

Background Paper - Housing Land Requirement

Issue No 012

Context: NPF Spatial Strategy, NPF 4 Policy 16 Quality Homes, Policy 17 Rural Homes

This section deals with all matters relating to Housing Land Requirement. All other general housing issues and area or site-specific discussions on housing are dealt with under the Spatial Strategy or Area Partnership sections of the Evidence Report.

LINKS TO EVIDENCE

ELC 047	Population trends (ONS 2023) East Lothian (S12000010) - ONS
ELC 048	HNDA3 (produced by ELC and other SE Scotland LAs)) SES Regional Planning — The Edinburgh and South East Scotland City Region Deal (esescityregiondeal.org.uk)
ELC 362	Scottish Government Statistics statistics.gov.scot Scotland
ELC 362	MATHLR and associated methodology in NPF4 (SG) Method - Scotland 2045 - fourth National Planning Framework - draft housing land requirement: explanatory report - gov.scot (www.gov.scot)
ELC 049	Data on past completions (ELC) East Lothian Housing Land Audit 2023 East Lothian Council
ELC 049	Data on future allocated housing land capacity (ELC 2023 Housing Land Audit) East Lothian Housing Land Audit 2023 East Lothian Council
ELC 091	Local Housing Strategy 2024-29 (East Lothian Council 2023) Approved Local Housing Strategy (LHS) 2024-2029 East Lothian Council
ELC 365	Existing Housing Need in East Lothian (Homes for Scotland)
ELC 366	Strategic Housing Investment Plan (East Lothian Council 2023)
ELC 046	Housing 2040 (Scottish Government 2020) Housing to 2040 - gov.scot (www.gov.scot)
	Views received on housing through the summer engagement. (incorporated into Evidence Report and summarised below)

SUMMARY OF EVIDENCE

Housing Context

1.1 East Lothian has, and will continue to, experience high population growth. This has been fuelled by recent spatial planning strategies and the general desirability of the area. Policies in SESPlan 1 supported dispersed housing across the Lothians, following unprecedented housing growth and in migration within South East Scotland. The 2022 Census shows that East Lothian has had by far the biggest rise in population of any local authority area in Scotland from 2001 to 2022 – 24.6%, over three times higher than the % increase in Scottish population of 7.4%. Much of this change has been fuelled by in migration from the rest of the UK, brought about by unprecedented levels of housing growth, required by the dispersed housing strategy of SESplan 1.

1.2 LDP1 introduced a spatial strategy that included unprecedented levels of housing growth. The focus of the strategy was mainly on the west of the County and on major settlements in the East. Sites for over 16,000 houses were included in the LDP. In terms of delivering effective sites this strategy has been successful in that over 90% of the sites allocated have planning permission and around half have been built.

Past Trends

1.3 Over the last 10 years the average annual house building rate has been around 680. The last 5 years has seen around 880 houses built per annum. The higher five-year figure is due to the significant levels of allocations included within LDP1. Past trends do not require to be followed in future strategy. The current climate and nature emergencies and other policy and strategy in NPF4 have brought a shift in approach to development and house building.

Affordability

1.4 Over the last 10 years housing in East Lothian has become increasingly unaffordable to the average person. House prices are significantly above the national average. This situation has arisen during a time of unprecedented land supply in East Lothian. This shows that additional housing land supply does not result in a reduction in house prices.

Housing needs of the population in the Area.

1.5 Along with the other former SESplan authorities, East Lothian carried out a HNDA exercise which concluded in 2022. The preferred scenario (steady growth) in HNDA3 shows a need and demand for 476 houses per annum. 2/3 of the need and demand figure in the Council area is for affordable housing.

Council Finances and House Building

1.6 Although not purely a planning issue this is a key material issue in determining future housing levels. At present the Council is not funded to accept housing growth. Additional allocations are unaffordable to the Council due to requirements for associated additional services that are not adequately funded from a national level.

The Housing Land Requirement

1.7 The MATHLR set out in NPF4 for East Lothian is 6500. The LHLR in the Evidence Report is a requirement of planning legislation.

1.8 The only rigorous assessment of future housing need and demand comes through the HNDA exercise. However, NPF4 sets out an expectation that the LDPs will contain a LHLR higher than the MATHLR, which for East Lothian is 6500 houses.

1.9 The Council is under severe financial pressure and cannot afford to add any additional houses to the supply due to a lack of funding to support associated capital and revenue costs.

1.10 However, to accommodate this policy approach and the findings of the HNDA the Council has reluctantly decided to set the LHLR at 6660 houses. This would represent considerable future growth and a 40% uplift on the need and demand figure of 476 houses in the most recent HNDA. The ability of the Council to fund this approach is undetermined and this approach will have negative impacts on the funding of other Council services and a reduction in the Councils ability to provide a high quality service to local residents.

Spatial and financial considerations affecting the Housing Land Requirement

1.11 The NPF spatial strategy is based on six key principles that the LDP spatial strategy must base itself on. These have a direct impact on the consideration of the Housing Land Requirement in the LDP.

1.12 Spatial environmental constraints and the lack of previously developed land mean that East Lothian is not best placed nationally to take further high levels of growth. The County does not have a large amount of brownfield land. Also, East Lothian is constrained due to its high level of prime agricultural land which is vitally important to protect in addressing climate change and the nature crisis at a national level and providing national food security. Even before considering individual sites the level of the housing land requirement needs to reflect the need to address the nature and climate emergencies and the ability to accommodate high levels of housebuilding. A national housing emergency has been called and this needs to be reflected in the LHLR, taking into account the other policy drivers mentioned above.

Availability of land in the district for housing

1.13 The 2023 Housing Land Audit shows that there is land for around 8,000 houses remaining in the land supply. While only part of this supply will be remaining at the time of adoption of the LDP and counted towards the LHLR this represents a considerable level of housing remaining and will help with addressing the national housing emergency through the delivery of affordable housing.

SUMMARY OF STAKEHOLDER CONSULTATION

1.14 The Council carried out extensive consultation with the local community and other stakeholders. Engagement activities ran for 14 weeks, between June and September 2023. Specific meetings were held with NHS Lothian and East Lothian Economic Development colleagues. As well as public wide consultation and general consultation information was also gathered from surveys with young people (of various ages), individuals with particular needs including accessible housing needs, gypsy travellers and general consultation with key agencies, the development industry and the public.

A Summary of Evidence Report Engagement Report (Document 027) has been completed for all the consultation undertaken in the development of the Evidence Report. A summary of the engagement carried out can be found in that report.

