

Insight focus

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Aiming too low won't solve the housing emergency

In light of the recently declared national housing emergency, Lichfields have looked at the delivery of housing within Scotland and how this compares to local housing delivery targets.

The Scottish Government declared a national housing emergency in May 2024 acknowledging the considerable pressures on housing within Scotland and the need to address them. This national declaration followed similar local declarations by Councils in Argyll and Bute, Edinburgh, Glasgow, Fife and West Dunbartonshire. Recent research for Homes for Scotland suggests that 28% of all households within Scotland in some form of housing need.

The root causes of the housing emergency are complex and wide-reaching and this Insight will look at only one aspect of this, how the delivery of new homes compares to local and national housing targets.

Each Council in Scotland is required to produce a Housing Needs and Demand Assessment (HNDA) to provide the evidence to inform the preparation of their Housing Strategies and Local Development Plans (LDPs) that set out housing targets and housing land allocations. Evidence based plans and policies which deliver desired outcomes for local communities are a key goal of the

Scottish Planning System but there remains a significant gap between housing delivery targets and the completion of homes within Scotland.

This Insight looks at the housing supply targets outlined in local development plans for each of Scotland's 32 Councils, annualising these to compare with the average annual delivery of housing on the ground (using Scottish Government reporting on housing completions). We have also compared these metrics to the Mixed All-Tenure Housing Land Requirement (MATHLR) outlined within National Planning Framework 4 (NPF4) to establish the role of targets moving forward.

To create a robust and consistent comparison between housing targets and delivery, housing completions data up to the end of 2023 has been utilised. Extant LDPs have been reviewed other than where an LDPs was adopted after 2023, in such cases the previous LDP has been used given the gap between plan adoption and housing delivery on the ground.



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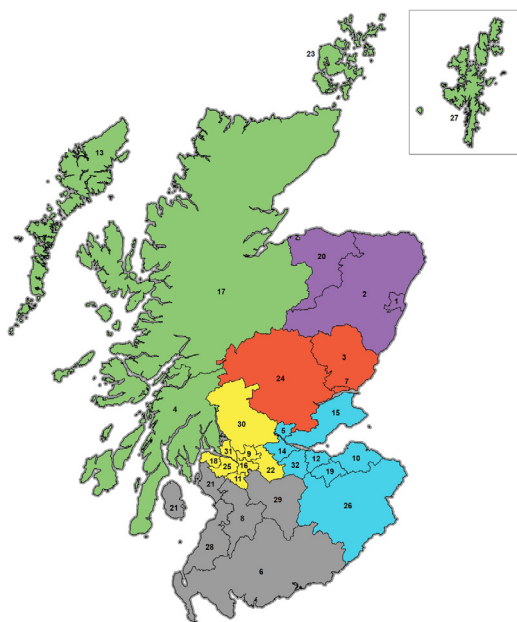


The delivery gap - housing supply targets versus reported delivery

There is a notable gap between the housing targets of LDPs and the delivery of housing reported by Scottish Government. **Only 8 of 32 Councils have reported annual housing completion numbers within 15% of those planned within the annualised housing supply targets of their LDPs.**

While variances between targets and delivery are to be expected the extent of this delivery gap within Scotland is significant in its scale. We have calculated that **annual average housing delivery is 20.5% below the annual housing supply targets set out in LDPs. 1.1**

Figure I: Wider Areas Map



Source: Lichfields analysis

There are a range of factors which can contribute to this gap between targets and delivery including:

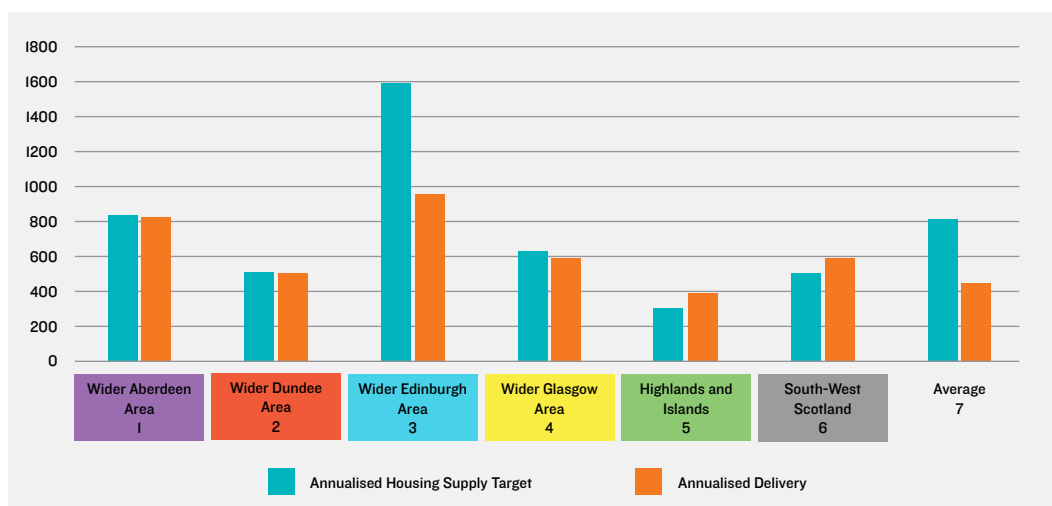
- Lead-in times for allocated sites
- A lack of understanding of site deliverability and build rates
- A reliance on large allocations in unmarketable locations
- An over-reliance on housing delivery later in the plan period
- The allocation of sites with delivery issues and constraints
- A reliance on smaller sites within local development plans which can prevent housing delivery at scale

