

East Ayrshire NPF4 HLR – Evidence Report

1. Introduction

1.1. The Scottish Government published the 'First Step Towards a Minimum All-tenure Housing Land Requirement' or 'Minimum All-Tenure Housing Land Requirement' for consultation on the on 23rd of February 2021. Each Planning Authority in Scotland has been presented with a minimum all-tenure HLR and each is invited to present an alternative scenario if they wish to do so. It is requested that authorities:

- (i) Consider the initial default estimates and whether alternatives to the default assumptions about household projections and existing housing need should be applied.
- (ii) Consider whether (they) wish to propose a different flexibility allowance, which should generally be greater than the proposed 25% minimum for urban areas and 30% minimum for rural areas.
- (iii) Assess the extent to which (their) proposed land requirement compares with past completions for (their) area. Where the proposed requirement is substantially lower, (the SGs) view is that authorities should consider whether it should be increased further.
- (iv) Set out a locally adjusted estimate of the minimum all-tenure housing land requirement for (their) local authority area as a result of these adjustments.

1.2. The minimum all-tenure HLR for East Ayrshire is a 350 unit requirement (including flexibility allowance of 30% or 0.30) over a ten year period. East Ayrshire Council considers that 350 units over such a timescale is insufficient to meet the aspirations and real demand for new homes in the area, as well as the vision and aims of the forthcoming Local Development Plan 2 (LDP2). In accordance with the request for additional information made by the Scottish Government in points (i) to (iv) above, an evidence base to support the allocation of a higher figure has been prepared in addition to the completion of the Minimum All-Tenure HLR Response Template.

2. Summary

2.1. Those figures obtained in relation to the past and predicted supply of new homes in East Ayrshire and a number of other factors of relevance to the determination of a HLR are summarised as follows:

- **1656** units completed 2015/16 to 2019/20
- **3651** units completed 2010 to 2019
- **8778** units completed 1999/01 to 2018/19
- **2301** units programmed 2020/21 to 2024/25 (HLA 2020)
- **1229** (approx.) units in the Strategic Housing Investment Plan (SHIP) 2021-2026
- **>50%** of MIR representations in favour of 'High Flatter Growth' scenario or greater
- **335** dwellings demolished in East Ayrshire between 2014/2015 and 2018/2019 (SG)
- **2000** (approx.) people employed in construction in East Ayrshire (2019) (ONS)
- **4.1** jobs supported per newly built house
- **7000** (approx.) jobs may be created through the Ayrshire Growth Deal (AGD)

2.2. When the information presented above is considered as a whole and according to various different interpretations, the following scenarios (numbered) may be applied so as to determine an HLR.

- 1) **3370** 10 year figure using 'past completions (10-19)/HNDA' methodology
- 2) **4125 (4100)** 10 year figure using 'past completions (10-19)/HLA/HNDA' methodology

3. Supporting Evidence

3.1. The following evidence has been collated so as to support the allocation of a higher housing land requirement for East Ayrshire.

Long term house completions (1999-2019)

3.2. Scottish Government 'Housing statistics quarterly update: new housebuilding and affordable housing supply figures' detail that during the years 1999/2000 to 2018/2019 the total number of house completions in East Ayrshire was **8778** units or an average of **439** per annum.¹ Whilst the rate of completions fell gradually post-2008 recession, completions have steadily risen again and have averaged at around 400 per annum since 2009-10.