1.15 Responses focused on the following issues:

- The desirability of having additional housing allocations (both for and against);

- The level of new housing and the perceived lack of affordable and particular needs housing;
- The perceived low quality of housing design;
- Associated infrastructure such as health and open space;
- The type of housing, with an overprovision of large detached housing;
- Over provision of large detached housing; and
- A need for smaller sites in rural communities.

1.16 While most responses understood the need for new housing, many thought that future allocations should be smaller in scale and focus on the needs of the community.

1.17 Recognition of the changing demographic in the population was highlighted along with the need for housing to be more adaptable to cater to all households, including older people, people who use a wheelchair, and larger families.

1.18 A second round of engagement on the proposal to set the iHLR at 5000 saw responses generally against this approach. The wording of the NPF and Guidance was highlighted with an expectation that the LHLR was higher than the MATHLR.

1.19 Alongside this second engagement a piece of work commissioned by Homes for Scotland was submitted to the process. This challenged some of the assumptions in the HNDA exercise and recommended an LHLR around double that of the MATHLR.

1.20 Alternative LHLRs have been presented by stakeholders promoting various higher housing land requirements. These are mainly focussed on the continuation of past completion levels and a challenge to the HNDA methodology. They also present arguments about the ability of various levels of housing land requirement helping to address affordability, deliver affordable housing, encourage economic growth, and meet the needs of elderly residents. The Council do not agree with any of these approaches, and they form the focus of disputes in this Gatecheck process.

WHAT THIS MEANS FOR THE PROPOSED PLAN? WHAT ARE THE KEY ISSUES FOR THE LDP TO ADDRESS, FROM POLICY ANALYSIS?

1.21 The level of the Housing Land Requirement will have a significant impact on the finances of the Council. At present the Council is underfunded to accommodate house building and in particular high levels of additional housing growth with funding being 3rd lowest in Scotland.

1.22 The level of the Housing Land Requirement will also have a key bearing on the ability of the next plan to meet its aims of addressing climate change and the nature crisis. A high requirement would lead to a substantial amount of greenfield land being lost to the nation. Some respondents to the consultation raised concerns that this consideration was not for the Evidence Report stage. It is accepted that site specific issues are for later stages, but the make-up of East Lothian makes the above statement true, even without considering individual sites.

1.23 Additional housing sites will be required and a call for sites will be undertaken with proposed sites assessed using the site assessment methodology included in this Evidence Report.

1.24 Affordability is an issue in the County as is the need for affordable housing. Delivery of affordable housing and revising the Affordable Housing Guidance will be a priority. Also, a strengthening of policy will need to be considered to require a wider range of house types to address affordability and the needs of the population.

There is no credible evidence that adding more housing land will make housing more affordable. This has certainly not been the case in East Lothian, where average house prices have risen despite unprecedented levels of new housing within the County.

1.25 We will work with our housing colleagues to ensure that affordable contributions are gathered on all sites and assess whether there is a need to raise the affordable housing percentage above 25% in certain locations. However, delivering affordable housing will be challenging with the reductions in the Affordable Housing Supply Programme budget from Scottish Government.

1.26 A wider variety of house types will be required to meet the needs of the increasing older population. We will also have to reflect the wheelchair requirements in the LHS and plan for other particular needs in both private and affordable housing.

1.27 NPF4 is stronger than old National Policy on house design and this policy will require to be rigorously enforced.

AREAS WHERE THERE IS AGREEMENT OR DISPUTE ON ISSUES AND POSSIBLE APPROACHES.

1.28 There is agreement on the following:

- I. The need for new housing to be accompanied by appropriate levels of services and infrastructure.
- II. New housing to reflect the character of East Lothian and not be 'standard'.
- III. A need to provide more accessible housing which meets a range of needs including older people and those who may require adaptations, equipment or wheelchairs.
- IV. The need to provide sufficient affordable housing.
- V. A desire to consider smaller scale sites, possibly in rural areas that could provide new housing opportunities in smaller communities and sustain local services.

1.29 All these issues will be addressed in the Proposed Plan.

There are disputes on the following:

- I. The level of the new Local Housing Land Requirement. The Council has set out its approach of a LHRL of 6660. Alternative approaches have been submitted into the Evidence gathering process which focus on the continuation of past trends and the approach taken in SESplan 1 or an apparent need to allocate larger levels of housing to address issues such as housing affordability, job creation or increasing council income. These are policy issues that are not for consideration at this stage of the LDP process.

1.30 There is no compromise on these points as they reflect very different views on what levels of development are appropriate for East Lothian.

1.31 The Councils view looks to reflect the spatial strategy aims of NPF4 and address the climate and nature Emergencies by setting a Housing Land Requirement that reflects the pressured status of the area, addresses the National Housing Emergency and uses the national HNDA methodology as its base.

LINKS TO EVIDENCE

Why is it intended for use in the development of the LDP?

ONS and Scottish Government Statistics (ONS and SG 2023)

2.1 This information is produced nationally and gives data by local authority on the scale of population change and other key statistics. The information allows a national view to be taken on these areas of decline and development pressure and ensures that spatial strategies and policy can be developed to make best use of Scotland's natural and physical infrastructure. It has been used to guide the LDP2 Housing Land Requirement and will be used to develop the Spatial Strategy in the Proposed Plan.

HNDA3 (produced by ELC and other SE Scotland LAs)

2.2 This HNDA exercise was carried out in 2022 with the other 5 South East Scotland Local Authorities. It was produced using the national HNDA methodology and was confirmed to be robust and credible by the Centre of Housing Market Analysis (CHMA). It provides a reliable indication of need and demand over the East Lothian area to help in the production of the Housing Land Requirement and the Housing Supply targets and strategy in the Councils Local Housing Strategy (LHS) and its Strategic Housing Land Review (SHIP). It also covers off most of the requirement of Section 15(5) of the Planning Act to 'identify the housing needs of the population of the area, including, in particular, the needs of persons undertaking further and higher education, older people and disabled people'. Addressing the needs of those undertaking further and higher education are addressed elsewhere in the Evidence Report.

MATHLR and associated methodology in NPF4 (SG)

2.3 This information was produced by the Scottish Government in 2023. Development Plan Guidance states Local Authorities must take this information into account when arriving at their Local Housing Land Requirement.

2.4 The Development Plan Guidance (P 63) states that more local or up to date information can be used if available to supplement the information used to produce the MATHLR. In the case of East Lothian this information is provided in the form of the HNDA. The additional information on concealed need, submitted as part of the Evidence Report engagement, is a challenge to this HNDA methodology.

Housing 2040 (Scottish Government 2020)

2.5 As a National Strategy this must be reflected in the development of the LDP, Local Housing Strategy and Strategic Housing Investment Plan. This document is referred to in the Local Development Plan Guidance (P 62) as a relevant source of information and will be used as context for the development of the LDP Housing Land Requirement.

