



LOCAL HOUSING STRATEGY 2022 - 2027

HOUSING SUPPLY TARGET EVIDENCE PAPER



Introduction

This paper sets out Fife Council’s approach to setting Housing Supply Targets (HSTs) in the Local Housing Strategy (LHS) 2022-2027. Setting a HST is the next stage of the housing planning process after the Housing Need and Demand Assessment (HNDA). The HST sets out the estimated level of housing that can actually be delivered on the ground, over the period of the plan, and feeds into both the LHS and Local Development Plan (LDP). The HST will take the HNDA as a starting point and will consider a range of policy and practical factors which have a material impact on the pace and scale of housing delivery. It will cover all tenures and will demonstrate a split between market and affordable housing.

The following principle policy and guidance for setting HSTs has been utilised through the development of this paper:

- Scottish Government’s HNDA Manager’s Guide (2020) – Section 12: Beyond the HNDA – Housing Supply Targets¹
- Scottish Government’s Local Housing Strategy Guidance (2019) – Section 7: Housing Delivery²

HNDA3

An HNDA estimates the future number of additional housing units required to meet existing and future housing need and demand. Due to the regional split in Fife, the net need for additional housing was generated by the two HNDA3s carried out at regional level (Tayside³ and South East Scotland⁴). The combined HNDA3s indicate 2,392 households are in existing housing need and require social rented housing to meet that need. This figure informed a range of HNDA scenarios from ‘strong growth’ through to ‘no growth’ in income, house prices and rents. The preferred scenario for Fife was agreed as ‘steady growth’ where 470 new homes are required per annum over a 20-year period. This comprises of 253 (54%) affordable homes and 217 (46%) market homes. The combined affordable and market estimates are shown in five-year bands in the table below:

HNDA Housing Estimates for Steady Growth Scenario in Fife

Steady Growth Scenario	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Year Total	20 Year p.a.
Social rent	489	153	58	48	3,738	187
Below market	102	58	56	47	1,316	66
Private rent	140	68	59	43	1,551	78
Owner occupied	213	123	122	102	2,796	140
Total p.a.	944	402	295	239	9,401	470
Affordable p.a.	592	211	114	95	5,054	253
Market p.a.	352	191	181	145	4,347	217

Some totals affected by rounding

¹ [CHMA’s HNDA Refresh 2019 – Guidance and Publish Manager’s Guide 2020.pdf \(www.gov.scot\)](https://www.gov.scot/publications/hnda-manager-guide-2020/pages/12-beyond-the-hnda-housing-supply-targets/)

² [Local Housing Strategy Guidance 2019 \(www.gov.scot\)](https://www.gov.scot/publications/local-housing-strategy-guidance-2019/pages/7-housing-delivery/)

³ [Tayside HNDA3 final report for North Fife](https://www.tayside.gov.uk/media/10127/2019-09-24-tayside-hnda3-final-report-for-north-fife.pdf)

⁴ [Housing Need and Demand Assessment 3 \(fife.gov.uk\)](https://www.fife.gov.uk/media/10127/2019-09-24-tayside-hnda3-final-report-for-north-fife.pdf)

For housing supply purposes in Fife, the estimates are examined over a 10-year period from 2021-2030 as it is anticipated existing need will be cleared during this timeframe (7 years clearance in South East Scotland, 5 years clearance in Tayside). Between 2021-2030, it is estimated that 673 new homes will be required on an annual basis in accordance with the HNDA steady growth scenario. This comprises of 401 (60%) affordable homes and 272 (40%) market homes.

Within the HNDA, housing estimates have been disaggregated down to Housing Market Area level in Fife. The table below shows disaggregated estimates by tenure, over a 10-year period.

HNDA Housing Estimates by Steady Growth Scenario and Housing Market Area

Housing Market Area	St Andrews and North-East Fife	Cupar and North-West Fife	Dunfermline and West Fife	Kirkcaldy, Glenrothes & Central Fife	Fife Total & % tenure split
Affordable p.a 2021-30	55	42	135	170	401 (60%)
Market p.a 2021-30	27	23	110	111	272 (40%)
Total p.a. 2021-30	82	66	245	280	673

Some totals affected by rounding

The figures in the table above have been used as a starting point when setting the HST.