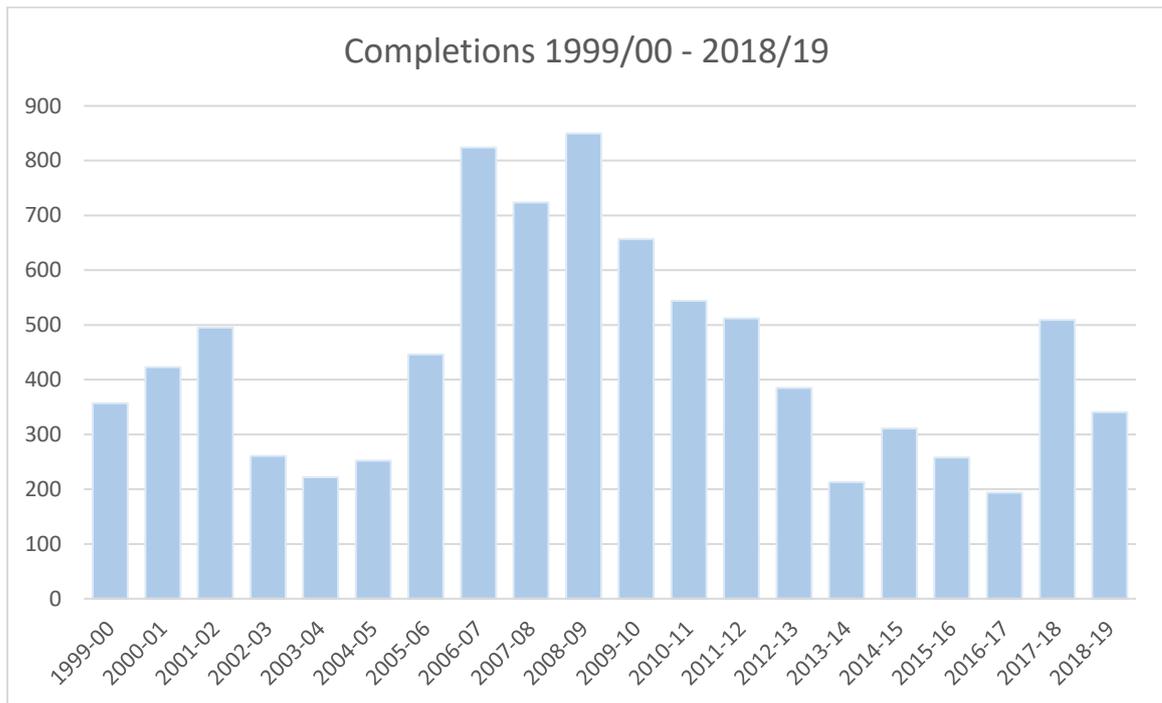


Figure 1. Source: Scottish Government (2020)

Short term house completions (2015-2020)

3.3. The East Ayrshire Building Standards and Housing services calculate the rate of completions of market/RSL and Council dwellings. The rate of completions fluctuates from year to year and is in large part influenced by Council house building priorities. For the years 2015/2016 to 2019/2020 the total number of completions in East Ayrshire was **1656** units or an average of **331** per annum.

¹ [Housing statistics quarterly update: new housebuilding and affordable housing supply - gov.scot \(www.gov.scot\)](https://www.gov.scot/housing-statistics-quarterly-update-new-housebuilding-and-affordable-housing-supply)

Medium term house completions (2010-2019)

- 3.4. Scottish Government house completions statistics detail that **3651** dwellings were completed in East Ayrshire between 2010 and 2019 or approximately **365** per annum.

Housing Land Audit 2020

- 3.5. An East Ayrshire Housing Land Audit was produced in summer 2020 and agreed by Council Cabinet and with Homes for Scotland in late 2020.² The HLA 2020 has a base date of 1st April 2020 and programmes the completion of a total of **2301** units or an average of **460** per annum in East Ayrshire over the time period 2020/2021 to 2024/2025:

