

Appendix 7

Housing Supply Targets

1. Purpose

The purpose of this report is to describe the Council's approach to setting housing supply targets in the Local Housing Strategy. Essentially this is the translation of the Housing Estimates set out in the Housing Need and Demand Assessment (HNDA) to Housing Supply Targets (HST) and the potential impact these may have on Housing Land Requirements (HLRs) in the Local Development Plan (LDP). This report also gives consideration to comments made in a discussion between Falkirk Council housing and planning officers and Homes for Scotland¹.

2. Introduction

The principle policy and guidance context for setting HSTs is provided by:

- Scottish Planning Policy (SPP) Paragraph 115 and Diagram 1, *Housing Land, Development Planning and the Local Housing Strategy*,
- HNDA Managers Guide, Section 13 *Beyond the HNDA – Housing Supply Targets* and Figure 1 – *The Housing Planning Framework*,
- Local Housing Strategy Guidance (2014)

Local authority housing and planning departments need to work together to jointly agree the HST which in turn needs to be agreed by the Housing Market Partnership (HMP). Guidance suggests that this should take place before the MIR stage.

Paragraph 115 of SPP confirms that:

...the housing supply target is a policy view of the number of homes the authority has agreed will be delivered in each housing market area over the periods of the Development Plan and the Local Housing Strategy, taking into account wider economic, social and environmental factors, issues of capacity, resources and deliverability and other important requirements such as the aims of the national parks. The target should be reasonable, should properly reflect the HNDA estimate of housing demand in the market sector and should be supported by compelling evidence...

The above confirms that the outputs from the Falkirk HNDA do not automatically become the housing supply targets. This needs to be considered along with a series of other broader factors. It also confirms that the HST should “properly reflect the HNDA estimate of housing demand in the market sector”.

3. HNDA Results

The HNDA Tool produces estimates on the number of additional housing units needed each year. While it is expected that there is a clear alignment between the HNDA and the HST the two are not the same and are therefore not expected to match. The HST will take the HNDA as its starting point, but will consider policy and practical considerations to reach a view on the level of housing to be delivered over a defined period.

The HNDA estimates are centred on National Records of Scotland (NRS) 2012-based household projections and the HNDA Tool which was developed by the CHMA uses a range of economic and demographic assumptions about the likely future performance of the housing market. Evidence from Chapter Two of the HNDA was used to analyse what has happened in the past in Falkirk in relation to incomes, house prices and rental prices to anticipate what may

¹ Meeting with Falkirk Council Planning, Housing and Homes for Scotland 2nd February 2016

happen in the future and decide what scenarios to choose in the HNDA Tool. The preferred scenario which is Scenario 2 also includes an estimate of 767 households in existing need and uses assumptions on house prices and incomes as an affordability input to the Tool, in order to model a set of household projections by tenure.

Table 1 estimates that for the period of the HNDA there will be an additional 2,956 units required. The majority of units required, 1,094 (37%) units will be social rent, 407 (14%) units below market rent, 544 (18%) units private rent and 910 (31%) units owner occupied.

Table 2 estimates required that for the period of the LDP will be an additional 8,365 units. The majority of this at 2,921 (35%) units will be owner occupied, 1,983 (24%) units private rent, 2,411 (29%) units social rent and 1,051 (13%) units below market rent. Falkirk Council's LDP looks 20 years ahead from 2020 which is beyond the end of the period covered by the Tool. To ensure that the HNDA was fit for purpose for both the LHS and LDP it was necessary to manually add NRS household projections from 2033-2037. Linear projections using an Excel Forecasting Function were used to project household projections for 2039-2040 using the previous 5 years household projections as a base.

Table 1: Additional Housing Units by Tenure and Housing Sub Market Area HNDA 2016-2020

	Social Rent	Below Market Rent	Private Rent	Owner Occupation	Total
2016/17-2020/21					
Polmont & Rural South	164	72	122	135	492
Falkirk	409	109	125	266	909
Denny & Bonnybridge	152	67	81	159	459
Bo'ness	94	41	52	94	282
Grangemouth	118	50	60	119	347
Stenhousemuir, Larbert & Rural North	157	68	105	137	467
Total	1,094	407	544	910	2,956

Source: Falkirk Council Analysis using HNDA Tool, HNDA Scenario 2.

