

REPORT TO: East Lothian Council

MEETING DATE: 27 August 2024

BY: Executive Director for Place

SUBJECT: Local Development Plan 2: Evidence Report

1 PURPOSE

- 1.1 The purpose of this report is to present the Local Development Plan Evidence Report for approval by Council.

2 RECOMMENDATIONS

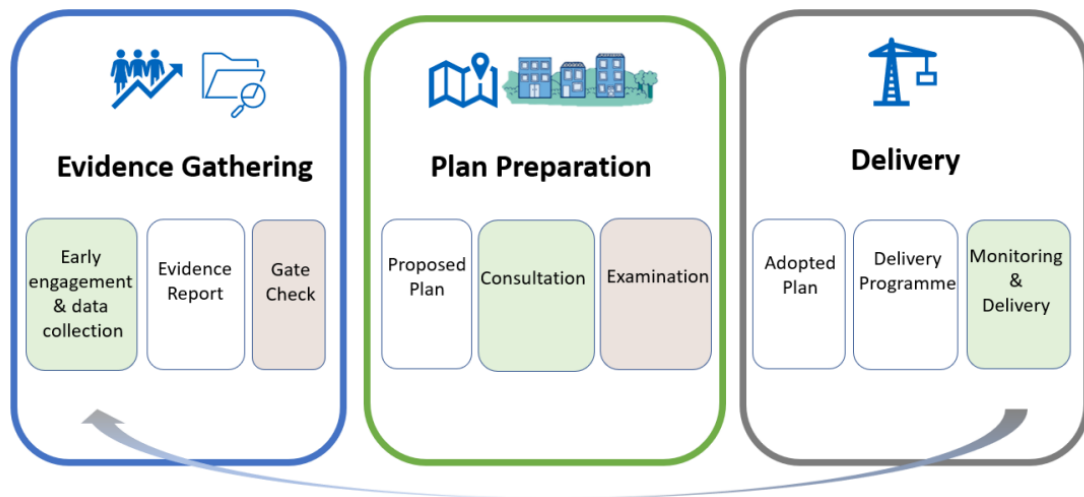
It is recommended that Council:

- 2.1 Approves the Evidence Report, available through the following link: <https://arcg.is/1nPDub0> and associated documentation, available through this link [Evidence Report | East Lothian Council](#);
- 2.2 Delegates responsibility to the Chief Planning Officer to make final changes, of a non-material nature, to the Evidence Report and associated documents; and
- 2.3 Agrees that the Evidence Report be subsequently submitted to the Scottish Government's Department of Planning and Environmental Appeals (DPEA) for the Gatecheck process.

3 BACKGROUND

- 3.1 The Planning Act (Scotland) 2019 introduced a new Development Plan process. Collectively, the documents that make up the Development Plan contain policy and strategy that will be used to determine planning applications. Through the changes to the Planning Act, National Planning Frameworks became part of the Development Plan. National Planning Framework 4 (NPF4) came into force in February 2023 and forms one half of the Development Plan.

- 3.2 The other half of the Development Plan is made up of Local Development Plans. All councils in Scotland are required to produce a Local Development Plan, taking into account the strategy and policy in NPF4. In the case of East Lothian, when finalised, this will represent our second Local Development Plan (LDP2) and will supercede the 2018 Local Development Plan.
- 3.3 This report deals with the first substantive stage of the preparation of LDP2, the Evidence Report. The diagram below sets out the three main stages in the LDP process.



- 3.4 The purpose of the Evidence Report is to bring together information required to produce the LDP, justify the Plan's content, and provide a baseline for later monitoring.
- 3.5 The Evidence Report supports the quality and effectiveness of the LDP, given its significant implications for people, places and finances. The aim is to front-load the work and use the evidence to clearly inform what to plan for before the Proposed Plan looks at where development should take place.
- 3.6 Importantly the Evidence Report is not expected to contain all the detail of evidence, it should provide a summary of what the evidence means for the plan. It represents the evidence available at a point in time.
- 3.7 Other information will become available during the preparation of the LDP and this will be taken into account. An example is the information in Local Place Plans (LPPs) being produced by community groups. LPPs have primarily map based outputs and these cannot be reflected in the Evidence Report. They will be taken into account in the preparation of the Proposed Plan.
- 3.8 While the Evidence Report does contain or reference the information required to produce the LDP it does not contain any new development sites or propose any policy changes. The only strategy decision it makes is setting the Housing Land Requirement.