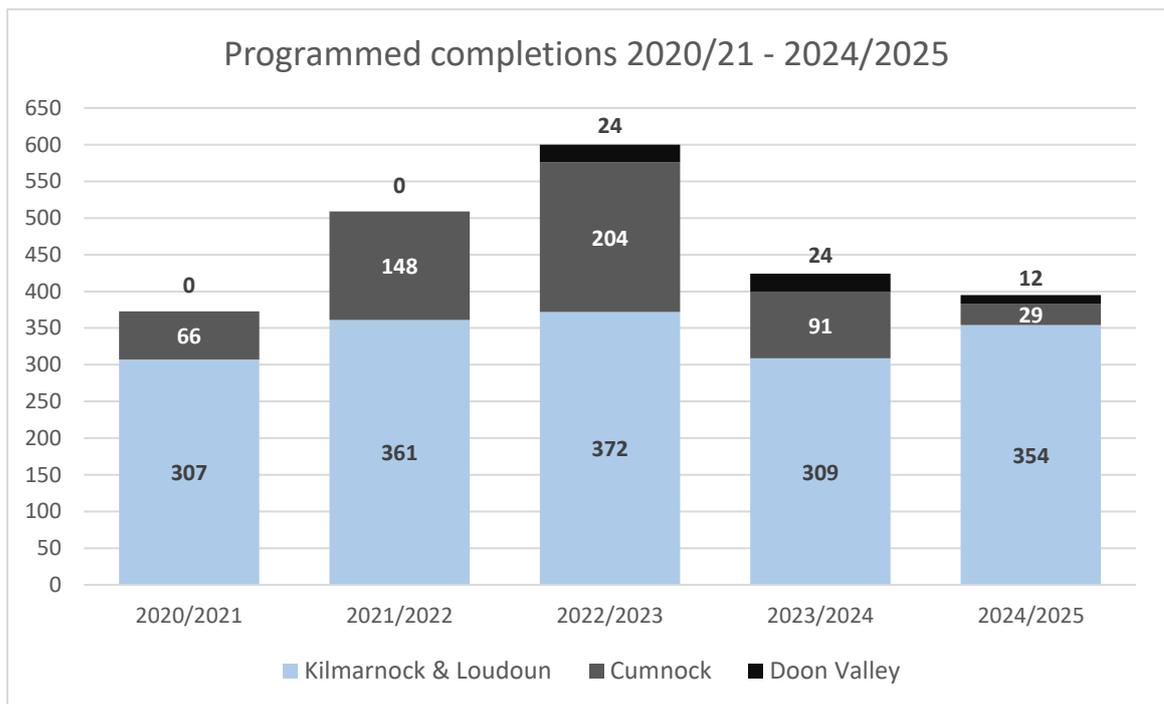


Figure 2. Source: East Ayrshire house completion figures by Sub-Housing Market Area

Allocation of housing land in LDP2

- 3.6. Whilst the precise number of sites or their capacities have yet to be determined, it can be confirmed that the intention of the new Plan is to encourage population growth in East Ayrshire. This ambitious approach is likely to encourage a greater level of development than the Scottish Government baseline figure suggests, LDP2 being a driver of development rather than a backward-looking response to potential low levels of growth. Through consultation with developers and appropriate allocation of housing land, it is hoped that East Ayrshire can maintain and grow its current population number in order to avoid long term decline. This will be achieved through the allocation of a generous number of sites and capacity in addition to the HLR figure.

Call for Sites

- 3.7. Three exercises have been undertaken to establish interest in the development of land in East Ayrshire. A Call for Priorities, Issues and Proposals from 2017, the Main Issues Report consultation in summer 2020 and the Call for Site Information in late 2020. A total

² East Ayrshire Housing Land Audit (2020)

of **89** new sites have been proposed for housing development, totalling around **750ha** in area and with the capability to accommodate more than **8000** dwellings, subject to detailed site assessment. There has been interest in the retention of **26** sites or parts of sites that are currently allocated in the 2017 LDP. It can therefore be established that there remains substantial developer interest in land in East Ayrshire.

Employment in construction

- 3.8.** The construction of new homes is an important source of employment in East Ayrshire. ONS figures estimate that that approximately **2000** people in East Ayrshire were employed in the construction sector in 2019.³ Whilst the ONS figures do not differentiate between sub-sectors in construction, it can be assumed given the pattern of development in East Ayrshire that a significant proportion of those would be in the development of new homes. It is estimated that the construction of each new home in Scotland supports **4.1** jobs⁴.

Private sector support for affordable home delivery

- 3.9.** The Scottish Government's 'Housing to 2040' document includes a target to construct 10,000 affordable homes across Scotland per year⁵. Whilst the intention to increase the number of affordable homes is laudable, the Scottish Government's national Minimum All-tenure HLR assumes that only 11,275 dwellings would be constructed in Scotland per year (prior to the application of generosity). However, there is at present a close relationship between the completions of affordable and market homes, with construction of affordable homes on sites developed by market house builders commonly agreed as part of planning policy. Therefore, for the Scottish Government to achieve its target both nationally and in East Ayrshire, a sufficient number of market homes must also be constructed. This relationship should be reflected in the final HLR for each area.

