplan area.

1.3 The first update was reported to the 30 May 2016 Joint Committee Meeting. This second update covers the period 1 April 2015 to 31 March 2016 and is based on member authorities' housing land audits.

2. Annual Housing Update 2016

2.1 The Update begins with a short summary, key points being that the 80% of the established land supply is considered 'effective' and the number of house completions by 25% compared to the previous year. The Update examines the supply of housing land and the delivery of new homes as separate points. This approach and other issues around measuring the effective housing land supply is subject to ongoing discussion with other members of Heads of Planning Scotland and Homes for Scotland. The Scottish Government is aiming to issue updated guidance on housing land following the review of the planning system in Scotland.

2.2 The housing land supplies identified in the 2016 Update reinforce the point made in paragraph 5.8 of the Proposed Plan. This is that, with the possible exception of Edinburgh, other SESplan member authorities are not expected to be required to allocate additional housing land in the subsequent Local Development Plans to meet the Proposed Plan Housing Land Requirements, as there is estimated to be sufficient levels of housing land. For all SESplan member authorities the level of housing land to be allocated will depend on the estimates of housing land at the time of Local Development Plan preparation.

2.3 Due to the SESplan focus on responding to the Proposed Plan representations and preparing for submission, there is no analysis of 2016 planning appeals in this year's Update.

3. Future Annual Housing Updates

3.1 The Annual Housing Update was programmed to be taken to the November 2016 SESplan Joint Committee. However, only three of the SESplan member authorities housing land audits were

completed at this point. Therefore work on the Annual Housing Update could not progress until February 2017 when drafts of all audits were available.

- 3.2 The 2015 Annual Housing Update was delayed for similar reasons. Therefore the SESplan Operational Group has been asked to look at the use of shared resources to allow the production of housing land audits within a consistent timescale. In the interim the Joint committee is asked to change the timescale for the production of the Annual Housing Update from December to annually as SESplan member authorities cannot guarantee that Housing Land Audits will be produced within that timescale.

Appendices

Appendix 1 2016 SESplan Annual Housing Update

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SESplan Annual Housing Update 2016

1. Summary

- 80% of land identified for housing in the SESplan area is classified as “effective”.
- The total supply of effective housing land in the SESplan area is 13% higher than in 2015.
- The number of houses completed during the year is 25% higher than the previous year.
- The total effective housing land supply is greater than the housing land requirement for SESplan as a whole and all council areas except for East Lothian and Scottish Borders.
- The five year delivery programme is below the five year delivery target for all council areas.
- At current delivery programme rates, there is enough effective housing land for at least 10 years in all council areas.
- At recent completion rates, there is enough effective housing land for at least 15 years in all council areas.

2. Introduction

- 2.1. On 18 May 2015, the SESplan Joint Committee approved non statutory guidance on maintaining a five year effective supply of housing land. The guidance indicates that an Annual Housing Update will be prepared for consideration by SESplan. This document represents the second update, the first being reported to the SESplan joint committee on 30 May 2016.
- 2.2. Each of the six SESplan local authorities conducts an annual audit of the housing supply within their own area. The audits measure the amount of land that is available for housing including land allocated for housing in local development plans, land with planning consent for housing and other land with agreed potential. The audits also attempt to estimate delivery of new homes and include a delivery programme for the next seven years. City of Edinburgh, Fife and Midlothian councils have finalised audits for 2016. East Lothian, Scottish Borders and West Lothian currently have 2016 audits at draft stage and are yet to agree these with Homes for Scotland.
- 2.3. It should be noted that the housing land position set out in this update paper advises of housing land requirements to meet those of the approved 2013 Strategic Development Plan (SDP1) and its associated Housing Land Supplementary Guidance informed by the 2011 Housing Needs and Demand Assessment (HNDA 1). In 2015 a new Housing Needs and Demand Assessment (HNDA 2) was confirmed as ‘Robust and Credible’ by the Scottish Government and is the most up to date assessment of housing need and demand across the SESplan area. HNDA 2 has informed the preparation of the SESplan Proposed Plan (SDP2), which will eventually replace SDP1 in 2018. The Proposed Plan is anticipated to be submitted to Scottish Government in June 2017 for Examination.
- 2.4. HNDA 2 is informed by the 2012 Based Household Projections, as opposed to the 2008 based projections which were the basis of HNDA 1 and SDP1. The Proposed Plan indicates a shift in the scale of housing land and tenure that will be required across the SESplan area over the period 2018-2030. This will have an impact on housing supply targets used in