- 3.9 The Evidence Report has been prepared over the last year and a half through extensive discussions with a wide variety of stakeholders to ensure we have the right information to progress with the next stage of the LDP.

Consultation

- 3.10 One of the requirements of this stage of the process is to have wide-ranging engagement with stakeholders. The Planning Act sets out a range of key agencies and other groups in society that must be the focus of engagement.
- 3.11 A wide range of methods were used for engagement including online questionnaires, drop-in sessions, focus groups and the use of online tools such as the place standard, which allows residents to score the quality of their local area.
- 3.12 To avoid consultation overload, we engaged with communities alongside similar exercises for the Local Housing Strategy, Poverty Plan, Tree and Woodland Strategy and the Local Economy Strategy.
- 3.13 To meet the requirements of the Planning Act and our duties under the United Nations Convention on the Rights of Children (UNCRC), extensive engagement was carried out with children and young people of all ages.
- 3.14 There was a particular focus on engaging with school children, with questionnaires and in-person events being held in the majority of the county's schools to gain an insight into the issues in their communities that children think should be addressed over the next 10 years. This work was supplemented by the production of the Play Sufficiency Assessment which was approved by Council in April of this year.
- 3.15 The text in the Evidence Report and Background Papers has been developed in conjunction with other Council services to ensure alignment with the many other work streams of the Council.
- 3.16 The key points raised in this engagement are included in the Evidence Report and the Summary of Engagement document.

4 POLICY IMPLICATIONS

- 4.1 When adopted, the LDP will be the Council's view on where development should take place over the next ten years and as such it is a key corporate document. The next LDP will be set within a different policy context from previous development plans.
- 4.2 The Scottish Government declared a housing emergency in May this year. Whilst the Council has not declared its own emergency, it is currently developing an action plan in response to the current housing crisis. The Council has declared its own climate and nature emergencies and has strategies in place to help respond to these. As such the strategy and

policy will need to be developed in a manner that allows suitable levels of development while putting an increased emphasis on the impact on the climate and biodiversity enhancement. To provide financial efficiencies and positive climate impacts, the LDP will also have to look to use existing infrastructure first before new or extended facilities are considered.

- 4.3 Given the financial challenges facing the Council, there will have to be much higher scrutiny of the financial implications of LDP2, particularly in terms of revenue funding associated with new development.
- 4.4 LDP2 will likely continue with the delivery of many of the allocated elements of LDP1. Only around half of the housing allocations and associated infrastructure set out in LDP1 have been delivered to date meaning that around 8,000 houses remain to come forward along with school and community projects.
- 4.5 The levels of housing already allocated in East Lothian mean that it is proportionately accommodating the most amount of new housing development of any local authority in Scotland. Consequently, up to 2040, the population of East Lothian is expected to grow at a much higher rate than the rest of Scotland.
- 4.6 The financial implications of a growing population, supported by new capital infrastructure and the ongoing associated revenue costs, is placing very significant challenges on the Council, which is unsustainable. The Council has continued to raise these issues both nationally and locally within our community, and this remains a significant and ongoing challenge. This is set against the position that East Lothian receives the third lowest financial settlement of all the Scottish local authorities and the lowest of any non-city council.
- 4.7 Through the engagement on the Evidence Report, many issues were identified that the LDP could try to address. These are highlighted in the Evidence Report.
- 4.8 Also, while the Evidence Report does not contain a spatial strategy there are spatial considerations that will evidently impact on the development of future approaches. Many of these issues were also highlighted through the engagement on the Evidence Report. Key issues for the plan to consider are:
 - East Lothian has little brownfield or vacant and derelict land to accommodate new development, substantially less than other parts of Scotland. This limits the ability to focus development on these areas, as promoted through NPF4;
 - The county has proportionately one of the highest levels of prime agricultural land in Scotland. Many responses were received on the need to protect this national asset from development.
 - The county is recognised as one of the most attractive in Scotland and many areas are protected for their landscape value and importance to the natural environment;

- A need for more affordable housing and smaller and adaptable housing units to cater for the needs of the population;
- A need to ensure local services are provided alongside housing development, particularly health facilities;
- Improved sustainable transport options are needed;
- Addressing transport congestion in the west of the county and in some town centres;
- Addressing the impacts of climate change, particularly flooding and coastal erosion; and
- Improvement of green routes and nature networks.

4.9 Further information on the points raised is available in the Evidence Report and in the Background Papers.

4.10 There was ongoing engagement with the Key Agencies in the development of the Evidence Report and from those that responded all are content that the information in the Evidence Report is sufficient to proceed with the LDP. This includes NatureScot, Historic Environment Scotland and Scottish Water. Transport Scotland and SEPA have requested some additional details be added to the Evidence Report, and these are being addressed through ongoing discussions.