MIR Issue 12: Levels of Housing Growth

- 3.10.** With the 2018 HNDA as its basis, the Council, through the LDP2 Main Issues Report set out a Preferred Option of planning for a High Flat Growth which takes into consideration the baseline evidence set out in the HNDA but also assumes a small growth in population as part of the LDP vision and aims, and projections identified by the 2019 Housing Land Audit for East Ayrshire. A figure of **2151** housing units over a 13 year period (3 years to adoption of LDP2 plus 10 year allocation) plus a 10-20% generosity allowance was proposed.
- 3.11.** **71** responses concerning MIR issue 12 were received to the consultation. The majority of respondents supported the Preferred Option, whilst a small number supported Alternative Options 1 and 2 or made representations of a non-supportive or alternative type⁶. It can therefore be confirmed that there is substantial support among the development industry for setting a level of housing growth in excess of 2151 units over 13 years determined by the HNDA.

Private sector dwelling depletion and quality of existing stock

³ Business Register and Employment Survey (BRES) (2019)

⁴ Nathaniel Lichfield & Partners (2016)

⁵ <https://www.gov.scot/publications/housing-2040-2/>

⁶ <https://www.east-ayrshire.gov.uk/Resources/PDF/L/LDP2-Main-Issues-Report.pdf>

3.12. The baseline figure of 350 units produced by the CHMA accounts only for those dwellings that are considered to be necessary after assessment through the selected process of household growth and housing need. However, figures produced by the Scottish Government detail that **335** dwellings were demolished in East Ayrshire between 2014/2015 and 2018/2019, an average of **67** per year⁷. Whilst a modest decline in population in East Ayrshire is projected (subject to efforts to lessen or reverse that decline), a requirement for replacement dwellings if programmed at the same rate may potentially exceed the 350 recommended units. The Council's housing replacement programme may account for additional units to be demolished in the coming years; the rate of this activity proposed is subject to the annual Housing Asset Management Framework (HAMF) reviews, as approved by Council Cabinet.

Rent, accommodation and other factors

3.13. A number of other factors are not encompassed by the HNDA process but are considered instrumental to the determination of the HLR. For example, the HNDA does not account for persons who live within accommodation for which rent may be unaffordable and who may wish to move home on that basis.

3.14. The HNDA does not factor in the condition of residential stock and a substantial number of dwellings in East Ayrshire that are not within the ownership of the Council or an RSL may be of an unacceptable physical standard but would not form part of any coordinated replacement programme. 'Housing to 2040' sets out its aspirations across the public, private and private rented sectors to acknowledge where works are required to improve energy efficiency etc. in the home, e.g. addressing the need to move away from fossil fuel heating in new homes and, by extension, in existing dwellings in response to the climate change agenda. ESSH2 sets out the timeline for this type of activity to be achieved in existing social rented stock. Nevertheless, many properties in East Ayrshire are nearing the end of their designed lifespan and, whilst a more sustainable approach may involve refurbishment, some dwellings will require to be replaced.

3.15. Other factors that are not recorded by the HNDA include a lack of garden space for families with young children, overcrowding whereby children of different sexes share a bedroom and a desire of some of those that currently live with parents to rent or own their own accommodation.

Economic influences

3.16. The Scottish Government and UK Government-funded Ayrshire Growth Deal (AGD) was signed on 19th November 2020. Projects include the Ayrshire Manufacturing Investment Corridor (AMIC), HALO Kilmarnock and the National Energy Research Demonstrator Project (NERD), each of which is located in East Ayrshire. The AGD is expected to create around **7000** jobs across East, North and South Ayrshire, more than 2000 of which would be expected to be created in East Ayrshire on a pro rata basis. It has been asserted in representations to the MIR consultation that the projects of the AGD will necessitate the development of housing to accommodate prospective employees. Whilst it cannot be ascertained how many units might be required, any housing need is likely to exceed the 350 unit requirement initially projected.

Household expenditure

⁷ Scottish Government (2019)