NPF4 / MATHLR

National Planning Framework (NPF4) is a long-term spatial plan for Scotland that sets out where development and infrastructure is needed to support sustainable inclusive growth. There is a statutory requirement for NPF4 to contain targets for the use of land in different areas of Scotland for housing purposes. To ensure this was met, a Minimum All-Tenure Housing Land Requirement (MATHLR) was set through NPF4 for each Scottish planning authority. The process for setting the Fife MATHLR is shown in a response to the Scottish Parliament's Local Government, Housing and Planning Committee.⁵

The table below sets out the finalised MATHLR, contained within NPF4, for Fife as (7,300); existing need (2,400); newly forming households (3,450) and additional flexibility (1,450). Fife Council have agreed that the figures cover all tenures and represent the minimum amount of land to be identified within the LDP. The figures are also split between North and West & Central to reflect the two separate HNDAs in Fife.

NPF4 Minimum All-Tenure Housing Land Requirement – 10 Years

	Existing Housing Need	Newly Forming Households	Flexibility Allowance 25%	MATHLR
Fife (North)	700	700	350	1,750
Fife (West & Central)	1,700	2,750	1,100	5,550
Fife	2,400	3,450	1,450	7,300

Figures in NPF4 were round up or down to the nearest 50

⁵ [Scottish Parliament's Local Government, Housing and Planning Committee - Response from Fife Council](#)

Setting HSTs

The HST identified in the interim Local Housing Strategy 2020-2022 was informed by the outputs of both TAYplan HNDA2 and SESplan HNDA2 which were assessed as robust and credible by the Scottish Government in February 2014 and March 2015 respectively. The LHS 2020-2022 identified the target as 1,162 (336 affordable, 826 market) new homes per year which were carried forward from the LHS 2015-2020. This comprised of:

- TAYplan area – 295 homes per annum (74 affordable homes, 221 market homes)
- SESplan area – 867 homes per annum (262 affordable homes, 605 market homes)

Completions against this target averaged at 1,086 in the five-year period between 2017/18 and 2021/22 with an average of 390 (36%) affordable completions over this period. Completions were severely impacted by the Covid-19 pandemic during 2020/21 with restrictions placing limitations on housebuilding which meant completions were below 1,000 for the first time since 2015/16. Recovery is evident during 2021/22, with numbers returning to pre-pandemic levels.

As described in the introduction, the HST will take HNDA3 as a starting point but will consider policy and practical considerations to reach a view on the level of housing that can actually be delivered over a defined period, which for LHS purposes is 2022-2027. The HST will cover all tenures and set out the expected broad split between market and affordable housing. The HNDA Managers Guidance (2020)⁶ sets out the factors which may have a material impact on the pace and scale on housing delivery. These factors include:

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

Economic Factors

The City Region Deal⁷, signed in August 2018 between the South East Scotland regional partners and the UK and Scottish Governments, has a value of over £1.3 billion over a 15-year period. Five main themes (research, development and innovation, integrated regional employability and skills, transport, culture and housing) are set to drive productivity and growth while reducing inequalities and deprivation. The award for the housing elements of the City Region Deal is £313 million to be delivered through a regional housing programme, accelerating the delivery of housing across tenures, enabling the development of seven major strategic housing sites and driving efficiencies across the public sector estate. As part of the Integrated Regional Employability and Skills Programme, £6 million investment in upskilling housing, construction and infrastructure employees will help create an inclusive workforce to help meet future housing demands.

⁶ [CHMA+-+HNDA+Refresh+-+2019+-+Guidance+-+Publish+-+Manager%27s+Guide+2020.pdf \(www.gov.scot\)](#)

⁷ [The Edinburgh and South East Scotland City Region Deal \(esescityregiondeal.org.uk\)](#)

A Business Case to part fund the Dunfermline Strategic Growth Transportation Infrastructure Programme, as part of the Edinburgh and South East Scotland City Region Deal (ESES CRD) was approved by Fife Council's Policy & Co-ordination Committee in May 2021 and the ESES CRD Joint Committee in June 2021. This proposal, through the Housing Infrastructure Fund (HIF), will provide £16.5m of funding to accelerate investment in essential new strategic transportation infrastructure in the Dunfermline Strategic Growth Area over a 15-year period. This will facilitate large-scale mixed-use development and investment in the Dunfermline and wider Edinburgh City Region economy including the delivery of up to 2,000 affordable and 6,000 private homes over an approximate 40-year period.