The result of this is that a considerably lower number of homes are delivered across Scotland in practice than are intended or required. That said not all Councils are under achieving. While some have been delivering less than 50% of their stated targets, others are delivering over 60% in addition to their stated targets. One Council, East Renfrewshire was delivering more than double their stated targets year on year.

National Planning Framework 4 and the role of the MATHLR

One of the most notable new requirements of NPF4 in relation to housing delivery is the introduction of the Minimum All-Tenure Housing Land Requirement (MATHLR). This will be used to inform new style LDPs and the Local Housing Land Requirements (LHLRs) within them. While LHLRs within new style LDPs are intended to exceed the MATHLR, these will only be in place upon the adoption of each new style LDP. This leaves the MATHLR as the current de facto minimum housing target in the mean time.

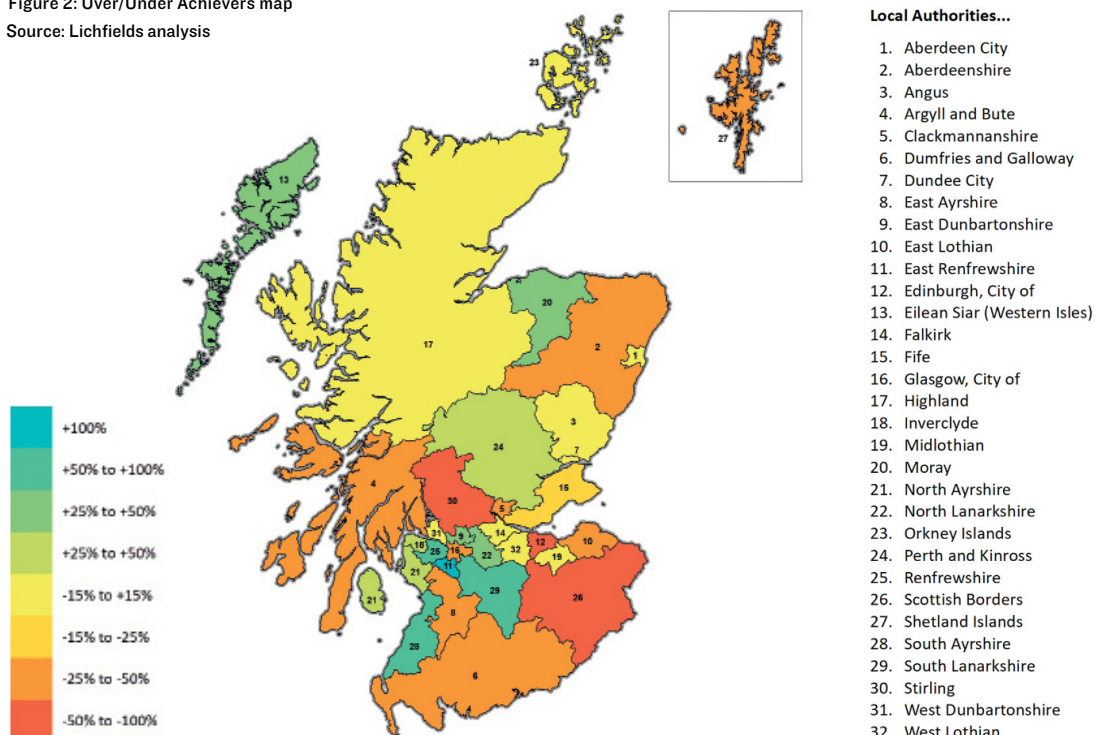
Table I – Wider Area Focus – Housing Supply Target vs Housing Delivery



Source: Lichfields analysis

Figure 2: Over/Under Achievers map

Source: Lichfields analysis



Our research shows that on average, the MATHLR sets minimum housing delivery targets approximately 25% below the housing supply targets that were previously set within LDPs across Scotland. Such a stark reduction in housing delivery targets flies in the face of the need to deliver more homes to help to address the national housing crisis and fails to reflect the gravity of the emergency itself.