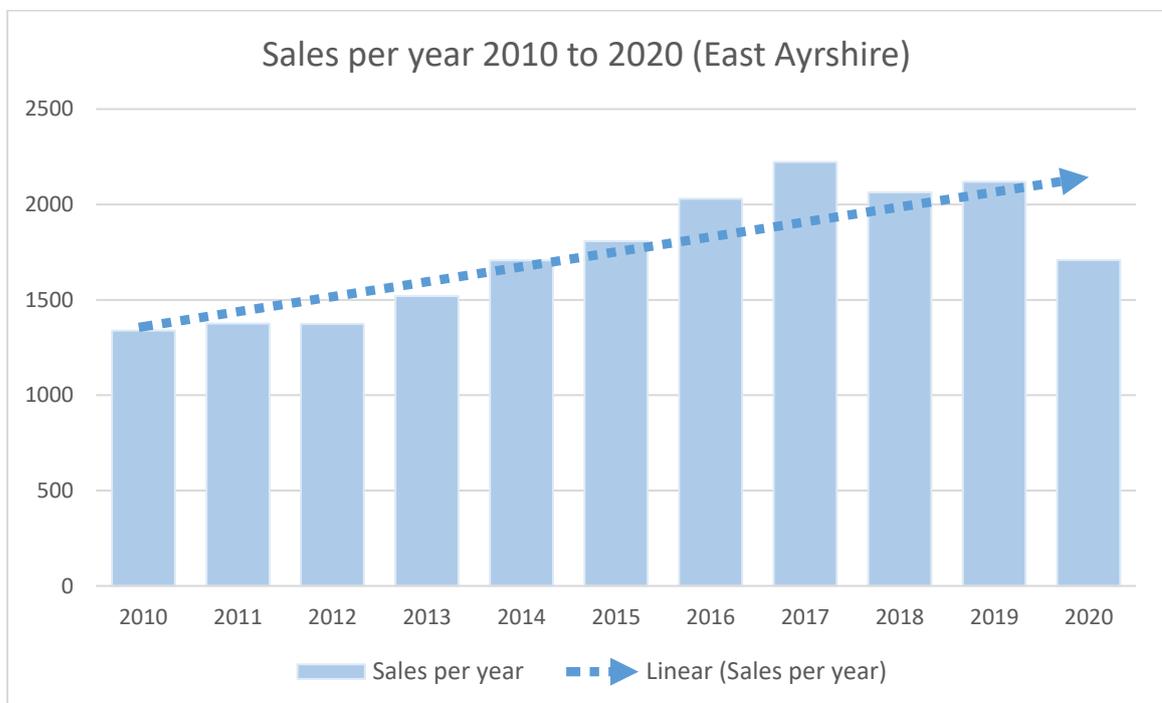
3.17. Whilst the average weekly spend per household in East Ayrshire cannot be determined, it was estimated by the Office for National Statistics that the average Scottish household spent around £490 per week or **£6000** per annum in the years 2016 to 2018.⁸ The general economic benefit of increasing the resident population in East Ayrshire through the construction of new homes can therefore be established in that regard and should be reflected in the allocation of housing land.

Strategic Housing Investment Plan (SHIP) 2021-2026

3.18. The Strategic Housing Investment Plan 2021-26 (SHIP) was approved by East Ayrshire Council Cabinet on November 25th 2020. The SHIP could deliver up to **1229** affordable homes for the Council and Registered Social Landlord partners in communities throughout East Ayrshire. Proposed new builds are influenced by the priorities set out in the approved HAMF and the annual reviews, and are subject to Council Cabinet approval. It is intended that an identified developer will deliver the new build affordable housing programme, utilising offsite manufacturing processes in order to achieve efficiency savings and a more streamlined development process. The provision of additional affordable homes often require the development of private market homes so as to support their provision as part of LDP-defined proportional contribution, further increasing the requirement for new homes of all types in the area.

House sales and market conditions

3.19. The housing market in East Ayrshire has improved significantly since the time following the 2008 recession. The number of house sales in East Ayrshire has risen steadily since 2010 and has settled around 2000 per year since 2016, albeit with a small reduction in 2020 due to the COVID-19 pandemic.



3.20. It can therefore be affirmed that the East Ayrshire housing market remains healthy. Whilst average house prices remain lower the national average, the relative affordability

⁸ Office for National Statistics (2019)

of the Local Authority area may have contributed to a 10.2% increase in house prices between February 2020 and February 2021⁹. Demand for new homes therefore remains robust and no evidence can be obtained that might suggest otherwise.

Constraints to Housing Growth

3.21. Despite each of the positive factors detailed above, there exist various factors that may adversely impact the completion of new homes. 'Housing to 2040' introduces new standards to be achieved in the delivery of the new homes, for example, the installation of fire suppression measures. These new standards may impact on the capital cost to build relative to an out-dated grant rate, rent affordability, borrowing requirements and uncertainty around the new grant investment level to be made available by the Scottish Government. Impacts on delivery include those arising from Brexit and ongoing COVID-19 supply chain shortages resulting in reported increased costs. Nevertheless, it is considered that such impacts may be alleviated in the medium to long term, particularly so by the time LDP2 is adopted in mid-2023, and that the proposed HLR of 4100 units detailed in Section 4 below reflects a more subdued housing market than the HLR of 5961 set in the East Ayrshire Local Development Plan (EALDP) 2017.