Table 2: Additional Housing Units by Tenure and Housing Sub Market Area LDP 2020-2040

	Social Rent	Below Market Rent	Private Rent	Owner Occupation	Total
2020/21-2039/40					
Polmont & Rural South	417	187	415	452	1,471
Falkirk	694	282	495	822	2,294
Denny & Bonnybridge	386	173	311	498	1,368
Bo'ness	236	106	194	299	835
Grangemouth	290	129	231	371	1,022
Stenhousemuir, Larbert & Rural North	391	175	356	461	1,383
Total	2,411	1,051	1,983	2,921	8,365

Source: Falkirk Council Analysis using HNDA Tool, HNDA Scenario 2. Please note totals are subject to rounding

4. Setting a Housing Supply Target

The HNDA Managers Guide and the LHS Guidance (2014) identify the following factors that may have an impact on the pace and scale of housing delivery has been looked at:

- economic factors which may impact on demand and supply in particular parts of the area
- capacity within the construction sector
- the potential inter-dependency between delivery of market and affordable housing at the local level
- availability of resources
- likely pace and scale of delivery based on completion rates
- recent development levels
- planned demolitions
- planned new and replacement housing brought back into effective use

The first stage of setting supply targets was a meeting between Housing and Planning from Falkirk Council and Homes for Scotland (2/2/2016). This explored the above issues and the views of Homes for Scotland recorded at that meeting are set out below.

Economic Factors

The HNDA considered recent trends and factors that will impact on the future economy and housing market. Within the HNDA Tool factors such as income growth and distribution, house prices and affordability of different tenures have been taken into consideration as have the possible scenarios for these in future years. Scenario 2 which is the preferred scenario recognises that although the economy is recovering it is still fragile and this is borne in mind when considering future house prices, rents and incomes.

As these have already been taken into consideration, this should not have a negative or positive impact on demand and supply.

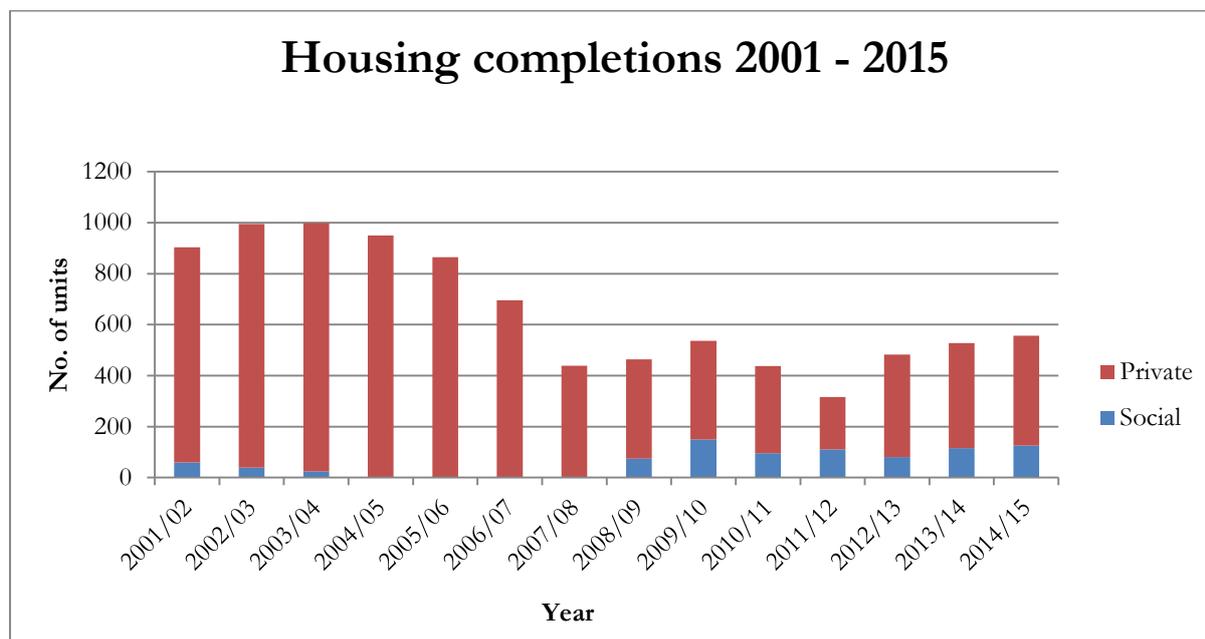
Homes for Scotland advised that the time period Local Authorities have to plan is long and will go through a number of economic cycles. It is therefore important to reflect these potential changes in the allocation of the housing land supply. If the economy picks up, developers want to be able to meet demand.

