Midlothian Local Development Plan

Main Issues Report 2013:
Technical Note

Housing

Midlothian

Contents

1 Introduction

1.1 The Midlothian Local Development Plan Main Issues Report makes provision to allocate land to meet the requirements specified in the SESplan Proposed Plan for housing, as well as other development land needs. The SESplan Proposed Plan was supported by research and studies to inform the scale and location of the housing land requirement. The relevant findings are available from the SESplan website (www.sesplan.gov.uk).

1.2 Those findings which are of specific relevance to the housing and development strategy issues considered in the Midlothian Local Development Plan Main Issues Report are considered in this Housing Technical Note.

2 Background

2.1 As a means to quantify the amount of new housing land required to meet the total housing needs for the SESplan periods, i.e 2009 – 2024 and 2024 – 2032, the SESplan Proposed Plan has assessed the contribution that committed housing land can make, and also an estimate of the potential housing that may be provided on windfall sites.

2.2 In Midlothian the committed housing land is that which was allocated through the current Midlothian Local Plan 2008, which had not been developed (in whole or in part). This also incorporated those committed sites which were allocated, but not developed, from the superseded Midlothian Local Plan 2003 and Shawfair Local Plan (2003). The committed housing land also includes windfall sites, i.e. those sites which have not been allocated, but which have received consent for housing, and are often brownfield/ redevelopment opportunities which could not have been anticipated at the time of plan preparation.

2.3 Taking account of the committed and windfall contributions, SESplan has identified a level of new housing land of 10,150 homes for the overall SESplan area for the period to 2024, and for the 2024 – 2032 period, an additional housing land requirement of 24,050 homes. SESplan has specified how the new land requirement up to 2024 be allocated for the strategic development areas/ each local authority area. The requirements for Midlothian are set out in Table 1.

Table 1: SESplan housing land requirements for Midlothian

Strategic Development Area	Housing Units (2009 - 2019)	Housing Units (2019 - 2024)
SE Edinburgh (Shawfair part)	100	350
A7/ A68/ Borders Rail Corridor	350	900
A701 Corridor	250	500
MIDLOTHIAN TOTAL	**700**	**1,750**

3 Urban Capacity

3.1 In addition to the housing land requirement that the MLDP must provide for (Table 1 above), SESplan has assumed that there will be a contribution to new housing through the approval of ‘windfall’ sites.

3.2 SESplan undertook an Urban Capacity Study in 2009 to assess the potential scale of contribution that each local authority could expect to make over the period to 2024. The methodology that was used was developed using the English guidance (prepared for the Department of the Environment, Transport and the Regions) *Tapping the Potential* (as there is no equivalent Scottish guidance), adjusted to meet the circumstances in the SESplan area. The methodology specifies 11 categories of potential land to be included in the survey, and this was refined to 6 categories/ sources of land:

- Vacant and derelict land and buildings;
- Redevelopment of public car parks;
- Increasing density on land allocated for housing in local plans or identified in the annual housing land audit;
- Conversion/ redevelopment of commercial and industrial land and buildings;
- Other vacant land (within urban areas only); and
- Sub-division or change of use to housing.

3.3 Each local authority identified potential opportunities to meet the first 5 categories/ sources listed above, based on local knowledge, planning history and aerial photography, and the candidate sites were surveyed. Those which were considered unsuitable were removed from the total list. The study identified specific sites which had a reasonable likelihood of being developed and estimated the capacity of each site. The methodology recognises that not all of the sites identified in the study would be developed for housing but other sites that have not been identified may also come forward. To reflect this, the amount of land identified was 'discounted' to arrive at a realistic level of likely output from windfall sites. This process assessed the potential of the sites being developed within the next 7 years and applied discounting rates based on the advice contained in the *Tapping the Potential* guidance. These rates differed depending on the likelihood of development (high or low) and the source of land (e.g. vacant and derelict land would be discounted at 85% or 65%).