4. Determination of a Housing Land Requirement

4.1. With regard to the information presented in sections 3.2 to 3.21 above, it is possible to give consideration to the determination of a rounded, holistic and realistic uplift from the 252/350 unit baseline.

4.2. The figures may therefore be presented according to an initial and preferred scenario. Scenario A factors in the East Ayrshire HNDA (2018) high growth scenario and adds its projected average annual rate of completions to those of the 2020 Housing Land Audit and the actual rate of completions during the 2010 to 2019 time period to estimate the required number of completions. Scenario A is considered to be an initial but not preferred scenario because it does not factor in all of the inputs detailed in Section 3 above and is influenced to a significant degree by the more limited findings of the 2018 HNDA.

Scenario A: (Initial) Past completions (10-19) & Housing Land Audit 2020 & HNDA (2018)

Area	Completions 2010-2019 (Av. p.a.)	HNDA (Av. p.a.)	HLA 2020 (Av. p.a.)	HLR (annual)*	HLR (10 year)
East Ayrshire	365	186	460	337	3370
Kilmarnock & Loudoun	318	123	341	261	2607
Cumnock	37	52	108	66	657
Doon Valley	10	11	12	11	110

*Completions 2015-2020 (av. annual) + HNDA (av. annual) + Housing Land Audit (2020) (av. annual) / 3 * 10

**Sub-HMA completions estimated from ratio of 2015-2020 completions per Sub-HMA

4.3. It is therefore necessary to determine the HLR on the basis of more definite statistics, thereby producing Scenario B. Scenario B employs two data sources that have been confirmed as credible, the actual rate of completions during the 2010 to 2019 time period and the 2020 Housing Land Audit. Scottish Government-produced house completions

⁹ <https://www.gov.uk/government/statistics/uk-house-price-index-scotland-february-2021/uk-house-price-index-scotland-january-2021>

statistics are considered to be accurate and are informed through collaboration and engagement with Local Authority Housing and Building Standards services. The 2020 East Ayrshire HLA was produced in summer 2020 in collaboration with East Ayrshire's Housing Market Partnership Homes for Scotland and was informed through discussions with house builders, landowners and the Council's Planning Service. Its findings and the Scottish Government completions statistics can, when combined to produce an average to account for any exaggeration present in the HLA, reasonably predict the rate of completions over the decade from 2023 to 2033.

Scenario B (Preferred): Past completions (10-19) & Housing Land Audit 2020

Area	Completions 2010-2019 (Av. p.a.)	HLA 2020 (Av. p.a.)	HLR (annual)*	HLR (10 year)
East Ayrshire	365	460	413	4125
Kilmarnock & Loudoun	318	341	330	3295
Cumnock	37	108	73	725
Doon Valley	10	12	11	110

*Completions 2015-2020 (av. annual) + Housing Land Audit (2020) (av. annual) / 2 * 10 **Sub-HMA completions estimated from ratio of 2015-2020 completions per Sub-HMA