Data on past completions (ELC)

2.6 Development Plan Guidance (P 63) states that this information can be used as context for setting the LHLR. The information is gathered from housing land audits. It will be considered alongside a

review of the spatial strategy as one element of producing the LHLR. Past trends give an indication of delivery in a particular context but are not automatically to be used to decide what is suitable in the future, especially when policy contexts change and national spatial strategy encourages a different direction.

Data on future allocated housing land capacity (ELC 2023 Housing Land Audit), Local Housing Strategy (East Lothian Council 2023), Strategic Housing Investment Plan (East Lothian Council 2023)

2.7 This information will be used during the preparation of the Proposed Plan to identify the level of additional sites that require to be allocated. Use of this information covers the requirements of the Planning Act in Section 15(5) regarding the ‘availability of land in the district for housing.....’

Housing Land Requirement for LDP2 (ELC 2024)

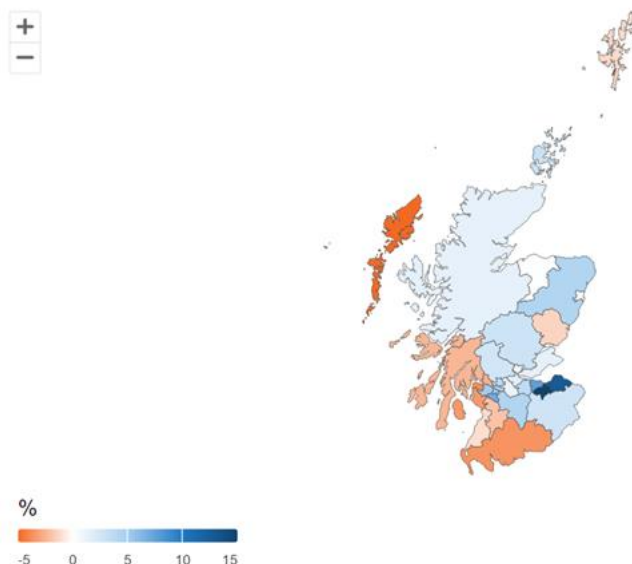
2.8 Covers the NPF4 direction to include an LHLR in the Evidence Report.

EVIDENCE

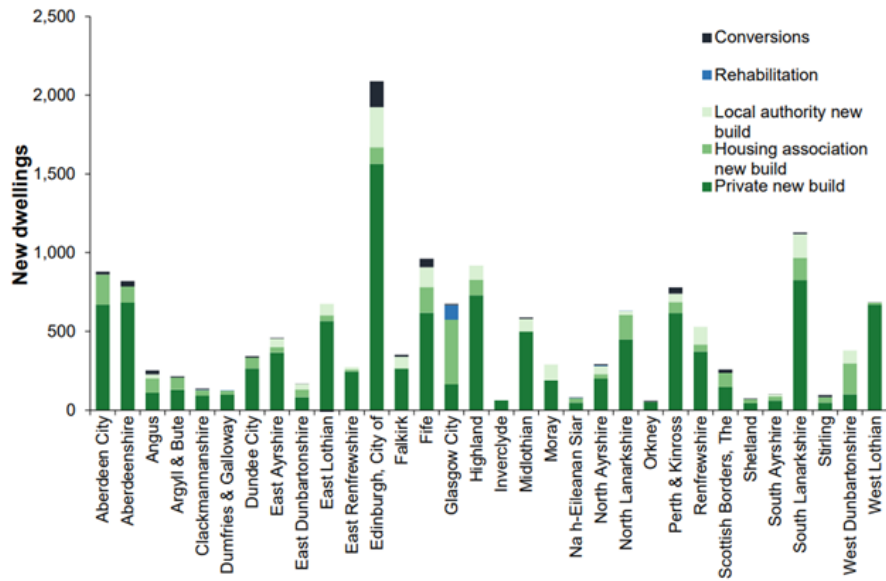
Population Change and Housing Delivery in East Lothian

2.9 The 2022 Census shows that East Lothian has had by far the biggest rise in population of any local authority area in Scotland from 2001 to 2022 – 24.6%. The next highest increase was 19.3% in Midlothian. Our % increase in population over these 21 years was over three times higher than the % increase in Scottish population, 7.4%.

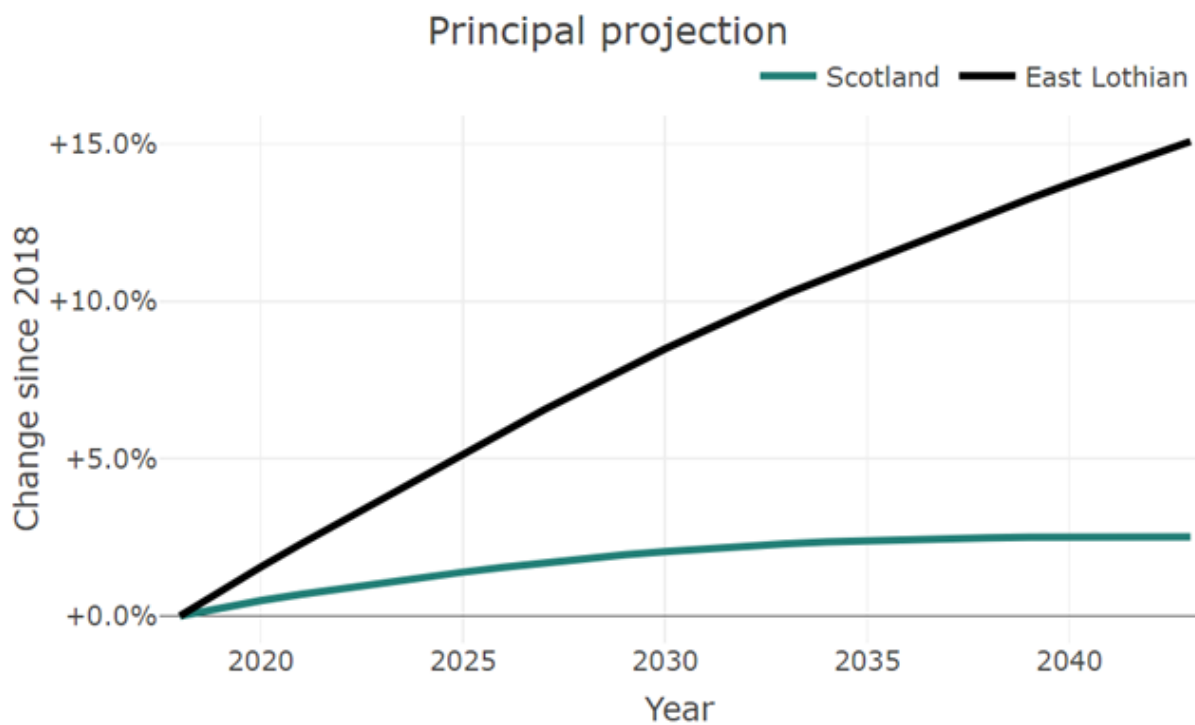
Population change, 2011 - 2022, council areas in Scotland



2.10 Scotland’s Census 2022 estimated the number of households (with at least one usual resident) in East Lothian to be 48,800; an increase of 5,900 (13.7%) from Census 2011. New dwelling completions in East Lothian sit within the top ten authorities in terms of housing completions in 2020-21.