Capacity within the Construction Sector

Although completions have been increasing in the last three years, they are nearly half of the number 10 years ago. The fall in the number of completions is not related to capacity but rather due to the lack of confidence of the financial institutions and others to lend money for mortgages and to builders and other businesses involved in housing. It is also due to the lack of job security during the recession which meant borrowers didn't have a stable credit footing. This situation has been improving in recent years but they are a long way from pre-recession levels.

Figure 1 shows completions by tenure between 2001-2015 and highlights that completions fell in 2007-08 as the "credit crunch" and economic downturn commenced. This low rate of completions then persisted reflecting the difficult economic market at the time. The number of private sector completions fell until 2011-2012 but these have been increasing since then. Since 2009-2010 the number of social rented new builds has been increasing due to RSLs building in the area and also the Council in 2010-2011 starting their own new build programme.

Figure 1: Housing Completions 2001-2015



Source: Falkirk Council Planning and Environment Service

Table 3 highlights the number of completions in the social sector between 2011/12 and 2015/16. It shows that in total there have been 521 completions with the majority built by the Council.

Table 3: Social rented sector completions 2011/12 to 2014/15

Year	Falkirk Council	RSLs	Total
2011-2012	84	56	140
2012-2013	36	38	74
2013-2014	16	0	16
2014-2015	154	51	205
2015-2016	46	40	86
Total	336	185	521

Source: NB1 and NB2 returns by local authorities to the Scottish Government

The housing land audit captures the future plans of the housing industry although it does give an optimistic view of potential completions in the area. The 5 year effective land supply in the 2015-2016 Housing Land Audit identifies 2,929 units as shown in Table 4. Of these, 2,622 units are indicated to be in the private sector and 307 units in the affordable sector.

Table 4: Housing Land Audit 2015-2016, Effective Land Supply

Housing Sub market Area	Effective Supply Years 1-5	Established Supply 5-10 years	10+ Years	Total
Bo'ness	308	281	0	589
Denny and Bonnybridge	570	1,264	1,010	2,844
Falkirk	657	668	500	1,825
Grangemouth	6	11	0	17
Larbert, Stenhousemuir and Rural North	686	370	0	1,056
Polmont and Rural South	702	460	1,385	2,547
Total	2,929	3,054	2,895	8,878

Source: 2015-2015 Housing Land Audit

The main focus for housing development continues to be in Falkirk, Polmont and Larbert. In the longer term sites are expected to come forward in Bo'ness, Bonnybridge and Banknock, Denny, Falkirk and Rural South. Supply is lower in Larbert and Polmont as sites continue to be built out in these areas and an increase in non-contributing sites in Bonnybridge and Banknock and Rural South have also decreased the supply in these areas.

Following continuing low market demand in the Upper Braes villages a number of these sites are not shown as making a contribution to the housing supply. These sites do however remain in the adopted Local Development Plan sites. The effective supply has stayed almost the same as in the previous year with small increases in effective sites in Denny, Bo'ness and Falkirk with new sites starting in both Denny and Bo'ness. Applications for large sites in Bonnybridge and Banknock are also at an advanced stage in the consent process. Sites in Rural North in Airth are also being taken forward to the planning application stage.