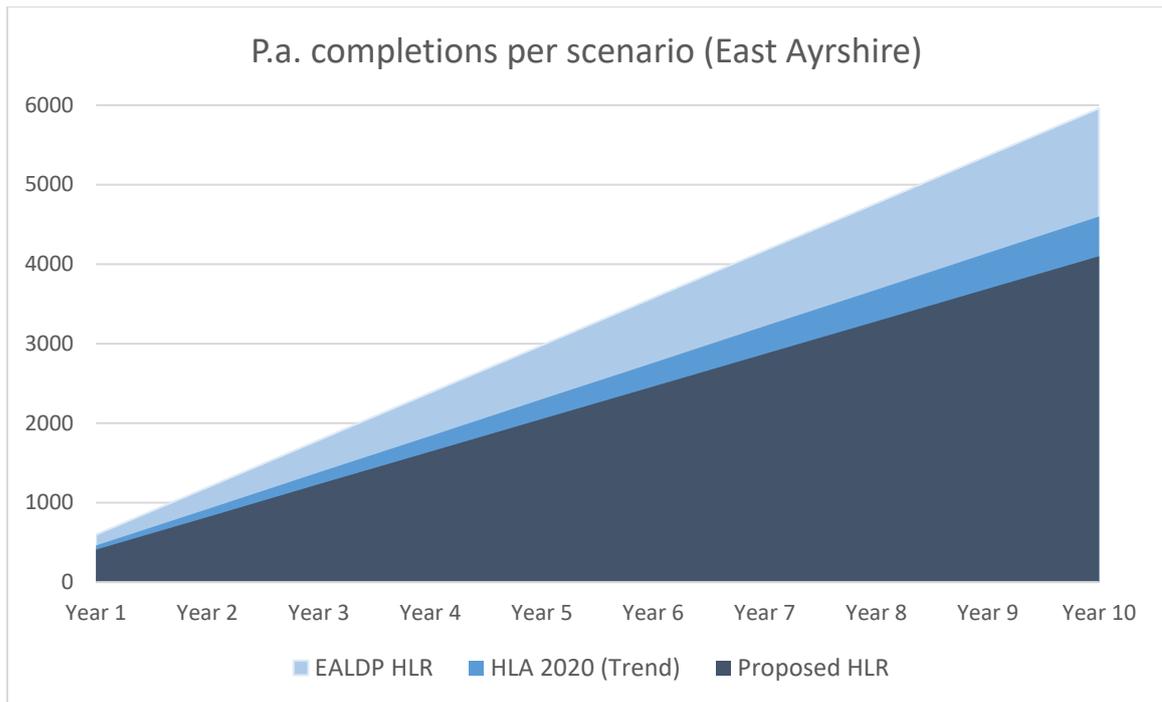
4.4. Each number presented as the 10 year and annual HLR has been rounded to the nearest 100, 10 or 5 respectively to produce a final figure of 4100 units for East Ayrshire as a whole, 325 units p.a. for Kilmarnock, 70 units p.a. for Cumnock and 15 p.a. for the Doon Valley. A comparison between the per annum figures for the 2015-2025 time period presented in the East Ayrshire Sub-Housing Market Areas document and proposed HLR for each Sub-HMA is detailed as follows¹⁰:

EALDP 2017 HLR vs. Proposed HLR per Sub-HMA

Area	East Ayrshire LDP 2017	Proposed HLR per Sub-HMA	Difference Comp. 15-20/Proposed
East Ayrshire	596	410	-31%
Kilmarnock & Loudoun	399	325	-19%
Cumnock	148	70	-53%
Doon Valley	49	15	-69%

4.5. The recommended per annum Sub-HMA HLR figures can therefore be considered to be more accurate than those presented in the 2017 East Ayrshire LDP, taking account of the more subdued findings of the 2018 HNDA and yet at the same time offer sufficient flexibility to allow for an anticipated increase in completions as per the findings of the 2020 HLA, albeit tempered by the long term trend. The following graph presents a comparison between each projection on an East Ayrshire-wide scale:

¹⁰ [East Ayrshire Housing Market Area Supplementary Guidance \(east-ayrshire.gov.uk\)](http://east-ayrshire.gov.uk)



*East Ayrshire Local Development Plan (EALDP) 2017 HLR (596 p.a.), HLA 2020 (460 p.a. projected to 2032) & Proposed HLR (410 p.a.)

5. Conclusion

- 5.1. The intention of the Council is to allow East Ayrshire to enjoy the benefits of economic growth through the construction of new homes, to maintain and increase the level of house completions output and to stabilise and potentially increase the population of the area. The preferred All-tenure HLR of 4100 units over the ten year time period following the adoption of East Ayrshire Local Development Plan 2 is therefore considered both logical and reasonable. Whilst the initial Scenario A accounts for the findings of the 2018 HNDA, the preferred Scenario B has cognisance of each of the factors listed in Section 3 above, factors in the Scottish Government-preferred past rate of completions for the 2010 to 2019 time period and the average projected rate of completions for the 2020 to 2025 time period from the 2020 Housing Land Audit. The final figure of 4100 units is sufficiently greater than the actual past rate of completions for the 2010 to 2019 time period to provide a form of flexibility in itself. For those reasons, it is recommended that the Scottish Government should support the HLR determined by East Ayrshire Council for East Ayrshire Local Development Plan 2 and incorporate that figure into NPF4.