2.11 The new LDP must take into account the trends and projections that are affecting East Central Scotland and wider Scottish society. East Lothians population is expected to continue to increase during the lifetime of the LDP. ONS projections show a substantial deviation from the Scottish average.



2.12 These trends and projections feed into other studies such as the Housing Needs and Demand Study which is discussed further in this housing paper.

Past Completions and Remaining Supply

2.13 East Lothian had to identify sites for around 16,000 houses in LDP1. The Council has put considerable effort into facilitating the consenting process for these sites with over 90% now having permission. Unsurprisingly this has led to a large increase in completion levels since the approval of

LDP1 in 2018. Completions over the 5 year period up to 2023 was around 900 houses per year, with the 10 year average up to 2023 being around 700 houses.

2.14 Past completions are not always a good measure of determining future strategy as they simply maintain existing trends. This is a point often raised in previous LDP examinations that basing policy on past completions only perpetuates any current issues.

2.15 The Scottish Government note on the MATHLR recognises that past completions do not create demand and are only really to be used to get an understanding of what is achievable. As such they do not reflect a best approach to future housing policy.

2.16 The 2023 Housing Land Audit shows that there are 8,000 houses remaining in the effective housing land supply.

Spatial Considerations

2.17 This information is important as it provides a context to the aim of National Planning Framework 4 of Rebalanced development which states, 'We will target development to create opportunities for communities and investment in areas of past decline and manage development sustainably in areas of high demand'. The information allows a national view to be taken on these areas of decline and development pressure and ensure the best use of Scotland's natural and physical infrastructure.

2.18 This need for rebalancing has been considered when considering the level of the LDP2 Housing Land Requirement. In many parts of Scotland, the last 5 to 10 years have seen significant increases in the levels of housing development.

2.19 It is not the job of the Evidence Report to set out the spatial strategy of LDP2 but the lack of sustainable sites through a basic consideration at a county level clearly impinges on the potential of sustainably delivering a high LHLR.

Housing Affordability

2.20 The average house price within East Lothian in 2021/22 was £283,957. Across Scotland the average was £201,744 meaning house prices are 40% higher in East Lothian than the Scottish average.

2.21 Accessible Rural Areas and Accessible Small Towns have the highest house prices within East Lothian, making it more difficult for would be purchasers to remain in these areas. A total of 80.1% of the area of East Lothian is classed as accessible rural, with 26.3% of the population residing in accessible rural areas. With the exception of Musselburgh all Community Planning Areas (Area Partnerships) within East Lothian are home to a rural population. House prices in accessible rural areas of East Lothian increased by over 30% between 2017-21 to an average of £351,396.

2.22 This change to house prices reflects that seen in other attractive parts of Scotland, particularly those in easy reach of Edinburgh. This is an issue that will only increase the need for affordable housing within the long term.

2.23 There are few actions that the LDP can take to address affordability. East Lothian is often advertised as one of the most attractive locations in Britain, due to the quality of its environment

and proximity to Edinburgh. Population projections show that this inward draw will continue and will inevitably push up house prices both in the second hand and new markets.

2.24 This increase in house prices has come about during a period of unparalleled housing land availability. Land for 16,000 houses was identified through the first LDP and during this period house prices rose dramatically. Responses to the Evidence Report engagement claim that the slow delivery of this land has pushed up prices and an acceleration of the housing market can help rectify this issue, while in fact there were few planning restrictions on the land in LDP1 coming forward faster.

2.25 Even with so much land available completions have only risen to the high hundreds or low thousands as opposed to the higher thousands that were promoted through SESplan 1. Delivery appears to be limited by capacity in the market, whether this is the availability of labour, actual demand, mortgage rates or construction materials.

2.26 The Council does not believe that an increase in land supply would solve the issue of affordability. This would simply be a replication of the SESplan 1 strategy which has not led to a decrease in house prices. The result of trying to address affordability through this approach would simply lead to further in migration, dispersion from Edinburgh, increased pressure on Council services and negative environmental impacts.

Managing Changing Population Demographics

2.27 The population in East Lothian will increase over the next 20 years, most significantly will be the increase in the proportion of older people. This will need to be addressed by the LDP.

2.28 Responses on behalf of the development industry refer to the Scottish Government strategy Housing 2040 and one of its aims which states *'Making the best use of our homes – As an older person wanting to move, I can get help to move to a home which better meets my needs; my current home is no longer right for me but would be ideal for a family.'*. This sentiment was reflected in the survey carried out as part of the Councils Local Housing Strategy and highlights the need for Councils to respond to the changing demographics of Scotland.

2.29 Our surveys highlight that many older people wish to stay in their own homes for a variety of reasons and support could be improved by action beyond the realm of the planning system. However, there were a number of respondents who were interested in downsizing, being able to access accessible housing in the private sector and the need for different types of housing was highlighted. This changing age profile does not mean that the overall level of housing needs to increase, more that some of it needs to be provided in a different manner.

2.30 This aim of having a wider mix of housing will feature in the Proposed Plan but it should be noted that during discussions with Homes for Scotland on the Councils Local Housing Strategy, discussions around the delivery of market 2-bedroom properties have previously been deemed as not reflecting 'the market'.