3.4 In addition an estimate was made of the likely contribution from the 6th source of land, i.e. sub-division or change of use to housing, based on recent trends. The results of these sources of land were recorded for SESplan and each of the constituent local authorities. The summary results for Midlothian are presented in Table 2 below.

Table 2: Summary Results for Midlothian of the Urban Capacity Study 2009

	Units at high rate		Units at low rate			
	Gross	Discounted	Gross	Discounted	Discount to Zero	Total
Vacant & derelict land & buildings	92	78	22	15		93
Intensification of local plan sites	-	-	-	-		-
Car Parks	-	-	-	-		-
Non-residential conversions/ redevelopment	139	120	107	74	44	194
Vacant land not previously developed	146	59	116	35	5	94
Total						381
Annual average						54
Annual contribution from small-scale conversion/ sub-division						30
Annual Total						**84**

3.5 The Urban Capacity Study is considered a 'snap-shot' of land supply for windfall development and over the course of the plan period additional sites will become available. In terms of the contribution to meeting the housing land requirement it is assumed that the level of windfall development identified in the study would apply for the first 7 years. However as there are uncertainties as to the scale of contribution that windfall can make in the longer term, the methodology applied a rate of discounting as the plan period progresses. Therefore in the period after the first 7 years, i.e post-2015, the contribution is discounted at the rates of 75% for the remainder of the first phase of SESplan (to 2024) and the level would be reduced to 50% for the longer term. The anticipated contribution from windfall development for Midlothian (and SESplan) is summarised in Table 3.

Table 3: Output from Windfall Development

	Annual Contribution			Total Contribution		
	2010 - 2015	**2015- 2024**	**2024-2032**	**2010-2019**	**2019-2024**	**2024-2032**
Midlothian	84	63	42	670	320	340
SESplan	1,135	790	528	8,830	3,970	4,210

3.6 Based on the results of the Urban Capacity Study, SESplan therefore expects the following level of new windfall housing in Midlothian.

Table 4: Midlothian’s ‘windfall’ housing requirement

	2010 to 2019	2019 to 2024
Total number of houses	670	320

4 Housing Needs and Demand in Midlothian

4.1 Over the years a number of housing need and demand assessments have been carried out, using a variety of methodologies. The current Midlothian Local Plan 2008 was supported by a housing need and demand assessment (*Lothian Housing Needs Study 2005*) which provided the justification for the MLP 2008 affordable housing policy.

4.2 As part of the preparation for the SESplan Main Issues Report the decision was taken to update the 2005 Lothian Study, with the intention to draw the conclusions together with those of updated housing needs and demand assessments for Scottish Borders and that part of Fife within the SESplan boundary. The resulting *Lothian Housing Needs and Demand Study: 2008 Update* was undertaken taking into account the requirements specified in the Scottish Government's *Housing Need and Demand Assessment Guidance* which was issued in March 2008, where this was possible (bearing in mind that the study was an update, rather than a completely new study).

4.3 The Scottish Government guidance (2008) recommended the use of population and household formation trends. It also acknowledged that there may be a need to modify the assessment where other factors prevail.

4.4 The methodology used by the consultants', Tribal, used GROS (General Register Office for Scotland) (now NRS – National Records of Scotland) projections as the basis of the update study. Depending on trends has been unhelpful for Midlothian, as such a methodology would be based on previous low population and household growth. This is not representative of the likely future pattern of growth. There have been significant quantities of housing land allocated in Midlothian through the current and previous local plans. Due to infrastructure constraints in the late 1990s and early 2000s (trunk roads, drainage, water supply) the allocated housing land remained largely undeveloped. This delay in delivery lowered the potential for population and household growth during that period, which has had an influence on trends, and therefore projections.

4.5 As a means to overcome the shortcomings of using the trend based projections Tribal prepared an Alternative Scenario whereby a share of Edinburgh's growth was transferred to Midlothian, as is intended through the development strategy of the Edinburgh and the Lothians Structure Plan 2015. Table 5 below sets out the affordable housing needs arising for Midlothian from the two scenarios.