The Tay Cities Region Deal⁸, signed in December 2020 between Tayside regional partners and the UK and Scottish Governments, has the potential to deliver £400 million investment and secure 6,000 quality jobs over a 15-year period. It will transform the regional economy and further energise activity to deliver improved outcomes for the region's people, places, businesses, and communities by supporting business growth, developing innovative technologies, enhancing productivity, developing skills and creating jobs.

The HNDA3s considered recent trends and factors that will impact on the future economy and housing market. Within the HNDA Tool, factors such as income growth and distribution, house prices and affordability of different tenures have been taken into consideration as have the possible scenarios for these in future years. The preferred scenario in Fife is steady growth which provides moderate real terms income growth, principal household projections, 'creeping' equality, moderate/trend house price and rental growth. The outputs of this scenario most closely reflect past trends, with steady increases in economic output achieved through construction, accommodation and food, wholesale and retail industries. The number of households in Fife is expected to increase 3.4% by 2028 or 6% by 2043 which increases the demand for housing. Alongside this, household incomes are expected to increase slightly, which can drive demand for housing for those who can afford to buy or rent privately.

As these factors have already been taken into consideration when developing the HNDA3s housing estimates, this should not have a negative or positive impact on demand and supply in the context of the HSTs. The economic impacts of Brexit, Covid-19, the Ukrainian war and inflationary pressures can impact the ability to deliver new housing supply and increase the price of new housing. This can prevent housing need being met whilst also shifting the tenure of need. The full extent of these economic pressures has yet to be discovered, however, it is clear they have particularly impacted the construction sector and viability of development. Further information on the construction sector capacity is noted within the succeeding section.

Construction Sector Capacity

Amidst the economic impact of Brexit and Covid-19, along with the war in Ukraine and subsequent inflationary pressures, the construction sector has experienced unprecedented materials shortage and supply chain stress, driving inflation in the tender costs of housing investment programmes in 2021. Challenges are experienced with skills shortages in the construction industry which contribute to an increase in labour costs, causing major delays to the delivery of new housing developments and the required infrastructure to support these. To add to both the material and skills shortages, social housing providers also face challenges to retrofit existing housing in the context of climate change, which diverts resources away from housing supply.

⁸ [Home | Tay Cities Deal](#)

Data from the Office for National Statistics provided through NOMIS⁹, confirms a decline in the number of construction sector jobs held by employees between 2017 and 2021. The period recording the lowest number of employee jobs (2020) can be linked to the Covid-19 pandemic and Brexit, and although some recovery is evident in 2021, the proportion of all Fife jobs is still lower than 2018.

Construction Sector Employee Jobs – 2017-21

Construction Sector	2017	2018	2019	2020	2021
No. of employee jobs	8,000	8,000	7,000	6,000	7,000
Proportion of all Fife Jobs	5.9%	6.0%	5.3%	4.7%	5.2%

To help mitigate the impact of the skills shortages in the construction sector, Fife College and Fife Council Economic Development announced in December 2021, the launch of a new initiative to provide development opportunities for small and medium sized construction businesses as they recover following the major challenges of Covid-19 and Brexit. A number of key partners will work collaboratively to build knowledge, provide targeted support and develop skills and efficiencies to ensure future success can be achieved by the sector.

Whilst ongoing cost pressures and skills shortages are predicted to continue in 2022 aligned to energy price inflation, longer lead in times or reduced delivery is possible in the short-term. Nonetheless, despite the on-going challenges, the Housing Land Audit (HLA)¹⁰ confirms a reasonable number of completions during 2021/22, returning to pre-pandemic levels which indicates a small degree of economic recovery. Additionally, the effective programmed land supply is confirmed as 6,044 sites in the South East Scotland area of Fife and a further 1,848 sites in the Tayside area of Fife during 2021-26, which provides a combined average of 1,578 sites per annum. It is unclear at present, if recovery will continue at this level and the long-term impact of construction inflation on the pace and scale of housing delivery is difficult to predict in the current economic climate.

Recent Development Levels

Analysis of total housing completions in Fife over the past five years from 2017/18 – 2021/22 equals 5,431 units (3,483 market and 1,948 affordable). Annual completions in Fife have dropped since the economic downturn in 2007/08 (1,729). The decline reflects depressed market activity since 2007/08 and a reduction in household and developer confidence in the future housing market. The table below outlines completion levels by Housing Market Area (HMA) in Fife.