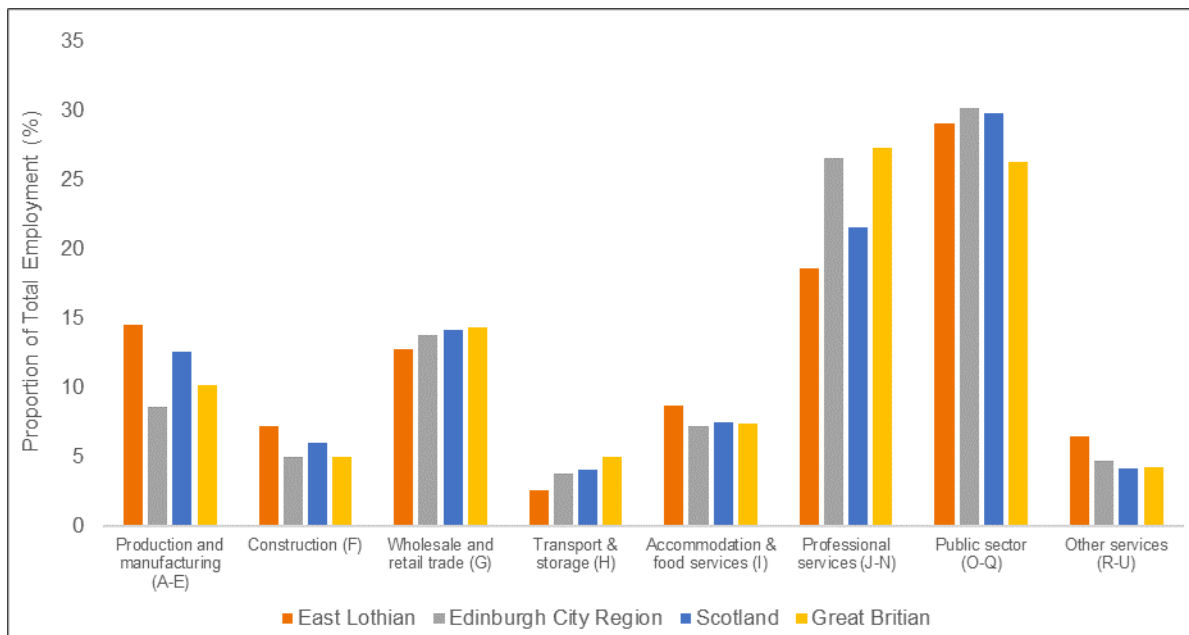
HNDA process

2.31 In 2022 the former SESplan authorities carried out a HNDA exercise, and the resulting, HNDA has been deemed robust and credible. It is challenging to establish the difference between housing need and demand. The decision on what criteria to include within the SESplan HNDA was not taken lightly. The preferred strategy was one of Steady Growth factors in that there will be economic fluctuations of some kind over the timeframe of the LDP. The preferred strategy leads to a need and demand figure of 476 units per annum for East Lothian.

2.32 The HNDA process is a recognised national methodology and one which has been used in the last 2 SESplan processes and supported through these processes by key stakeholders including the development industry.

Economic Impact of Housebuilding

2.33 The economic benefits of housing are one element that needs to be considered in the development of the HLR. The Councils Economy Strategy highlights that construction has a reasonable impact on employment in the area.



Source: ONS BRES, 2023

2.34 House building can bring jobs to an area. This can be through employment in construction although these jobs are often temporary and use labour from outside the area. Also, many housebuilders source materials from suppliers outside the County so local positive economic impacts are lessened.

2.35 Many people buying a house will be in work particularly with the high house prices in the area. However, with the changing demographic of the County there are clearly a high level of people retiring to East Lothian therefore new housing will not always bring jobs.

2.36 The Chief Planner has stated that there is a need for Scotland to increase its growth levels and productivity. This statement gives no spatial direction and is simply a policy aim for the Country as a whole.

2.37 In any event, a decision to increase the LHLR based on levels of jobs is a policy decision and one that cannot be considered at the Evidence Report stage.

Impact on Council Finances of Housebuilding

2.38 While the Council has been successful in gaining government funding for affordable housing and money through S75s there are two main areas that mean new housing has a significantly negative impact on the Councils finances.

2.39 Firstly, the council tax increases set out in the graph below may be increasing but they only cover around 25% of the revenue expenditure added to the Councils budgets. East Lothian receives the third lowest Scottish Government financial settlement but is experiencing proportionately the highest level of growth (See Housing Section of Evidence Report). This increase in revenue expenditure is unsustainable and certainly cannot in the current context increase any further.

2.40 Secondly the S75 mechanism is not capable of keeping pace with the recent rise in building costs. Costs have escalated beyond indexation levels since these agreements were signed and the Council is not able to reopen negotiations to alter contributions, meaning that it has to pick up the shortfall. This puts considerable strain on the capital budget. This point was raised in our second round of engagement on the preferred housing land requirement. Several responses dismissed this as being a bargaining pitch with the Government, or that the issue was not genuine.

2.41 The financial issues faced by the Council are very real and without substantial revenue support additional house building will put the Councils finances in a precarious position.

2.42 The Council did respond to a Scottish Government consultation in 2021 stating that it supported a HLR of 6450 houses. This was before the HNDA exercise was carried out, delays to the NPF process, changing development plan guidance and the financial impacts of housebuilding on the Council finances had become apparent. Therefore, we have had to reconsider our position on the issue.

2.43 Although HNDA's inform housing supply targets and local housing land requirement, the financial and economic realities of delivering this need and demand can look very different. As a local authority we need to ensure that the right homes are delivered in the right places alongside the necessary infrastructure and services. The increase in population in recent years has placed increasing demands on infrastructure and housing and significant inequalities exist within and between communities. This is particularly relevant within rural areas.

2.44 It is therefore important too that developers contribute to improving local infrastructure, particularly as new developments increase pressure on already strained services. We cannot support the delivery of housing if we cannot sustain the service and infrastructure provision which is necessary alongside housing.

2.45 Furthermore, current funding cuts from Scottish Government limits our ability to deliver affordable homes to the scale that we require. In this, it is essential that the Council receives sufficient funding if we are to provide the levels of affordable housing that are required within East Lothian.

Delivery of Affordable Housing

2.46 The HNDA exercise highlighted a need for just over 300 houses per annum. This represents around 2/3rds of the need and demand figure in the HNDA. The Local Housing Strategy (LHS) aimed to provide a significant amount of this figure but had to pair its strategy back due to cuts in national funding. This shortage of affordable housing is well documented through the LHS and the remaining ambitious strategy in the LHS aims to try to rectify the situation.

2.47 There is a shortage of affordable housing but without funding neither the private or public sectors will be able to deliver the required level and as with market housing there is probably a limit in the affordable market due to materials or labour, beyond which delivery cannot go.

2.48 In addition, the lack of accessible homes has led to an increase in the need for adaptations of existing houses. This points towards the need to develop more wheelchair and accessible homes. The need for wheelchair accessible properties¹ to be delivered by private developers was mentioned to Homes for Scotland in the autumn of 2023 and was not welcomed.