In 2014, a total of 15,562 homes were completed in Scotland², representing a 4.5% rise on the number of completions in 2013. This is however lower than the annual average pre-recession build rate which corresponded to 60% of the 25,750 units delivered at the height of the pre-recession peak in 2007. Completions recorded over the period 2011-2014 represent the lowest level of output since 1947. Public sector and housing association delivery has typically risen and fallen in line with private sector provision albeit remaining more stable in comparison to the acute fluctuations in output observed in the private sector.

There are clearly on-going impacts of the economic downturn which continue to impact on the ability of some developers to access finance for development and purchasers to secure mortgages.

The problems faced with regards to the gap between housing need and supply in Scotland is glaring, resulting in:

- i. The average price for a city home in Scotland in 2014 was now 5.24 times gross annual average earnings (As reported in *The Economic and Social Benefits of Home Building in Scotland* January 2016 Nathaniel Lichfield & Partners);

² The Economic and Social Benefits of House Building in Scotland, January 2016, Homes For Scotland and Nathaniel Lichfield & Partners

- ii. The average house price in Falkirk in 2014 was 4.1x gross annual earnings (Scottish Government LHS data base and Office of National Statistics);
- iii. Nationally private rental prices are increasing, rising by an average of 3% between 2013 and 2014 (as reported in a1 above);
- iv. Locally private rents fell by 0.2% over the same period (Falkirk Council private rented sector database)

Homes for Scotland advise that their manifesto advocates a return to at least pre-recession building levels for all tenures of circa 25, 000 per annum by the end of the next Scottish Parliament. It is acknowledged that this will not happen in the short terms but Homes for Scotland wants to provide a supportive environment so that the sector grows by 10% year on year.

Potential Inter-dependency between Delivery of Market and Affordable Housing at Local Level

Falkirk Council originally approved an affordable housing policy in March 2007. In 2011 the Council undertook a review of that policy, which culminated in a decision in August 2011 by the Council’s Policy and Resources Committee to approve a revised interim policy on Affordable Housing, pending the adoption of the Falkirk Local Development Plan. The LDP was adopted in 2015 so this policy represents the Council’s most up to date approach to the provision of affordable housing through the planning system, and is an important material consideration in the determination of planning applications.

Falkirk Council’s revised interim policy for affordable housing states:

For housing developments of 20 or more units, the Council will require a diversity of house types and tenures in order to create integrated communities. In particular there will be a requirement across the Council area for new housing sites to provide 15% or 25% of the total number of units as affordable housing. In the light of the findings of the Housing Need and Demand Assessment the percentage contribution will be applied across the settlement areas accordingly:

Table 5: Affordable Housing Policy Percentage Requirement by Housing Sub Market Area

Percentage requirements	25%	15%
Housing settlement areas	Larbert/ Stenhousemuir Polmont & District Rural North Rural South	Bo’ness Bonnybridge/ Banknock Denny & District Falkirk Grangemouth

Acceptable approaches include:

- Provision of general needs social rented houses;
- Provision of social housing with care, for people with particular needs (specifically the elderly and physically disabled);

- Provision of shared equity or shared ownership housing;
- Provision of low cost homes for sale; or
- Provision of homes for mid-market or intermediate rent.

The Council apply a sequential approach to the delivery of affordable housing

- On site provision
- Off-site provision
- Commuted sum payment

Developers are expected to work in partnership with the Council, National Housing Trust and/or Registered Social Landlords in the delivery of this policy.

Many large scale housing developments that are currently on site were granted planning permission prior to the introduction of the affordable housing policy and so have not yielded an affordable element. Provision through the policy as applied to recent and new sites, together with the on-going new build programmes of the Council and RSLs on smaller sites should make a significant contribution to improving access to affordable housing in the area.