future iterations of this update paper which will assess targets for market housing and affordable housing separately.

- 2.5. The Proposed Plan is the most up to date statement of housing land policy across the SESplan area and is based on the most up to date assessment of housing need and demand in that area. Housing Supply Targets in the Proposed Plan are below those currently needed to meet the remaining requirement set by SDP1. As such, testing the five year delivery programme against the Housing Supply Targets in SDP2 will result in a reduced deficit or an excess in programmed delivery against delivery the targets than is shown in table 6.

3. Housing Land Supply

Established land supply

- 3.1. Scottish Government's planning advice note 2/2010 (PAN2/2010) "Affordable Housing and Housing Land Audits" defines the established land supply as "The total housing land supply - including both unconstrained and constrained sites. This will include the effective housing land supply, plus the remaining capacity for sites under construction, sites with planning consent, sites in adopted local development plans and where appropriate other buildings and land with agreed potential for housing development."

Effective land supply

- 3.2. In order for a housing site to be considered **effective**, it must be free of all constraints that would prevent development. Sites are considered against a range of criteria set out in PAN 2/2010. These criteria include ownership, physical (e.g. slope, aspect, stability, flood risk, access), contamination, deficit funding, marketability, infrastructure and land use.
- 3.3. In March 2016, Scottish Government issued draft delivery advice on housing and infrastructure. This advice, once finalised, will replace PAN 2/2010 in terms of assessing the effective land supply. The draft advice removed marketability as a necessary criterion in assessing housing land as effective, and the five year effective land supply is not defined in terms of the programme of expected future completions. The effective land supply is defined as 'the part of the established housing land supply which is free of development constraints in the period under consideration and will therefore be available for the construction of housing'. Scottish Government aims to issue finalised advice following the review of the planning system in Scotland.
- 3.4. Table 1 below details the established land supply in SESplan and its constituent local authorities at 31 March 2016. These data are illustrated graphically in figures 2 and 3.

Table 1. Established land supply

	Established land supply	Effective land supply	Land with constraints
City of Edinburgh	33,020	25,748	7,272
East Lothian	6,281	6,241	40
Fife (SESPLAN)	30,847	24,655	6,192
Midlothian	13,884	13,235	649
Scottish Borders	8,994	6,895	2,099
West Lothian	24,446	17,313	7,133
SESplan	117,472	94,087	23,385