4.11 The only gaps in information is data on the accommodation needs of those in higher education. This will be covered by a inter-university study which will be published in the summer. There is also a gap in information on future health infrastructure requirements. We will continue to work with the Lothian Health Board to understand the impacts of our new spatial strategy on health infrastructure.

Housing Land Requirement

4.12 The main substantive decision that the Evidence Report contains is the setting of the indicative Local Housing Land Requirement (LHLR). This figure sets how much housing (of all types and tenures) requires to come forward over the 10-year lifespan of the LDP.

4.13 The LDP is required to use assessments of need and demand and other available statistics and trends to identify the LHLR. The Evidence Report is required to avoid giving a view on sites where this figure could be accommodated.

4.14 The context for the LHLR is provided in NPF4 and Development Plan Guidance which set out the need to have a LHLR, the process for its identification and minimum housing figures that LDPs are meant to exceed through the setting of the LHLR. This Minimum All Tenure Housing Land Requirement (MATHLR) is set at 6,500 houses for East Lothian.

4.15 In 2021, as part of preparing the NPF, the Scottish Government undertook a consultation exercise to ask local authorities at what level they thought

the MATHLR should be set. The Scottish Government undertook a methodology which involved adding a degree of flexibility to the first stages of the Housing Needs and Demand Assessment (HNDA) process to arrive at a figure of 6,400 houses for East Lothian. East Lothian Council responded, recommending a figure of 6,450 houses. The final figure in the adopted NPF4 ended up as 6,500 houses, with an expectation set out in NPF4 that that councils should exceed their NPF figure.

- 4.16 Since then, there have been changes to the Development Plan Guidance which changed the context for the LHLR and delays to the finalisation of national guidance. Most significantly, the financial operating environment has changed significantly, and the significance and scale of the financial challenges being faced makes it very difficult to accommodate housing growth, both infrastructure and ongoing revenue running costs. Therefore, although the Council supported the 6,450 figure in 2021, the situation has changed now to make this approach much more challenging.
- 4.17 The Council is underfunded to accommodate the levels of growth it is experiencing. The Council's developer contributions framework was initially successful in gathering the required capital costs to provide community infrastructure. However, in recent years there has been significant challenges globally to supply, risk and design requirements which have resulted in very significant increases in construction costs, which are not adequately addressed through the S75 process meaning the Council has to fill the funding gap for key infrastructure. In addition, around three quarters of the Council's revenue running costs is met from national funding settlement. The Council has one of the lowest local authority financial settlements in Scotland, making it very difficult to meet existing service demands, with the additional revenue demands resulting from a growing population. This growth is now presenting an unsustainable position.
- 4.18 The Council held a consultation exercise in early 2024 which set out a preferred housing land requirement of 5,000 houses, accepting that this was lower than the figure in NPF4 but set in the context of the challenging financial position being faced by the Council. This approach was promoted as it represented an estimate of how much housing land would remain to be delivered from the supply already allocated in LDP1 and would therefore require a minimum of additional housing allocations.
- 4.19 Responses to this engagement were not supportive of this view. One response from the Scottish Government, while not making a judgement on the 5,000 figure, highlighted the need for LHLRs to be higher than the figures set out in NPF4, and therefore presents a substantial risk to the authority should this position be maintained.
- 4.20 National Guidance sets out the types of information that could be used to identify a LHLR. In East Lothian the best indication of future housing need comes through the outputs of the Housing Needs and Demand Assessment (HNDA) process, and it is a requirement of the new planning process that a HNDA is produced in line with the agreed national

methodology. This was undertaken by the old SESplan authorities and signed off by the Centre of Housing Market Analysis (CHMA) as being robust and credible, a recognition that the process and assumptions that went into the exercise were sound.