Completions by HMA – 2017/18 – 2021/22

Housing Market Area	17/18	18/19	19/20	20/21	21/22	Total
St Andrews and North-East Fife	120	37	101	76	194	528
Cupar and North-West Fife	65	23	119	29	9	245
Dunfermline and West Fife	558	696	565	479	527	2,825
Kirkcaldy, Glenrothes & Central Fife	568	362	303	234	366	1,833
Total completions	1,311	1,118	1,088	818	1,096	5,431

Completions on sites of capacity greater than 4 units. Small sites of fewer than 5 units are not included within completion figures.

⁹ [Labour Market Profile - Nomis - Official Census and Labour Market Statistics \(nomisweb.co.uk\)](https://www.nomisweb.co.uk/)

¹⁰ [Fife Housing Land Audit 2022](#)

The highest level of completions annually tends to be within the Dunfermline and West Fife HMA, followed by the Kirkcaldy, Glenrothes and Central Fife HMA. Lower levels of completions are recorded in the Cupar and North-West Fife HMA as well as the St Andrews and North-East Fife HMA. This is due to the rural nature of the HMAs, where population tends to be lower and is reflective of the housing need estimates identified through the HNDA3s.

Delivery of Market and Affordable Housing

The table below outlines the affordable and market completions over the past ten years. During this period, the proportion of market completions has always been higher than the affordable with the exception of 2015/16 where only 38% of completions delivered were market. Since 2016/17, combined completion rates have been higher than 1,000, apart from 2020/21 which was impacted by the Covid-19 restrictions put in place by the Scottish Government during the pandemic.

Affordable and Market Completions – 2012/13 – 2021/22

Completions	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
No. of affordable completions	313	234	247	563	613	611	326	416	294	301
% of affordable completions	37%	30%	31%	62%	47%	47%	29%	38%	36%	27%
No. of market completions	539	548	550	350	704	700	792	672	524	795
% of market completions	63%	70%	69%	38%	53%	53%	71%	62%	64%	73%
Total completions	852	782	797	913	1,317	1,311	1,118	1,088	818	1,096

Completions on sites of capacity greater than 4 units. Small sites of fewer than 5 units are not included within completion figures.

The delivery of affordable housing is largely determined by funding availability. The SHIP 2022/23 – 2026/27 sets out a delivery plan for new affordable homes in Fife. Further information on the funding available through the SHIP can be found within the ‘Availability of Resources’ section below.

A number of alternative options are explored in Fife to supplement affordable housing programmes and increase levels of social housing. This includes the acquisition of former local authority and privately owned properties on the open market, offering advice and assistance to owners in bringing their long-term empty properties back into use and affordable housing contributions from market developments as noted in the Affordable Housing Supplementary Guidance (September 2018)¹¹. Further information on acquisitions and empty homes is available under the ‘Planned new and replacement housing / housing brought back into use’ section.

Availability of Resources

The table below highlights the number of affordable homes expected to be delivered annually in the SHIP between 2022/23 – 2026/27. A further 200 units are estimated to be delivered through Open Market Shared Equity (OMSE) which takes the potential total to 4,211. It is worth noting the SHIP contains an average 27.5% over-provision which prepares for any slippage that may occur. The final output is therefore likely to be less than the number of units proposed.

¹¹ [Planning Committee \(fife.gov.uk\)](https://www.fife.gov.uk/planning-committee)

Available resources will have a significant impact on the delivery of social sector housing as it is based on the Resource Planning Assumptions (RPA) and Affordable Housing Supply Programmes. RPA for Affordable Housing Grant over the next 5-year period totals at £174.392m. The funding to support OMSE is in addition to the Fife RPA allocation.