Figure 1. Established land supply by local authority area

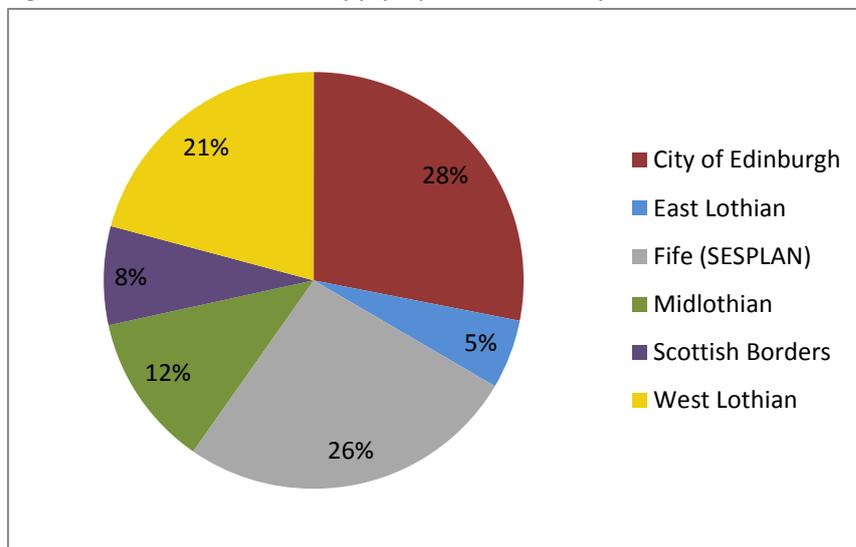
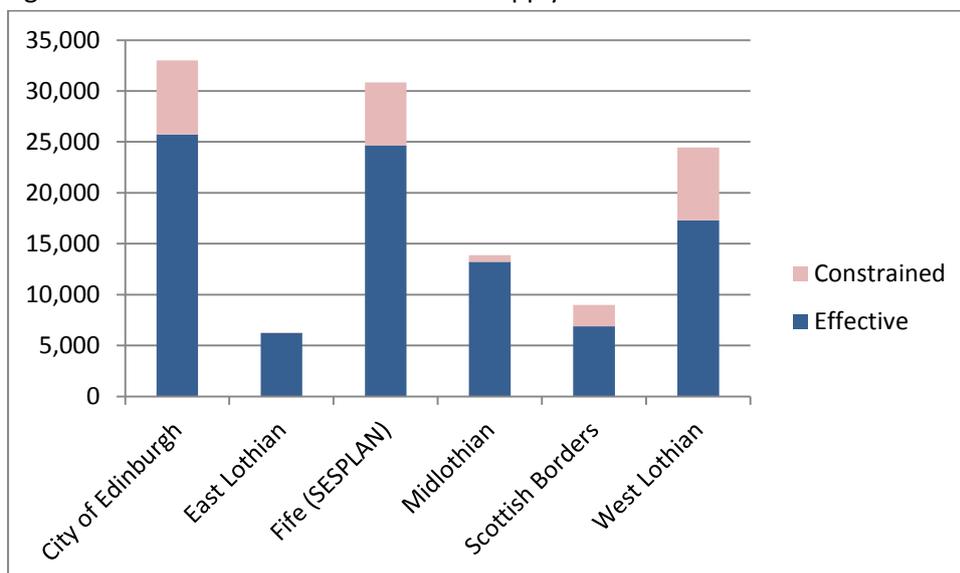