- 4.21 The HNDA produced a need and demand figure of 476 houses per annum for East Lothian. HNDA figures are not housing land requirements and there is a recognition in national guidance that they are a starting point for the consideration of a final LHLR.
- 4.22 Also, this figure is clearly lower than the MATHLR figure in NPF4 so the final LHLR will need to be higher to reflect the policy requirements set out in NPF4, national development plan guidance, the need for additional housing, and reflects the national housing emergency while taking into account the existing levels of allocated housing sites.
- 4.23 In the development of the NPF4 housing figures, the Scottish Government added a 25% flexibility to their housing calculations for East Lothian. This 25% allows for flexibility in the actual delivery of sites and factors in the event that some sites will not come forward as fast as expected or at all. This ensures that even with this unpredictability in the housing market, the base housing needs can still be achieved.
- 4.24 Following a similar approach for the LHLR would seem an appropriate route to identifying the LHLR. Adding 25% to the HNDA figure of 476 would still not address the policy issue set out in NPF4 of having to exceed the MATHLR. Therefore, an increased flexibility is required to ensure the delivery of the housing sites required and meet the wording of NPF4. Adding 40% flexibility to the HNDA figure would produce a figure of 6,660 houses. This is a significant increase over the findings of the HNDA exercise and would meet NPF4 policy.
- 4.25 The figure of 6,660 houses provides for a considerable level of additional housing, respects the locational challenges of the area to meet higher levels of housing and meets national policy.
- 4.26 It is recognised that should Council agree to a figure which is in addition to the current position, this will continue to place enhanced financial pressures for the Council to meet, and this position remains financially unsustainable. Enhanced national conversations to align national planning, wider policies with adequate financial resources must be progressed to allow Council assurance that, if approved, the Council can adequately resource the costs associated with a growing population. This will continue to be further progressed and evidenced through the LDP process.
- 4.27 It is, however, recognised the national planning guidance through NPF4 strongly recommends that there remains an expectation that local authorities will progress with a higher allocation than is set out, and in the balance of evidence and associated risk, officers are therefore recommending that the figure of 6,600 is progressed, recognising that financial clarity to support this remains essential.

- 4.28 It is important to note that at present there are around 8,000 houses still to be built from existing housing allocations. This represents considerable growth and is similar in number to that which has been experienced over the last five to ten years.
- 4.29 It is also important to note that setting the LHLR at 6,660 does not mean that sites for an additional 6,660 houses are required. Housing that has already been allocated can be counted as contributing towards this total requirement. However, only the houses still to be built at the adoption date of the LDP (currently estimated to be 2026) can be counted towards the next LDP. At present it is estimated that around 5,000 houses could contribute to the next LDP, leaving a shortfall of around 1,660 houses to be allocated, although this figure would need to be confirmed through the next stages of the LDP.
- 4.30 Several alternative views on the LHLR have been presented during the development of the Evidence Report. These are summarised in the Housing Land Requirement Background Paper. These LHLR figures range from 8,000 houses to 16,000 houses. The justification for these figures is varied and include a desire to continue recent house building trends, an apparent need to allocate significant levels of housing to address housing affordability, to create jobs and also to bring income into the Council. A study was also submitted challenging the assumptions made through the national HNDA methodology.

Next Steps

- 4.31 If agreed by Council, the Evidence Report will be submitted to the DPEA for the Gatecheck process following some non-material formatting. It is then the job of the Reporter assigned to East Lothian's case to decide whether we have sufficient evidence to proceed to the next stage of the Plan Preparation stage of the LDP process.
- 4.32 At the Gatecheck stage the Reporter could ask for additional information and will take into account alternative views received through the Evidence Report engagement exercise. They will conclude whether we can move to the next stage in the LDP process and importantly they will decide on the Housing Land Requirement that should be delivered through LDP2, taking into account the Council's agreed position and that presented by other parties.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

The next LDP spatial strategy and any policy changes which may arise from the evidence in this report, will be subject to Integrated Impact Assessment at that stage.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – The allocation and delivery of additional housing and associated infrastructure will put considerable and possibly unsustainable strain on the capital and revenue budgets of the Council. There will also be a financial cost to the Council of paying for the Reporter’s time during the Gatecheck exercise.
- 6.2 Personnel – There is a large number of additional requirements placed on the LDP process through the 2019 Planning Act. These include additional subject areas that require inclusion in the LDP and wider engagement with stakeholders. These extra unfunded requirements will put pressure on Council staff in the Planning Service but also in other services such as Education, Transportation, Housing and Amenity Services.
- 6.3 Other – None

7 BACKGROUND PAPERS

- 7.1 Evidence Report and Associated documents.

001	Evidence Report
003	Climate Emergency
004	Health
005	Nature Emergency
006	Spatial Strategy and Infrastructure Delivery
007	Transport
008	Natural Environment
009	Countryside
010	Energy Efficiency/Generation/Infrastructure
011	Minerals
012	Housing Land Requirement
013	General Housing
014	Economy
015	Tourism
016	Town Centres
017	Historic Environment

027	Summary of Evidence Report Engagement and associated reports
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