SHIP 2022/23 – 2026/27 - Affordable Housing Projects & Resource Planning Assumptions

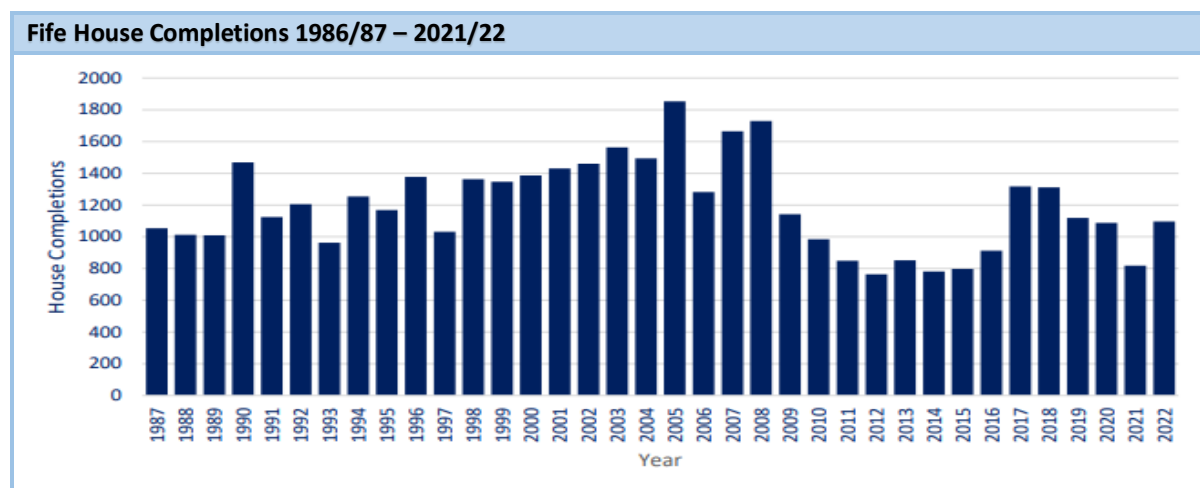
Financial Year	No. of Units	RPA (£m)
2022/23	1,103	£34.655
2023/24	637	£34.556
2024/25	802	£34.677
2025/26	830	£35.252
2026/27	639	£35.252
Total	4,011	£174.392

The average benchmark grant per Council Social Rented unit is £59k and Housing Association unit is £72k. Given the level of resources outlined above and around £6m of additional funding available through Second Homes Council Tax, this would be sufficient to deliver around 1,220 affordable Council homes, 1,275 affordable Housing Association homes and 350 Mid-market rent homes over the next five years. This is a minimum funding assumption, nevertheless, it suggests that achieving an average output of 802 units annually over the five-year period of the SHIP, would be highly challenging and would certainly require significant additional funding.

The availability of resources in the private sector are out with public sector control, however, it is evident resources will be heavily impacted by economic factors and the construction sector capacity as mentioned in the relevant sections above.

Likely pace and scale of delivery based on completion rates

Total completion rates for all tenures have varied from year to year and have not followed any specific pattern. Until 2008/09 the overall trend had been upwards, but the effects of the recession had a significant effect on housebuilding. The six years prior to 2016/17 recorded the fewest completions since records began in 1987 as displayed in the figure below. However, 2016/17 and 2017/18 showed signs of an upturn in house building in Fife with the highest number of completions since the recession.



Completions on sites of capacity greater than 4 units. Small sites of fewer than 5 units are not included within completion figures.

The construction sector capacity and availability of resources will likely influence the pace and scale of future delivery. Further information on these factors can be found within the relevant sections above.

Planned Demolitions

Housing Supply Targets are net figures, not gross. They are annual or period totals of the number of additional homes that are to be added to the existing supply. If there are planned or expected housing demolitions, then the number of homes demolished are subtracted from the number of new homes added to the supply to calculate the net additional completions.

At the start of the LHS 2022-2027, Fife Council and partners are progressing eight regeneration projects across Fife. Each project is at a different stage, from initial consultation with residents, to rehousing tenants and undertaking demolitions. A total of 184 demolitions are scheduled to take place as part of these regeneration projects. It is unclear at the present the exact number of new replacement units which will be delivered, however, it is unlikely the replacement units will equal or exceed demolitions.

Planned new and replacement housing / housing brought back into use

Fife Council has set aside £15 million from 2022-25 for the acquisition of former local authority and privately owned properties on the open market to supplement the affordable housing programmes and increase social housing levels. The £15 million has the potential to deliver an additional 250 Council homes, although the number will be subject to house prices and the extent of available subsidy assistance.