Table 5: Average households per annum in (affordable) need over 10 year period

	Trend Based	Alternative Scenario
Current need	77	77
Future Need	167	288
Total Housing Need	245	365
Housing Supply from turnover	179	179
Housing need – net of turnover	66	186

Source: Tables 4.6 & 4.11 Lothian Housing Needs and Demand Study: 2008 Update

4.6 This alternative scenario housing need conclusion would suggest a need for 1,860 new affordable homes over a 10 year period (i.e. Housing need – net of turnover of 186 per annum x10). This conclusion supported the case for Midlothian Council's new-build social housing programme. It also confirms the need for a continuation of the MLP 2008 affordable housing policy, which is also reinforced by the housing list evidence (refer section 5 below).

4.7 The Update Study also applied a housing demand model (developed by Tribal), whereby the housing supply and demand changes over the study period were assessed. This was undertaken for both the base and alternative scenarios. Under the base scenario Midlothian demonstrates an oversupply of housing for all tenures and throughout the study period (20 years), and this could be expected given the high levels of new housing allocations to meet strategic planning requirements, whilst the influence of population and household trends on future projections have shown low levels of growth. However this picture is altered in the Alternative scenario: with shortages in the affordable sector almost throughout the 20 year period, less significant levels of oversupply overall, but still demonstrating an oversupply throughout the period in the market sector.

Table 6: Unmet housing demand (cumulative values)[1] and supply and demand ratios[2]

	Base		Alternative	
	Value	Ratio	Value	Ratio
Affordable				
Yr 0	58	0.99	58	0.99
Yr 5	812	0.91	-692	1.08
Yr 10	1,465	0.83	-1,800	1.22
Yr 20	3,219	0.61	-2,660	1.38
Market				
Yr 0	441	0.98	441	0.98
Yr 5	4,253	0.86	1,572	0.95
Yr 10	8,118	0.78	2,392	0.93

Yr 20	16,147	0.66	236	0.99
All				
Yr 0	499	0.99	499	0.99
Yr 5	5,066	0.87	880	0.98
Yr 10	9,583	0.79	592	0.99
Yr 20	19,366	0.65	-2,424	1.05

Notes:

1 *The values apply to individual years (not averages of 5 year period, i.e. The total level of demand at a given point in time.*

2 *Ratio values – these should be expressed "1: x", eg 1:0.99 which shows 1 dwelling for every 0.99 households. Therefore a ratio of over 1 demonstrates a shortfall in supply*

Source: Tables 4.10 & 4.12 Lothian Housing Needs and Demand Study: 2008 Update

4.8 SESplan commissioned a housing needs and demand study in 2009 as a means to inform the preparation of its Main Issues Report. The consultants', Tribal, were required to review the three updated housing needs studies which had been undertaken for the Lothians, Scottish Borders and that part of Fife within the SESplan area. The study was concluded in March 2010.

4.9 The main study findings were trend based, and these demonstrate the shortcomings that are explained above in relation to the Lothians Update Base scenario. At the outset the priority of the work was to assess the overall need at SESplan level, and to do so by updating the three separate studies. This would not therefore provide data for the individual local authorities within the Lothians. However as the Study progressed the consultants' did undertake work on the separate local authorities, and the findings, along with an assessment of the particular issues relating to the use of trend data for Midlothian, resulted in the preparation of alternative findings.

Table 7: Average households per annum in (affordable) need over 10 year period

	Trend Based	Alternative Scenario
Current need	142	NA
Future Need	158	NA
Total Housing Need	300	714
Housing Supply from turnover	179	179*
Housing need – net of turnover	121	593*

** Figures inferred from source data.*

Source: Para 6.3.6 and Table A1.4, SESplan Housing Need and Demand Study, March 2010