Figure 2. Effective and constrained land supply



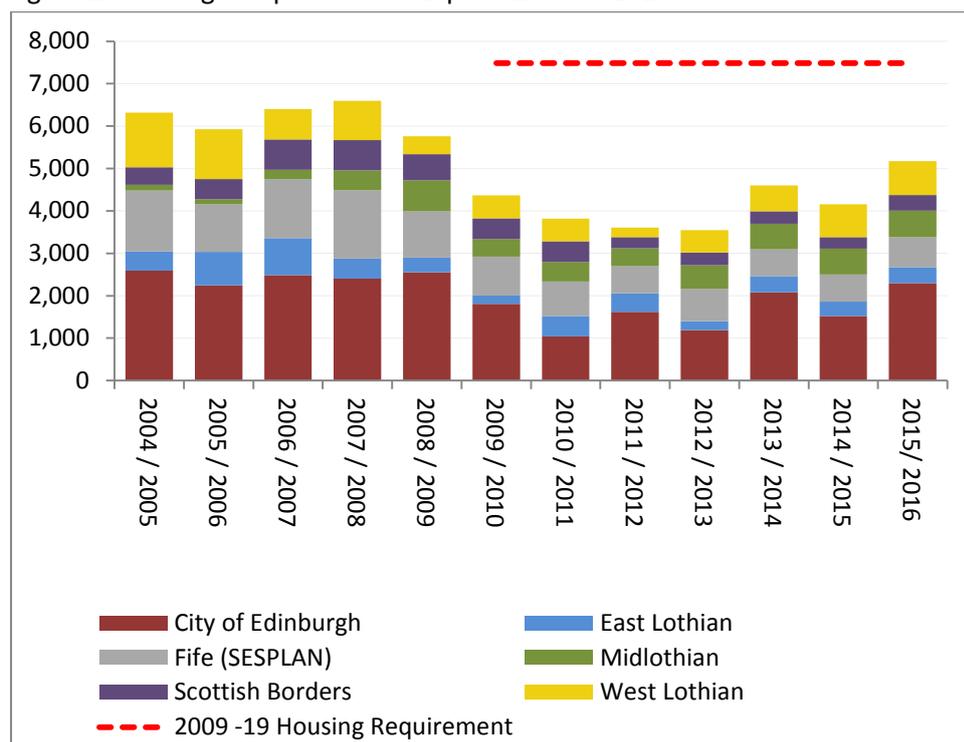
- 3.5. At 94,087, the total effective land supply across the SESplan area is 13% higher than the previous year when the total effective land supply was recorded as 83,497. Only Fife and East Lothian recorded a lower effective land supply in 2016 than in 2015.
- 3.6. The authorities with the greatest proportion of the established land supply classified as effective are East Lothian (99%) and Midlothian (95%). West Lothian has the lowest proportion of its land supply classified as effective at 71%.

4. Housing Delivery

Housing completions

- 4.1. Between April 2015 and March 2016, there have been 5,175 new houses completed across the SESplan area. This represents a 25% increase on the number of houses completed the previous year (4,138) and is the highest completion count since 2008/09 when the credit crunch brought about a considerable reduction in new house building.
- 4.2. Of the 5,175 houses completed during the year, 44% were located in the City of Edinburgh Council area (2,297). West Lothian accounted for the second highest completions count at 797 followed by Fife (713), Midlothian (620) East Lothian (375) and Scottish Borders (373).
- 4.3. Completions in 2015/16 were higher than the previous year for all SESplan authorities, and with the exception of East Lothian, the completions counts are the highest that they have been for at least 5 years. It should be noted that completions fluctuate from year to year and the large increase in completions over the last year may not continue as a trend. Looking at change in completion rates over a single year can be misleading as a relatively small number of flatted developments reaching completion within in a single year can mask the fact the construction had actually taken place over a longer period and appear as a spike in yearly completions trends.
- 4.4. Figure 2 below shows the number of houses completed across the SESplan area since 2004. The dotted line in the graph shows the average annual completions rate that would have been necessary to meet the housing supply target to 2019.
- 4.5. Completion figures split by tenure are not currently available.

Figure 2. Housing completions in SESplan: 2004 to 2016



Delivery programme

4.6. Each of the housing land audits estimates likely completions on sites classified as effective over the next 7 years. The programme has largely been agreed as accurate with Homes for Scotland members in Edinburgh, Fife and Midlothian. The figures for East Lothian, Scottish Borders and West Lothian are draft and have not yet been agreed. The delivery programme for the next 5 years for SESplan and its LDP areas is set out in table 2 below.

Table 2. Delivery programme

	Delivery programme 2016 to 2021	Annual average
City of Edinburgh	11,970	2,394
East Lothian	3,187	637
Fife (SESPLAN)	7,930	1,586
Midlothian	5,629	1,126
Scottish Borders	3,389	678
West Lothian	7,717	1,543
SESplan	39,822	7,964

5. Housing Land Requirement

5.1. The housing land requirement for SESplan and its LDP areas is set out in table 3.1 of the SESplan Supplementary Guidance on Housing Land (November 2014). The table is reproduced in table 3 below.