Fife Council's Empty Homes service has been in place since 2014. Primarily, the service offers advice and assistance to owners in bringing their long-term empty properties back into use, but also attempts to apply pressure to those owners who may be reluctant to do this. It offers advice on renting, selling and the refurbishment of properties. Between the introduction of the Empty Homes service and March 2022, assistance has helped owners to bring 449 properties back into residential use. Through the lifetime of the LHS 2022-2027, it is anticipated 175 homes could potentially be brought back into use over the 5-year period (35 per annum) which will help increase overall housing supply.

Proposed HSTs

In the table below, HNDA3 outcomes are averaged with evidence of historic housing delivery, current land capacity and the MATHLR over a 10-year period to produce an average annual measure of 949. These evidence sources help establish the level of housing that can be delivered over a defined period by examining past trends and future land availability whilst also considering the housing need requirement.

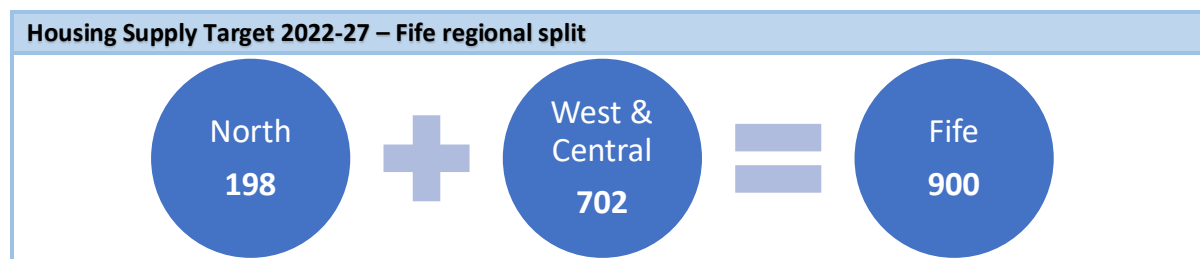
The average annual measure (949) triangulates well to historic completions over a 10-year period (1,009) and exceeds the housing need requirement from the HNDA3s (673). The average measure can be further disaggregated to Fife North and Fife West & Central as 182 and 768 respectively. Although average annual completions have generally been above the Fife annual average measure, the current pressures experienced in the construction industry, along with inflationary pressures and uncertainty around the economic future, pose a question on the deliverability of new housing in the long-term.

Average of housing evidence

Housing Evidence	Fife (North)	Fife (West & Central)	Total
1. HNDA3 Steady Growth 2021-30 (p.a.)	147	526	673
2. Av. Effective Land Supply (HLA 2022) (p.a.)	277	1,253	1,530
3. MATHLR minus 25% flexibility (p.a.)	140	445	585
4. Av. Completions (p.a.) 2012/13 – 2021/22	164	846	1,009
Av. of 1, 2, 3 & 4 above	182	768	949

Some totals affected by rounding. Small sites of fewer than 5 units are not included within completion figures.

It has been agreed between Housing and Planning Services that the HST will be kept below the annual average measure at 900 units per annum. This has been derived from HNDA housing estimates and takes into consideration the full range of factors that may influence housing delivery on the ground including historic completions, available resources and policy considerations. To determine the Fife North and Fife West & Central split in the HST, the portion of need in each area from the HNDA3 steady growth scenario 2021-30 has been applied (22% North, 78% West & Central).