4.10 Table 7 presents an estimate of the average affordable housing need for the next 10 years. The difference between the base scenario, which is trend based, and the alternative scenario, which takes account of the effect of an increased population arising from the structure plan development strategy, is significant. It demonstrates an increased need for affordable housing. The application of the demand model to the Midlothian base and alternative scenarios is set out in Table 8 (similar to that used for the Lothian Housing Needs Study Update, and with the Midlothian findings set out in Table 6 above). It demonstrates similar patterns of surplus and shortfall for each of the scenarios for both studies (Lothian Update and SESplan). Critically under the alternative scenarios there will be shortfalls of affordable housing for much of the 20 year period. There will however be a surplus of market housing under all scenarios, and this will be due to the allocation of housing land (which will be primarily taken up by the private sector) to meet a share of the wider Edinburgh housing market area, rather than to meet Midlothian-only generated housing need/ demand.

Table 8: Unmet housing demand (cumulative values)[1] and supply and demand ratios[1,2]

	Base		Alternative	
	Value	Ratio	Value	Ratio
Affordable[3]				
Yr 0	194	0.98	194	0.98
Yr 5	761	0.92	-1,734	1.18
Yr 10	1,332	0.87	-3,504	1.35
Yr 15	2,441	0.78	-4,047	1.40
Yr 20	3,669	0.68	-4,645	1.46
Market				
Yr 0	626	0.98	626	0.98
Yr 5	4,538	0.85	2,388	0.92
Yr 10	8,386	0.76	3,981	0.88
Yr 15	12,078	0.70	2,950	0.92
Yr 20	15,979	0.64	1,448	0.96
All				
Yr 0	820	0.98	820	0.98
Yr 5	5,299	0.87	654	0.98
Yr 10	9,719	0.79	477	0.99
Yr 15	14,519	0.71	-1,097	1.02
Yr 20	19,649	0.65	-3,197	1.07

Notes:

1 *These estimates are taken from the last year of each 5 year period, and assume the cumulative demand/supply position at that point in time (dynamic housing model approach).*

2 *Ratio values – these should be expressed "1: x", (one dwelling for every X household). Therefore a ratio of over 1 demonstrates a shortfall in supply.*

3 *These estimates apply to all affordable housing, not just the social rented sector.*

Source: Tables B6.2 (Base) and 6.5 (Alternative); SESplan Housing Needs and Demand Study, March 2010.

4.11 Appendix 1 provides an extract from the SESplan Housing Need and Demand Study explaining the background to the alternative (Structure Plan) scenario.

5 Local Housing Strategy

5.1 Midlothian Council prepared a Draft Local Housing Strategy 2012 – 2017 which was available for consultation during summer 2012. It is anticipated that the final version covering the period 2013 – 2017 will be approved in April 2013. The Local Housing Strategy (LHS) addresses a number of matters which are also of relevance to the preparation of the Local Development Plan. These are touched on below, however the full LHS should be referred to for more details.

5.2 **Demand** The LHS includes details of the increase in the number of persons on the Council's housing lists. It states "that despite significant investment in new council housing in the previous 5 years, the number of households on the waiting list and transfer list has risen from 2,465 to 4,588 – an increase of 86%, which is in excess of 2,000 additional households."

Table 9: Number of Households on Midlothian Council's Housing List

Year	Number of Households
2006	2,465
2012	4,588

Source: Table 3.8, Midlothian Council Local Housing Strategy 2013 – 2017

5.3 The LHS provides information on household size of those on the housing list as follows "that 46% of applications are from single people, suggesting a need for smaller housing to meet the demand from these households. In addition, a total of 73% of households are 1 or 2 person households, many of these households will also only require 1 bed housing ..... However, there is still a requirement for larger housing, with 13% of households comprising 4 or more people."