Table 6 highlights sites subject to the Affordable Housing Policy programmed to come forward in the 2015-2024+ period. The table shows that there are potentially 764 affordable units that could come forward as part of the Affordable Housing Policy. These units will have been taken into consideration in the Housing Land Audit.

However in order to build these units it is necessary to have revenue funding via the Scottish Government to RSLs.

Table 6: Sites subject to the Affordable Housing Policy

Sub area	Total site units to 2024	Affordable site contribution to 2024	Affordable early programming in Housing Land Audit*
Bo'ness	314	46	46
Denny Bonnybridge	1941	292	222
Falkirk	590	88	51
Stenhousemuir Larbert Rural North	115	28	28
Polmont Rural South	1839	309	76
Total	4799	763	423

Source: Falkirk Council Development Services

*sites programmed in Housing land Audit starting during LHS 2017-21 time period

Homes for Scotland advises that it is important to recognise that if Local Authorities want to increase the amount of affordable housing there is also a need to increase market housing in order to increase the number of units gained through the AHP.

Available Resources

Available resources will have a significant impact on the delivery of social sector housing as it is based on the Resource Planning Assumptions (RPA) and Affordable Housing Supply Programmes. In March 2016, the Scottish Government issued revised Resource Planning Assumptions (RPA) for Affordable Housing Grant for the period 2016/2017 to 2019/2020 totalling £19,642 million.

Table 7: Resource Planning Assumptions 2016/17 to 2019/20

Year	RPA estimate
2016/17	£7,015,000
2017/18	£5,612,000
2018/19	£4,209,000
2019/20	£2,806,000
Total	£19,642,000

The SHIP submitted to the Scottish Government in November 2016 included project totalling £33,997 million (Section Resources). Discussions are on-going with the Scottish Government over the funding shortfall. Table 8 highlights the number of units annually expected to be delivered annually in the SHIP. This table includes buy backs as well as new build properties. There are 414 new build properties and 360 buy back properties planned in the SHIP.

Table 8: Projects within the Falkirk Council 2016 SHIP

Year	No of Units	Scottish Government Funding
2016/17	213	£8,781,229
2017/18	215	£10,534,000
2018/19	189	£8,231,000
2019/20	137	£5,085,000
2021/22	20	£1,140,000
Overall Total	774	£33,771,229

Windfall sites falling under the AHP or sites which have been brought forward can be progressed using other resources if there is no capacity within the SHIP.

Likely pace and scale of delivery based on completion rates and recent development levels

This factor is similar to “capacity within the construction sector” as they are largely about past and anticipated completion rates. These taken together may be influential in providing a view of likely future delivery at least in the short term. This has been discussed in detail on page 4.

Homes for Scotland advises that house builders may seek to maintain current growth levels.

Planned Demolitions

There are currently no plans by the Local Authority or any RSLs in the area to demolish any stock during the lifetime of this LHS.

Planned new and replacement housing brought back into effective use

Buying back ex-local authority properties

The Council has made a commitment of an additional £6M per year over the next 3 years (2016-2019) to buy back around 90 ex-council properties per annum. So far in the last 3 years since the scheme has been in operation, the Council has bought back 243 properties. The buy-back scheme initially focused on purchasing one and two bedroom former Council properties. The emphasis on purchasing smaller properties is to meet the clear need for the majority of those requesting Council housing i.e. single people or smaller households. This has been exacerbated by the introduction of the bedroom tax.

It was proposed to widen the buy-back scheme to houses (not flatted accommodation) with more than two bedrooms at Executive on 20th October 2015 and approval was given for this.

There is potential over the next 3 years to buy back an additional 270 properties through the scheme. The reason the estimates have stayed at 90 properties is because there are signs that the market is improving in Falkirk with more properties going to a closing date. If more properties move to a closing date it will be very difficult for the Council to compete as there are checks that need to be undertaken by the Council which means the process is lengthier which limits how quickly the Council can offer on a property. The maximum the Council can offer a seller is the DV valuation. This may also act against the Council if the market improves.