2.49 As noted within Homes for Scotland's response to the draft Local Housing Strategy 2024-2029 (LHS), East Lothian has an aging population, this means that more wheelchair and accessible housing will be required. It is important that homeowners can live in properties that meet their needs and that developers build housing that reflects this. As the LHS highlights there is an estimated need for private developers to deliver 5% of market housing which is of a HfVN wheelchair accessible standard. We hope that following this commissioned report, Homes for Scotland will support the Council in preparing a policy to deliver wheelchair market housing via the LDP.

Setting the Housing Land Requirement

2.50 Of the data available the HNDA outputs provide the most robust base to consider the LHLR for the LDP. This is a nationally recognised process that has been used as a basis for identifying housing land requirements through numerous development plan cycles.

2.51 The MATHLR exercise undertook the first two steps of the HNDA Tool. To this was added 25% flexibility to cater for site taking longer to proceed or not coming forward at all. Through this the Scottish Government arrived at the MATHLR figures for each of the Local Authorities.

2.52 There is a clear expectation in national guidance that Local Authorities in determining their LHLR can use the same information used by the Scottish Government but also look to update it through the use of local information. The full HNDA process provides the most consistent and recognised method of providing this more up to date local information.

2.53 Both NPF4 and Development Plan Guidance do not set a specific methodology for calculating the LHLR but do state that it is expected to be higher than the MATHLR figure, a figure of 6500 houses in the case of East Lothian. In the absence of a methodology for calculating the LHLR, it would seem reasonable to follow the same process carried out in the development of the MATHLR figure, with the addition of carrying out a full HNDA exercise rather than just the first two stages.

2.54 The Southeast Scotland Local Authorities undertook the HNDA process in 2022 with the study being signed off as robust and credible by the CHMA. East Lothian Council sees this exercise, using a nationally recognised tool, as providing the basis for producing the LHLR.

2.55 The preferred scenario of 476 houses per annum (4760 over 10 years) was produced using local information and gives a clear indication of need and demand.

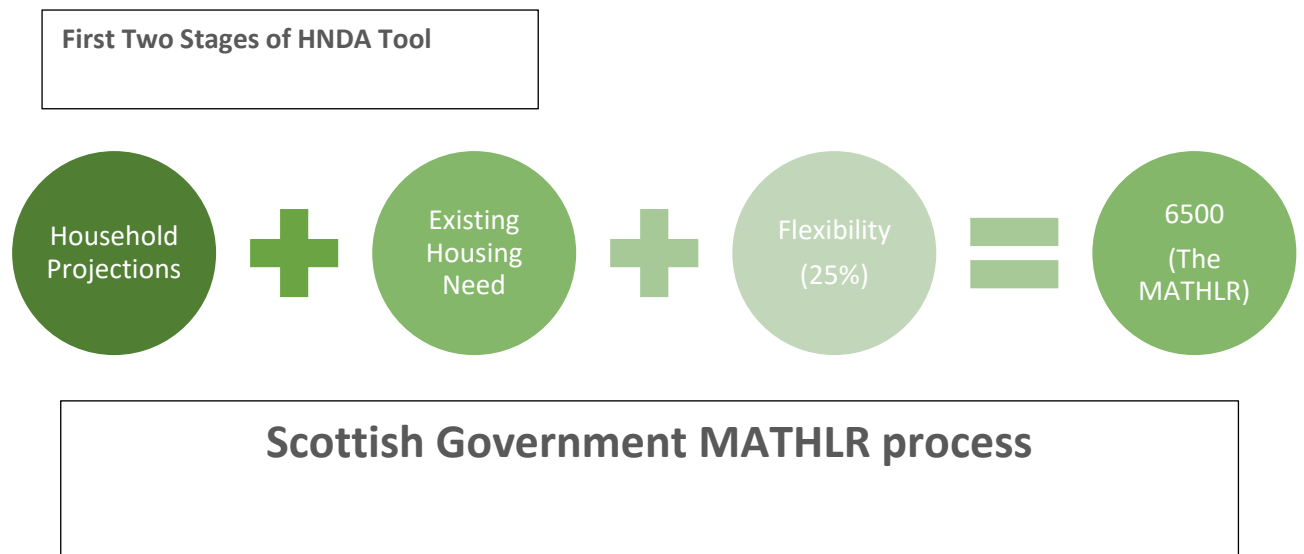
2.56 However, as shown in the development of the MATHLR, HNDA outputs are not Housing Requirements. Their outputs require to be set within the planning policy context and the realities of housing delivery to arrive at an LHLR figure that meets the expectations of NPF4 and national guidance. Both NPF4 and Development Plan Guidance state that the LHLR is expected to be higher than the MATHLR figure, in the case of East Lothian 6500 houses.

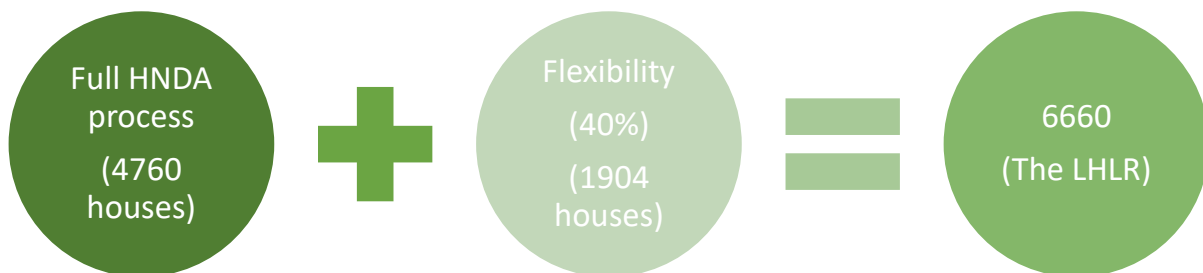
2.57 As stated above, the most apparent methodology to use is a similar approach to that agreed through the NPF process for producing the MATHLR. The production of HNDA 3 replicates the first two stages of the MATHLR methodology leaving only the flexibility issue to be considered.

2.58 This flexibility allows for changes to the delivery timescales of housing sites and provides a degree of insurance to the LDP against not all the housing delivery set out in an LDP happening exactly as planned. The 25% figure is higher than the 10 – 20% flexibility used in previous planning regimes but this change has been brought in to reflect the longer lifespan of LDPs and the greater chance of changes to housing delivery timescales.

2.59 When 25% flexibility is added to the 10 year HNDA figure of 4760 houses this gives a figure of 5,950 houses. This could be used as the LHLR and it fits closely to the preferred approach of the Council of 5000 houses. However, it is accepted that this approach does not fit with the direction set out in NPF4 and national guidance. Therefore, it is not a credible option for a final LHLR.