5.4 The LHS also discusses the level of demand for Council housing across Midlothian and how this compares nationally. It states that "Midlothian has a high level of demand for housing across the local authority area. Whilst the waiting lists are longest in the largest towns of Dalkeith, Penicuik and Bonnyrigg/Lasswade, there is a larger supply of relets in these areas in comparison with other smaller areas such as Newtongrange and Danderhall which have lower levels of relets. One way of determining the level of demand in an area is to use a pressure ratio. For example, 100 waiting list applicants in an area with 10 lets made in a year would give you a ratio of 10:1, in other words there are 10 applicants for every let that becomes available. Areas with a ratio of less than 2:1 indicate low levels of demand for an area, whereas a pressure ratio higher than the national average of 4:1 would suggest that the area or house size has a high level of demand. For Midlothian overall in 2011, there was a total pressure ratio of 9:1, indicating a higher level of demand. In some smaller rural areas, levels of pressure are much higher than this, reflecting the low level of council housing in some areas."

5.5 The above extracts from the LHS confirm the housing need and demand evidence in the previous section of this Technical Note, that there is a high level of need for affordable and/ or social housing in Midlothian.

5.6 **Housing Supply Targets** The LHS is required to set housing supply targets. These are developed using evidence from the housing need and demand studies, but also housing list data, and can take account of expected levels of social and market housing delivery. The LHS has set the targets as follows:

Table 10: Annual Midlothian Housing Supply Target 2013 - 2017

Sector	Annual Target
Affordable	165
Market	400
Total	565

Source: Table 3.15, Midlothian Council Consultative Draft Local Housing Strategy 2013 – 2017

5.7 The LHS shows that 565 new build homes per annum is the annual target, of which 165 should be affordable. The LHS explains that this number of affordable houses exceeds the SESPlan Housing Need and Demand Assessment calculation (which identifies a need for 121 units per annum in the base scenario), however as there will be a significant level of new council housing development during this period it is expected that this will contribute to meeting this target. Despite the prospective level of council new build, meeting the affordable housing target will remain challenging: the reduced subsidy from the Scottish Government to support other Registered Social Landlords will reduce the scope for this sector to contribute in a significant way to meeting the target.

5.8 The LHS has set a higher target for private sector house completions, of 400 new build units per annum. It acknowledges that both targets are ambitious given the current economic climate. However it explains that “ongoing discussion between the Council and housing developers suggest that in the coming years there will be a significantly increased number of new private homes developed which is beneficial not only to meeting the level of demand, but it also contributes to local economic growth.”

5.9 The Council will review the targets for both market and affordable housing on an annual basis to ensure that they remain realistic.

Appendix 1: Extract from SESplan Housing Need and Demand Study, March 2011
[Note Figures 6.1, 6.2 and Tables 6.4 and 6.5 are not replicated in this extract]

6.3 Alternate SP Scenario

6.3.1 In addition to the 'base' scenario described above, an alternate projection of demand and need has been prepared to illustrate the potential impact of an alternate view on the distribution of population growth within the region. This scenario makes two key adjustments to the assumptions outlined for the 'base' scenario above.

- On the **demand side** the alternate scenario adjusts the GROS projection of household growth to account for policy interventions outlined in the approved Edinburgh and Lothian Structure Plan 2015 (ELSP 2015). These interventions allow for significant programmes of new build in Midlothian in order to contribute to the wider regional housing strategy and imply a rate of growth in Midlothian well above that outlined in the GROS projection. As shown on Figure 6.1 below, the alternate scenario only affects the household growth rates of Edinburgh and Midlothian. There are no wider impacts into Borders or Fife.

- On the **supply side**, the scenario includes only effective supply sites identified in the 2008 HLAs plus 50% of 'constrained' sites added over the years 2013/14 to 2017/18. The scenario assumes an annual build rate, based on HLA projected rates over 2008/9 – 2012/13, which continues until effective supply is exhausted (programmes for constrained sites were provided separately by each Local Authority). The scenario assumes no further supply after this point. The breakdown by sub-area is derived from proportions indicated in the HLAs for each area. The breakdown between market and affordable housing is derived from data provided directly by local authorities (Edinburgh and Midlothian), proportions taken from the Local Housing Strategy (West Lothian), proportions taken from the Housing Land Audit (East Lothian) and data from the HLAs for Mid and South Fife and SBC as per the base scenario. When applied in the model, the scenario further assumes that 82% of affordable units will be social rented properties.