Table 3. Housing land requirement 2009 to 2024

	2009 - 2019	2019 - 2024
City of Edinburgh	22,300	7,210
East Lothian	6,250	3,800
Fife (SESPLAN)	17,140	7,430
Midlothian	8,080	4,410
Scottish Borders	9,650	3,280
West Lothian	11,420	6,590
SESplan	74,840	32,720

4.1. SDP1 and its supplementary guidance (SG) were prepared in accordance with Scottish Planning Policy (SPP) 2010. SPP was replaced in 2014. The new SPP required development plans to set housing supply targets (HSTs) as well as housing land requirements. The HST is the policy view of the number of new homes that will be delivered. The housing land requirement is the amount of land to be allocated to allow the targets to be met. However, SDP1 was approved in accordance with the 2010 SPP and therefore there is not a clear approach to generosity and housing land requirements.

4.2. Taking account of completions to date, the remaining requirement is given in table 4 below. The approaches taken to identify housing land requirements are set out under the table.

Table 4. Outstanding housing land requirement from 2016

	Requirement 2009 - 2019	Complete 2009 - 2016	Requirement 2016 - 2019	Requirement 2019 - 2024	Remaining * Requirement
City of Edinburgh**	22,300	11,565	10,735	7,210	22,912
East Lothian	6,250	2,413	3,837	3,800	7,637
Fife (SESPLAN)***	17,140	5,118	12,022	7,430	19,452
Midlothian	8,080	3,664	4,416	4,410	8,826
Scottish Borders****	9,650	2,483	7,167	3,280	10,939
West Lothian *****	11,420	4,012	7,408	6,590	13,998
SESplan	74,840	29,255	45,585	32,720	83,764

* The period for the housing land requirement is 2016 to 2026 for Edinburgh and Fife, 2016 to 2025 for Scottish Borders and 2016 to 2024 for all other councils

**The adopted Edinburgh LDP added an additional 2,884 units to the SDP requirement figure to account for the period 2024 to 2026. The LDP also treated the SDP requirement as a housing supply target and so the remaining requirement figure increases the total requirement for the period 2016 to 2026 by 10% to become the requirement for housing land and provide sufficient flexibility.

*** The propose Fife Local Development Plan, modified for adoption (February 2017), increased the SDP housing land requirement by 2,591 to account for the period 2024 to 2026. No generosity margin was added.

****The adopted Scottish Borders LDP added an additional 492 units to the SDP requirement to account for the period 2024 – 2025. No generosity margin was added.

***** The West Lothian proposed LDP adds 10% to the SDP requirement for the period 2009 to 2024, increasing the remaining requirement by 1,801

5. Housing Delivery Target

5.1. The five year housing delivery target is the number of new homes that would need to be built over the next 5 years to meet the target set by the SDP for the period up to 2019 and beyond, to 2024. It is calculated as the remaining requirement to 2019 (3 years), plus 2 fifths of the target for 2019 to 2024. The five year delivery target for SESplan and its LDP areas is set out in table 5 below.

Table 5. Five year delivery target

	Target 2016 - 2019	Target 2019 - 2024	5 Year Target
City of Edinburgh	10,735	7,210	13,619
East Lothian	3,837	3,800	5,357
Fife (SESPLAN)	12,022	7,430	14,994
Midlothian	4,416	4,410	6,180
Scottish Borders	7,167	3,280	8,479
West Lothian	7,408	6,590	10,044
SESplan	45,585	32,720	58,673