Indeed, annual housing completions in recent years have been above the target set by the MATHLR with more than half (19) of Scotland's Councils already delivering housing annually in excess of the MATHLR. These higher rates, although clearly below what the country needs, have not been able to prevent the declaration of a housing emergency.

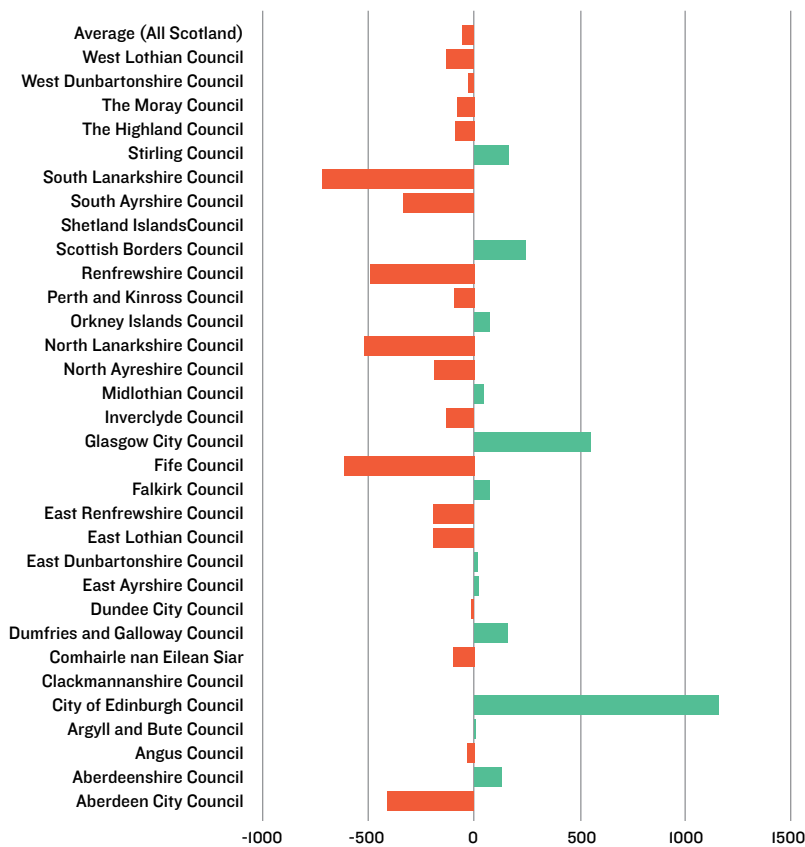
The system is clearly not delivering what it should for Scotland and the new targets set by NPF4 unless exceeded in the extreme will not address this problem.

Figure 3 adjacent demonstrates the degree to which existing annual housing delivery in Scotland, on average, already exceeds the annualised MATHLR housing target.

Having a nationally imposed housing delivery target set below current housing delivery rates for many Councils is a particular problem in the midst of a housing emergency. A stretch target would have been more appropriate to reflect the need for more house building by sector by Council area.

Figure 3: Considering Future Demand and Alignment with Supply

Is the MATHLR more/less than - Average Annual Completions?



Source: Lichfields analysis

Affordable Housing

The Scottish Government aims for the delivery of 110,000 affordable housing units in the 12 year period between 2021 and 2032. This represents a need to deliver, on average, 9,167 affordable units per annum.

NPF4 requires that where market homes are being proposed, 25% of houses provided should be affordable housing unless stipulated otherwise in the LDP. Our research shows that affordable housing accounted for on average 28% of housing completions during the LDP periods looked at.

In fact, 22 of Scotland's 32 Councils are already delivering more than 25% of their housing completions as affordable housing stock.

In 2021, 2022 and 2023 completions of new social housing equalled 18,837 or 6,279 per annum on average. This is a shortfall of 8,664 new homes against the Governments own targets to date so a significant amount of ramping up is needed if new homes delivered directly by government funding are going to address the housing emergency.

Significant cuts to the Scottish Government's affordable housing budget means that delivery of new affordable homes will be reduced further. This could significantly reduce housing delivery across Scotland, particularly areas such as Argyll and Bute and Dumfries and Galloway where affordable housing represents over 50% of all local house building and in Inverclyde where this is 78%.

Housing Emergency Areas



Conclusion

Finally, delivering new homes of all tenures is very much needed to meet Scottish Government's Housing 2040 ambitions and the planning system needs to enable the delivery of such. Home building needs to be properly supported, the policy barriers to delivery need to be removed and stretch targets need to be set. The housing crisis will not go away and new LDPs need to confront the problem head on and really go over and above the MATHLR set in NPF4.