2.60 The same issue arrives with other flexibility levels until 40% is reached. 40% flexibility adds an additional 1904 houses to the HNDA figure, giving a LHLR of 6660 houses. Using a similar methodology to the MATHLR this is the calculation that best meets the requirements of NPF4 and national guidance in terms of calculating the LHLR.





East Lothian Council Process for Developing Local Housing Land Requirement

2.60 The flexibility is being added to provide comfort in case housing elements of the LDP do not deliver. The housing sites that achieve allocation in the LDP will have been through rigorous assessment through the site assessment process, been considered as part of the development of the spatial strategy and scrutinised through the examination process. NPF4 and national development plan guidance highlight deliverability as being a key element in choosing sites. Therefore, for a site to be included in a final LDP it will have had to prove its merits and there should be a low risk of it not being delivered, even over a 10-year period.

2.61 The adding of 25% flexibility by the Scottish Government in the MATHLR process is therefore very generous and the addition of 40% is moving to the outer limits of levels of generosity that could be applied. Any higher than 40% would start to question the LDP and examination process and whether it is doing its job and scrutinising the housing site options adequately. A flexibility of 50, 60, 70% would be saying that half or more of the sites chosen would not be delivered at all or as planned in the LDP. This would also run counter to the evidence from LDP1 which shows that over 90% of allocated sites have planning permission.

What will happen if a higher LHLR is chosen through the Gatecheck?

2.62 The Evidence Report does not look at individual sites so specific impacts of housing levels cannot be determined at that scale. However, when looking at the information that has been referenced in the Evidence Report it is clear that there are some impacts that will definitely occur if the LHLR is raised higher than the 6660, irrespective of which sites are chosen at the Proposed Plan stage.

- To achieve the 6660-requirement level will mean the allocation of additional housing sites. The financial implications of this decision will be considerable. To go higher than the 6660 figure will stretch the Council's finances to unsustainable levels which will lead to impacts on wider council services and the threat of insolvency.
- A large amount of prime agricultural land will be lost to the nation. This is irreplaceable and no matter how well-designed new developments are the impact on the climate emergency will be considerably negative.

- In migration will continue at the levels seen in recent years which will not address the needs of local people. Higher levels of demand are not being driven by the local population.
- The rebalancing aims of the NPF will not be met due to the continuation of focussing growth in the same areas as over the last 10 years. The Lothians currently the focus of the vast majority of Scotland’s growth, at the expense of other part of Scotland.
- A dispersed strategy will be continued that does not meet the national climate aims.
- The Council will not be able to meet its climate and nature requirements.

Windfall Assumptions

Development Plan Guidance recommends that Evidence Reports include data of level of windfall provision.

The table below highlights that since the adoption of the current LDP in 2018 there has been an average of 26 houses per year being granted through the windfall route. This figure does not include larger sites that were granted permission ahead of the adoption of the last LDP.

Dwelling Completions Achieved in East Lothian 2016 - 2023								
	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	Annual Average
All Completions	573	739	885	1,166	692	705	1,029	827
Affordable Completions	223	120	786	363	79	97	168	262
Market Completions	350	619	99	803	613	608	861	565
Proportion Windfall Completions	63	29	15	18	22	34	0	26

East Lothian Council - Please note that all sites are identified in the completions tab.

*The above combined total for market and affordable for 2021 differs from that in the HLA 2021 completions tab due to a summing error 6 completions for Dovecot (phase 3) affordable and 2 completions for MH8 Levenhall Cala have been omitted from the sub total.

** The 2016 affordable total noted above does not match the completions RSL_LA total in HLA 2016 as E263a Hallhill South West Dunbar (60) and E267 Pinkie Mains Musselburgh (19) completions have not been carried forward to this tab. In addition, E278 East Linton Orcharfield incorrectly shows 16 completions rather than 13.

*** The above combined total for market and affordable for 2017 differs from that in the HLA 2017 completions tab because of a summing error 14 completions for E269a Mains Farm (Cala Homes) have been omitted from the sub total.

**** The 2017 affordable total noted above does not match the completions RSL_LA tab in HLA 2017 as E269a incorrectly shows 22 completions when it should be 50.

Conclusion on Evidence

2.63 There is no Evidence pointing to a direct need for East Lothian to set a higher LHLR than 6660 houses. National strategies talk about the importance of housebuilding and the economy but equally highlight the need to address the climate emergency and nature emergencies. These documents do not require a focus of high housebuilding on East Lothian and if anything, they point to a need for housing to be directed elsewhere. Nationally, East Lothian is not well placed to accommodate large amounts of additional housing growth.

2.64 Past completions are not a good benchmark for future policy in this circumstance as the policy landscape has been changed with the focus on addressing climate change and nature issues and

national rebalancing of growth. This means we cannot simply continue as before, both spatially and in policy terms.

2.65 There are numerous challenges in the housing market just now including affordability and lack of social housing which will not be solved by simply allocating large amounts of housing land.

2.66 The HNDA is the most technically sound and nationally recognised approach to identifying future need and demand. It is therefore the best starting point for identifying the LHLR.

2.67 The Council faces severe economic challenges from the high levels of housebuilding, which are putting severe strain on the Council's finances. Significant additional levels of housing will make this situation critical. The Council did respond to a Scottish Government consultation in 2021 stating that it supported a HLR of 6450 houses. This was before the HNDA exercise was carried out and the financial impacts of housebuilding on the Council have really become apparent. Therefore, we have had to reconsider our position on the issue. NPF4 allows Councils to take into account more recent local information when setting the LHLR. The financial situation of the Council is one such material issue.