6. Assessing the Adequacy of the Land Supply and Delivery Programme

- 6.1. The adequacy of the supply of land for housing and the programmed delivery of new homes are assessed as separate things. The five year delivery programme, previously referred to as the five year effective land supply, need not be the only factor to consider when determining whether the supply of effective land is adequate. Where the delivery programme is below the five year delivery target but there is sufficient effective land for more than 5 years development at current delivery rates, councils could consider ways to increase delivery of the existing supply before allocating or releasing additional housing land. Table 6 below compares the effective housing land supply to the housing land requirement and also, the 5 year delivery programme to the five year delivery target. Table 6 also shows how long, in years, the effective land supply will last should delivery programme rates from Housing Land Audits be achieved. Delivery programme rates are calculated as the average number of completions programmed over the next five years. Table 6b gives an alternative calculation to the number of years of effective land whereby the average completion rate over the last five years is used.
- 6.2. The table demonstrates that for SESplan as a whole and for each LDP area with the exception of East Lothian and Scottish Borders, there is sufficient effective housing land to meet the housing land requirement for the entire plan period. Within East Lothian and Scottish Borders, although insufficient for the full plan period, there is sufficient effective land to last for 10 years at current build rates. It should be noted that SPP does not require there to be sufficient effective land for the whole plan period. Rather, it states “The housing land requirement can be met from a number of sources, most notably sites from the established supply which are effective or expected to become effective in the plan period...”
- 6.3. The delivery programme, however, is below the 5 year delivery target for all 6 LDP areas. This is largely the product of lower than required house building during the early years of the SDP period following the credit crunch, leading to unachievable targets in the first period to 2019. In order to meet the five year delivery target, an average completions rate of 11,735 new homes per year would be needed across the SESplan area. 6,598 is the highest completions rate achieved since the early 2000s with the average for the last five years being 4,218.
- 6.4. The five year delivery target is closest to being met in Midlothian where the delivery programme is 90% of the target followed by City of Edinburgh at 88%. The delivery programme is furthest from the target in Scottish Borders at 40%. For SESplan as a whole, the 5 year delivery programme is 68% of the target.
- 6.5. Several factors affect the rate of delivery on effective sites. Work is underway with Homes for Scotland to develop a systematic way to identify the factors which would accelerate delivery rates on relevant sites. This is being piloted in Edinburgh. This approach has potential to provide additional information in the report of the 2017 audits.

Table 6. Housing land supply and delivery programme

Land Supply		Delivery output	
Edinburgh			
Housing Land Requirement (2016 - 2026)	22,912	5 year delivery target	13,619
Effective Housing Land Supply	25,748	5 year delivery programme	11,970
No. of years effective supply	11	% of target	88
East Lothian			
Housing Land Requirement (2016 - 2024)	7,637	5 year delivery target	5,357
Effective Housing Land Supply	6,241	5 year delivery programme	3,187
No. of years effective supply	10	% of target	59
Fife (SESplan)			
Housing Land Requirement (2016 - 2026)	22,043	5 year delivery target	14,994
Effective Housing Land Supply	24,655	5 year delivery programme	7,930
No. of years effective supply	16	% of target	53
Midlothian			
Housing Land Requirement (2016 - 2024)	8,826	5 year delivery target	6,180
Effective Housing Land Supply	13,235	5 year delivery programme	5,629
No. of years effective supply	12	% of target	91
Scottish Borders			
Housing Land Requirement (2016 - 2025)	10,939	5 year delivery target	8,479
Effective Housing Land Supply	6,895	5 year delivery programme	3,389
No. of years effective supply	10	% of target	40
West Lothian			
Housing Land Requirement (2016 - 2024)	13,998	5 year delivery target	10,044
Effective Housing Land Supply	17,313	5 year delivery programme	7,717
No. of years effective supply	11	% of target	77
SESplan			
Housing Land Requirement	83,764	5 year delivery target	58,673
Effective Housing Land Supply	94,087	5 year delivery programme	39,822
No. of years effective supply	12	% of target	68

Table 6B. Number of years effective supply based upon past completion rates

	Effective Land Supply	Average completions 2011 - 2016	No. of years effective supply
City of Edinburgh	25,748	1,743	15
East Lothian	6,241	348	18
Fife (SESplan)	24,655	677	36
Midlothian	13,235	562	24
Scottish Borders	6,895	301	23
West Lothian	17,313	588	29
SESplan	94,087	4,219	22