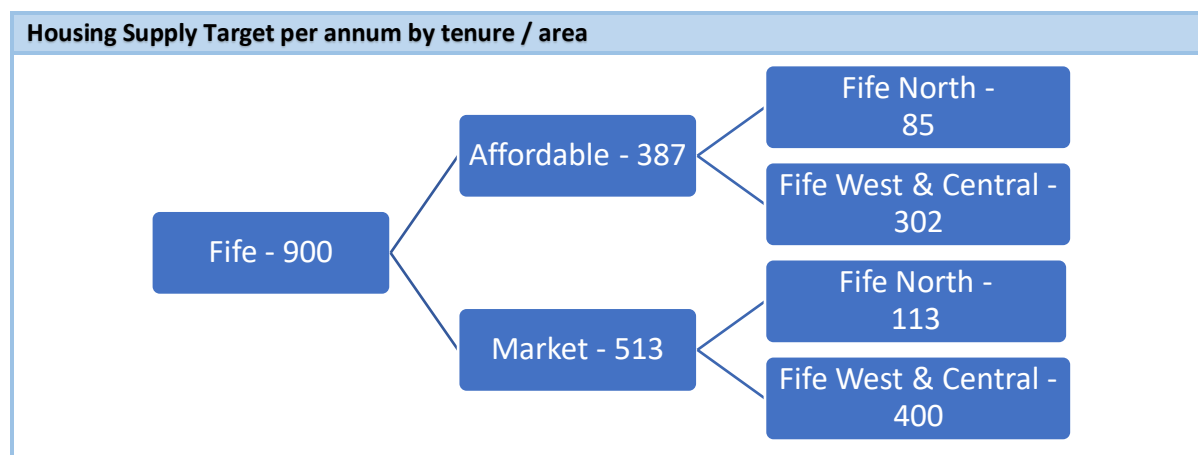


The following table summarises the split in affordable and market from the interim LHS 2020-22 HST, the HNDA3s and historical completions over a 5- and 10-year period. The previous HST split was 336 affordable (29%) and 826 market (71%) which provided a total of 1,162 per annum. On average, the split ranges from 29% to 60% for affordable and 40% to 71% for market at Fife level. An average of the different methods produces two different options for consideration with the period of historical completions being the difference in each option. The Fife results conclude an average of 42%-43% for affordable and 57%-58% for market which demonstrates consistency through either approach.

Affordable and Market Split

Housing Evidence	Fife (North)		Fife (West & Central)		Fife Total	
	Affordable	Market	Affordable	Market	Affordable	Market
1. Interim LHS 2020-22 HST	25%	75%	30%	70%	29%	71%
2. HNDA3s	60%	40%	60%	40%	60%	40%
3. Historical Completions – 2012/13 – 2021/22	39%	61%	39%	61%	39%	61%
4. Historical Completions – 2017/18 – 2021/22	25%	75%	38%	62%	36%	64%
Option 1 – Av. of 1, 2 & 3 above	41%	59%	43%	57%	43%	57%
Option 2 – Av. of 1, 2 & 4 above	37%	63%	43%	57%	42%	58%

For the purposes of setting the HST for 2022-27, option 1 is preferred. The annual HST for Fife has been set at 900 units per annum with a 43% target for affordable housing (387 units) and 57% target for market housing (513 units). The following diagram provides the HST split by tenure and area.



This can be defined by the Fife North and Fife West & Central areas in Fife as follows:

- Fife (North) – 198 homes per annum (85 affordable homes, 113 market homes)
- Fife (West & Central) – 702 homes per annum (302 affordable homes, 400 market homes)

The table below compares the HST to the Interim LHS target, the HNDA3 steady growth housing estimates, MATHLR and average completions over a 5-and 10-year period. The HST exceeds the MATHLR including the flexibility allowance (730 p.a.) and provides a strong starting point for determining the Housing Land Requirement within the Local Development Plan.

Comparison of housing evidence (per annum) with proposed Housing Supply Target

Area	Tenure	Interim LHS 2020-2022 HST	HNDA3 Steady Growth 2021-30	MATHLR minus 25% flexibility	Av. annual Completions 2012/13 – 2021/22	Av. annual Completions 2017/18 – 2021/22	Proposed HST 2022-2027 p.a.
Fife (North)	Affordable	74	97	-	63	38	85
	Market	221	50	-	101	116	113
	Combined	295	147	140	164	155	198
Fife (West & Central)	Affordable	262	304	-	329	351	302
	Market	605	221	-	517	580	400
	Combined	867	526	445	846	932	702
Fife Total	Affordable	336	401	-	392	390	387
	Market	826	272	-	618	697	513
	Combined	1,162	673	585	1,009	1,086	900

Some totals affected by rounding. Small sites of fewer than 5 units are not included within completion figures.

While the HST needs to reflect the current aspirations of a growing economy it must also reflect what can realistically be delivered. There are many uncertainties around the financial viability of

development at present which seem likely to continue for the foreseeable future. For this reason, there will be less emphasis on pursuing housing targets with a greater focus on creating sustainable places, for example by supporting growth in mid-Fife linked to the Levenmouth rail link, responding to demographic changes, regenerating estates, improving town centres and providing more affordable homes in rural areas. Delivery of new housing will be taken forward in both the LHS and through land allocations in the Local Development Plan (FIFEplan).