6.3.2 The demand side assumption described above assumes that the household population of Midlothian rises at an average rate of 1.7% per annum over the next 20 years in response to rapid house building in the area. Overall, the population of the SESplan area is assumed to rise at the same rate as projected in the most recent GROS estimates, with additional expansion in Midlothian arising proportionately at the expense of growth in Edinburgh.

6.3.3 Given this scenario is predicated on housing market-led in-migration, this scenario makes a number of changes to assumptions relating to affordability and profile of in-migrants compared to the base scenario. In particular, the scenario assumes that:

- A higher proportion of in-migrants are owner occupiers;
- A higher proportion of in-migrants are able to afford market housing, and

- A higher proportion of new households choose to move into owner occupied housing.

6.3.4 These changes apply only to the estimates for Midlothian. Assumptions for all other areas are the same as those used in the base scenario. The assumptions relating to affordability among newly forming households, the proportion of existing households falling into need and the level of current need are the same as those used in the base scenario.

6.3.5 With regard to adjustments on the supply side, figure 4.3 illustrates the difference between build rate assumptions throughout the projection period. While the base scenario assumes a flat build rate throughout the period, under the alternate scenario the number of completions across Lothian each year drops to only 2,023 per annum over 2018-2022 and to only 762 per annum by the end of the period. This falling off occurs as sites currently identified as effective supply are exhausted. No assumption is made for new sites coming forward beyond that already identified in the most recent HLAs.

Net Housing Need

6.3.6 Table 6.4 presents total housing need occurring each year of the next ten years. Over this period, the total number of households unable to meet their needs in the market is estimated at some 8,128 per annum. The main changes arising from the alternate scenario occur within Lothian. These comprise:

- An increase in needs arising in Midlothian. The alternate scenario estimates need at 714 households per annum, compared against 300 in the base case.
- A reduction in need arising in Edinburgh. The lower population projection used for Edinburgh in this scenario reduces the level of need from 3,487 households per annum (base case) to 3,129 households per annum (alternate scenario).

6.3.7 Using the supply assumptions outlined above, the alternate scenario leaves average net housing need of 1,141 households per annum across the region over the next ten years. Again, compared against the base case, the changes occur in Midlothian and Edinburgh.

- Midlothian records net outstanding need of 369 households per annum in the alternate scenario, compared against a supply surplus of 45 units in the base case.
- Net outstanding need in Edinburgh falls to 1,009 in this scenario, compared against 1,366 in the base case.

Model Outputs

6.3.8 Table 6.5 summarises the demand model outputs arising from the Alternate Scenario. Because of the dynamics within the Lothian housing market, we have presented outputs for all local authorities.

6.3.9 Overall, the model shows growth in Midlothian helping to relieve some of the pressure on the Edinburgh market in the medium term. In the scenario shown here, Edinburgh retains a slight surplus of total supply over demand until year ten of the projection period (the point at which the base case begins to indicate supply deficit).

6.3.10 Despite this improvement in the overall position, however, even in this scenario Edinburgh retains a significant supply deficit for affordable housing over the medium term. By year ten demand for affordable housing is projected to rise to 11% above supply – a significant deficit, though less severe than the 21% projected in the base case.

6.3.11 In Midlothian, the alternate scenario shows increasing pressure on affordable housing against a picture of medium term surplus in the private sector. By year ten, a supply deficit of around 3,000 units is projected for affordable housing (compared against a surplus of around 1,300 units projected in the base case)[29]. The market sector, by contrast, continues to show a significant medium term surplus of demand over supply in the alternate scenario, even allowing for significant additional population growth.

6.3.12 Over the longer term (year 10 to year 20 of the projection period) the supply assumption used in the alternate scenario (in which new build rates dwindle to zero because currently identified land supply is exhausted) results significant closes the gap between demand and supply in all areas and all sectors.

[[29] This is largely because the base case and the alternate scenario assume the same level of housing development, but the SPS assumes a higher population.]

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