Table 9: Buy Back targets 2013/14 to 2015/16 and targets for future years

Year	No. Properties Bought back
2013-2014	69
2014-2015	77
2015-2016	97
Total	243

Source: Falkirk Council housing services

Bringing empty homes back into use

Falkirk's Empty Homes Plan 2014-2019, sets out clear objectives and an action plan to reduce the number of private sector empty homes, thus increasing the number of properties available and tackling the blight associated with these properties.

In Falkirk there are just over a thousand empty properties at any one time. Through the 5 year Plan the aim is to bring 150 empty properties back into use. The strategy sets out how the Council will work with owners of empty homes and with local communities to make the most of the existing housing supply lying dormant in our neighbourhoods in the form of empty homes.

The Empty Homes Strategy identifies 4 objectives and they are listed below:

- Develop and improve the empty homes database
- Provide clear and effective routes to bring long-term empty homes back into use.
- Raise awareness of empty properties in the area
- Address long term empty properties that are in disrepair

The project operated over the period 2013/14 with Stirling, Clackmannanshire and Falkirk Councils. In the period 2014/15 to 2015/16 the project operated between Stirling and Falkirk Councils. In 2016 the Council created a full time permanent Empty Homes Officer post to build on the success of an award winning shared service.

The project is now well established with a wealth of information and advice available to empty home owners and a range of options open to them. The project has been very successful in bringing empty properties back into use with 210 properties brought back in Falkirk in the last 3 years as set out in the following table.

Table 10: Number of empty homes brought back into use 2013/14 to 2014/15 and future targets.

Year	No.
2013-2014	45
2014-2015	105
2015-2016	60
Total	210

Source Falkirk Council Housing services

The Empty Homes project is one example housing brought back into affective use to increase the overall housing supply. It is anticipated that 500 units could potentially be brought back into use through the lifetime of the LHS at 100 per annum.

Infrastructure Constraints

Infrastructure costs such as transport and education contributions can have an additional burden on housing development. Sites in Denny Bonnybridge and Banknock may be subject to a required contribution to the Denny Eastern Orbital Road. Major infrastructure improvements on the strategic road network are targeted through a Tax Increment Finance Scheme which is based on the uplift in land value on larger industrial sites. The school estate has some identified capacity issues, particularly in areas such as Larbert and Stenhousemuir and Polmont with High Schools and some primary schools in both areas with capacity issues. We will work in conjunction with colleagues in Education to take this into account. Flooding is recognised as constraining some areas, with coastal flooding highlighted in Grangemouth and parts of the Rural North coastal areas.

Proposed Housing Supply Target

The Scottish Government indicate that housing supply targets set in the LHS must broadly align with the MIR and give consideration to resources and land available to deliver affordable housing. Taking this into account it is not achievable to deliver 300 new build affordable units annually on current Scottish Government grant funding. To reflect the level of Scottish Government funding the social component is reduced to 123, as can be seen in Table 6. This is based on projects in the SHIP and an over commitment of likely future grant funding as encouraged by Scottish Government.

Table 6 only considers new build properties for reasons set out above (paragraph Planned and replacement housing). The Council has been operating a buy-back scheme for over 3 years and will explore continuing the scheme for the lifetime of the LHS. This has been accounted for in the private element of the HST.

The Annual Total has been adjusted to 491 to take account of the annual target of returning 100 empty private properties back into use over the period of the LHS. The private element below only accounts for new build. We will continue to provide additional affordable housing in various ways including new build. However we will also explore other methods including buy backs, exploring funding models with developers around discounted sale, and with the Scottish Government in relation to Mid Market Rent and Scottish Futures' Trust model.

Table 11: Housing Supply Target Compared to HNDA Estimates

	HNDA	HST
Affordable new build	300	123
Private new build	291	368
Annual Total	591	491
Total over 5 Years	2,956	2,456

Source: HNDA and Housing Supply Target Paper *The difference between 2, 956 and 2, 456 is bringing 500 empty homes into use