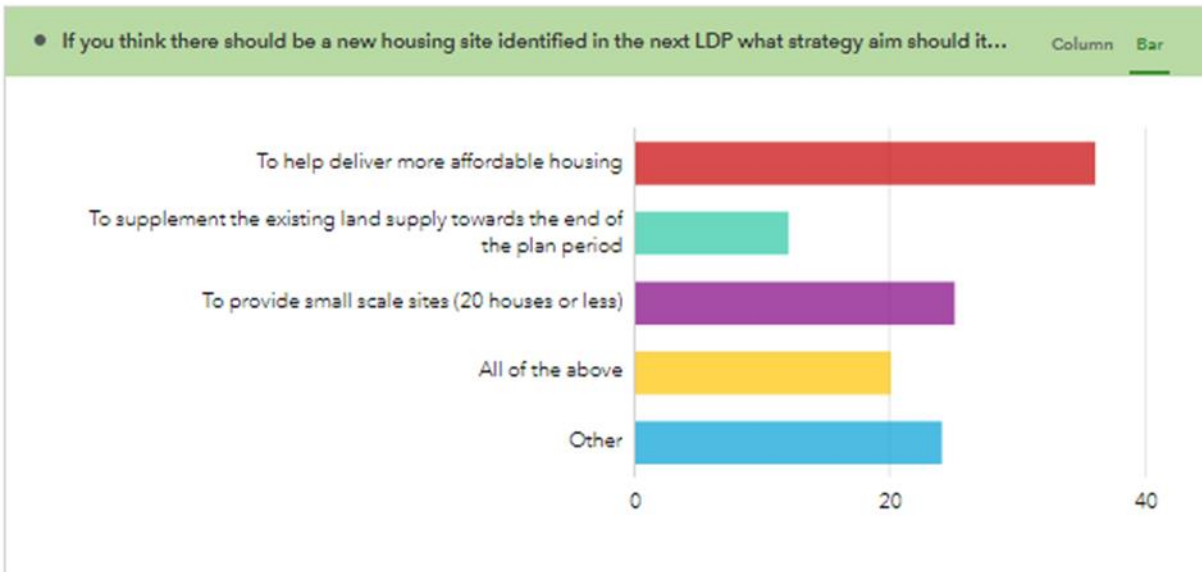
2.68 The financial position the Council finds itself in is a very challenging situation and this requires the adoption of a balanced approach to future housing. Taking into account the LHLR in the Evidence Report, from now until the end of the plan period in 2036 around 10,000 houses will be built in East Lothian, providing a considerable effort in helping to address the national housing emergency. While some of these numbers will not count against the next LDP's land supply this still represents a significant level of house building over the coming years which will be able to support the delivery of jobs, affordable housing and the delivery of alternative housing types.

2.69 Based on these points we have reluctantly agreed to include an LHLR of 6660 to reflect the wording in the NPF and Development Plan Guidance. This represents a 40% uplift over the East Lothian HNDA 3 figures.

STAKEHOLDER INVOLVEMENT

2.70 Housing was a focus for the general consultation in the summer of 2023 and the main purpose of the second engagement on the level of the housing land requirement. While there were many negative comments on the volume, quality, design and type of new housing there was a recognition that additional housing was required to meet the need of the population.

2.71 The needs of the population was a key theme with a feeling from respondents that too many houses were large properties as opposed to a need for more smaller types of accommodation. There was also a desire to have more smaller scale sites, with possibly a focus on more rural locations.



2.72 Several documents were submitted on the subject of the land supply and the benefits a large LHLR would bring to the future of East Lothian.

2.73 A document was submitted by Homes for Scotland on the apparent problems with the existing HNDA process and how it underestimated need by a considerable amount. This deal with points of methodology in the national HNDA tool and is really directed towards the Scottish Government.

2.74 There is no question that there is a shortfall in affordable housing in East Lothian with significant housing lists already in existence. The main assertion in the HfS sponsored study is that there are also a large number of concealed households in East Lothian and a large increase in land supply (a need of over 16,000 housholds) is required to address this issue.

The HfS submission focuses on changing the approach taken in the HNDA. However, the existing HNDA exercise is the only recognised tool by the Scottish Government which can deliver estimates for housing need and demand. Any evidence outwith official housing need and planning processes are not accepted from either Centre for Housing and Market Analysis – Scottish Government or the Planning functions of the Scottish Government.

In addition to this, on examination of Homes for Scotland research, the survey was completed by 310 people in East Lothian, this is just 0.27% of the total population. This does not meet the 95-5% confidence margin of error needed for a sufficient sample size.

Information was also provided through the consultation to show shows a variety of scenarios of higher house building could improve affordability though additional housing allocation.

The building of additional homes will not bear such results. House prices have increased year on year. In the case of Haddington in East Lothian; the town has seen significant house building and although this resulted in some relief in terms of additional affordable homes, overall house prices of existing and new build homes in Haddington have continued to rise significantly, making it increasingly difficult for people in lower income households to live in the area. The wider economic challenges East Lothian residents find themselves in cannot be tackled by simply building more houses.

Some responses highlighted that a lower LHLR would prevent the delivery of the ambitious targets in the LHS. This is not the case as the LHS strategy is based on the delivery of housing on allocated sites still to be built from SESplan1 and LDP1 rather than new allocations.

Other responses point to a correlation between house building and job creation. The submissions recognise that other factors will be at work in the relationship between jobs and housing.

The Evidence Report highlights the need to support the economy of East Lothian. It also highlights that rather than encouraging local jobs, the pressure for housing development is severely constraining the employment land supply due to a desire by landowners to develop employment land for housing. This is an issue that will require to be addressed through the Proposed Plan.

Employment will be supported in the Proposed Plan with a focus on the main development sites in the west of the County. However, there is no evidence presented that would conclude that adding significant levels of housing land would automatically provide many permanent jobs in East Lothian particularly when many jobs will be located in other parts of the Lothians.

WHAT THIS MEANS FOR THE PROPOSED PLAN

The Proposed Plan is a corporate document and has implications for many areas of the East Lothians communities and the workings of the Council. The addition of new housing will bring a great deal of pressure on the Council budget, which alongside all other Councils, is not funded to a level that addresses the increased infrastructure provision and maintenance provision required to service new development.

Ensuring that 6660 houses are delivered in a place based sustainable manner will bring many challenges. Transportation, sports provision, open space, health and education capacity are but a few of the associated requirements of development. To be a success development of this scale must be integrated into the existing communities and reflect the character of the area.

A rigorous spatial strategy process will be required to be undertaken to focus new development on the little brownfield land available, look to increase densities in existing allocations and new allocations and limit the loss of the key natural assets that the County contains.

Call for Sites

As part of the development of the Proposed Plan a call for sites will be carried out to identify the best locations for new development of all types. The spatial information set out in this Evidence Report will be used to sieve out locations that will harm designated sites or locations of environmental and climate importance such as prime agricultural land and countryside around towns.

AREAS WHERE THERE IS AGREEMENT OR DISPUTE

There is no dispute on the level of housing change that has and will continue to take place in East Lothian. There is also no dispute that this level of change has had a large impact on the character of East Lothian and has had a significant impact on the services of the area.

The housing has also put considerable strain on the finances of the Council due to the lack of funding to address the impact on additional services required by new households. The Council receives

around 25% of funding to meet the revenue costs of servicing the infrastructure needs of each additional house.

Through the consultation the majority of respondents thought we should limit the levels of future housing, but this was caveated with a recognition that some housing was needed and it was imperative that it was delivered alongside sufficient infrastructure.

The main dispute to this view and to the approach being is with the house building industry who wish to see the levels of high housing development continued for the next 13 years.