

Scottish Borders Housing Supply Target 2023 - 2028

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EXECUTIVE SUMMARY

The Housing Supply Target (HST) has been set by Scottish Borders Council (SBC). This is the translation of the Housing Need Estimates set out in the Housing Need and Demand Assessment 3 (HNDA) to Housing Supply Targets (HSTs) and consideration of the Adopted NPF4 which sets out the minimum all-tenure housing land requirement (MATHLR) for all Local Authorities. The Housing Supply Targets have been agreed by various departments at SBC (including Housing and Planning) and other key partners. They are robust, supported by evidence and have been set using a methodology designed to be compliant with Scottish Planning Policy and related guidance. Based on the outcome of HNDA3 and aligning with NPF4 it is estimated that the HST for the Scottish Borders for 2023-2028 will be 370 per annum. The Housing Supply Target, figures from HNDA3 and the MATHLR are below:

Summary of setting HST methods (per annum)			
	Proposed HST 2023-2028	HNDA3 (Strong Growth Scenario)	10 YEAR PROPOSED MATHLR (-30% Flexibility)
Affordable	141	151	-
Market	229	184	-
Combined	370	335	370

The principle policy and guidance context for setting HSTs is provided by:

- HNDA Managers Guide (2020)
- Scottish Government's Local Housing Strategy Guidance (2019)
- The Planning (Scotland) Act 2019
- The new National Planning Framework 4 (adopted on the 13th February 2023)

The third Housing Need and Demand Assessment (HNDA3) for the South East Scotland area achieved robust and credible status from Centre for Housing Market Analysis (CHMA) on Thursday 28th July 2022. The purpose of the HNDA is to estimate the future number of additional housing units to meet existing and future housing need and demand by housing market area, based on a range of scenarios rather than precise estimates. This includes analysis of demographic, affordability and wider economic trends which are key drivers of local housing markets, helping partners to understand housing market dynamics and make evidence-based choices on meeting housing need and demand. The HNDA3 Project Team agreed six main scenarios (plus a bespoke scenario for Midlothian), providing a range of options for growth. The preferred scenario for the Scottish Borders was identified and agreed as **Scenario 3: Strong Growth**. This scenario reflects a positive outlook with movement towards high real terms income growth, high inward migration, greater equality, high/ moderately high house price and rental growth.

The initial default estimate for establishing the Minimum All-Tenure Housing Land Requirement (MATHLR) to be included within NPF4 was an underestimation of market demand as well as the affordable need for the Scottish Borders. Therefore, Scottish Borders Council worked collaboratively with the Scottish Government, taking an evidence based approach to form a locally adjusted estimate which took into consideration; past completion rates, the outcome of HNDA3, estimates of homelessness, hidden households and the policy drivers for the region. The initial default estimate for the Scottish Borders was 1,750, the Proposed MATHLR contained within the Adopted NPF4 is 4,800 which is now the finalised MATHLR.

The HST takes the HNDA as its starting point but considers the 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 2023-2028. The HST covers all tenures and sets out the expected broad split between market and affordable housing.

The HNDA Managers Guide (2020) and the LHS Guidance (2019) identify several factors that may have an impact on the pace and scale of housing delivery which should be considered when setting the HST. In setting the affordable HSTs Scottish Borders Council, considered the following factors:

- Economic factors which may impact on demand and supply

SBC agree that the strong growth scenario from HNDA3 is more reflective of the vision and aspirations for growing the economy in the region. There are a number of key policy drivers that reflect the strong growth scenario, these include:

- The establishment of South of Scotland Enterprise and a Team South of Scotland approach
- South of Scotland Enterprise (SOSE)
- The South of Scotland Regional Economic Partnership (REP)
- South of Scotland Regional Economic Strategy
- The Convention of the South of Scotland Forum
- South of Scotland Indicative Regional Spatial Strategy
- Borderlands Inclusive Growth Deal
- Edinburgh and South-East Scotland City Deal

- Capacity within the construction sector

Following the 2008 financial crash the Scottish Borders lost a number of SME construction businesses, and locally-owned house builders in the region and local housing providers have flagged concerns about the availability of construction capacity and competition to tender for projects. The legacy of Covid, impacts of Brexit, the war in Ukraine with subsequent inflationary pressures all impact on housing delivery, particularly in a rural location such as the Scottish Borders. Many of these issues have yet to be resolved, and longer lead in times or reduced delivery is possible in the shorter-medium term.

- Delivery of market and affordable housing at the local level

The overall completion rate within the Scottish Borders has been much lower than before the global financial crash in 2008. This demonstrates that notwithstanding the large number of allocations within the established housing land supply, there remains a relatively weak market and low completion rates in recent years in the private sector (as evidenced in the [Scottish Government's Private sector starts and completions data](#)). As part of the process of setting the HST Scottish Borders Council have considered the level of affordable housing contribution which is likely to be deliverable in the current economic climate, as part of a viable housing development.

- Availability of resources

In June 2022 Scottish Government confirmed Affordable Housing Supply Programme grant allocation of £16.0m in 2022/23 and assumptions of £15.954m in 2023/24, £16.010m in 2024/25 and £16.275m in 2025/26. A Resource Planning Assumption of £16.275m has been made for 2026/27. The Council and its partners are optimistic that through effective partnership collaboration, resources allocated can be fully spent to deliver the projects set out in the SHIP 2024-29.

- Recent development level

There has been a decline in private sector completions since 2007/08, officers at SBC are working closely with the South of Scotland Enterprise, Convention of the South of Scotland, Borderlands Inclusive Growth Deal and Edinburgh and the South East Scotland City Region Deal to identify the barriers and opportunities to unlock the potential for more housing developments in the region.

- Planned demolitions

There are currently no plans by any RSLs in the area to demolish any stock during the lifetime of the new LHS 2023-2028. There are no planned demolitions in housing stock over the next five years in the Strategic Housing Investment Plan 2023-2028.

- Planned new and replacement housing or housing brought back into effective use

SBC now has a dedicated Empty Homes Officer working to actively engage with owners of Empty Homes across the Scottish Borders and as of April 2022 SBC launched the Empty Homes Grant. In the summer of 2022, South of Scotland Community Housing (SOSCH) recruited a Community-Led Housing Co-Ordinator to support community organisations bring empty homes back into use as community led housing.

1. PURPOSE

The purpose of this paper is to describe the Council's approach to setting housing supply targets in the [Local Housing Strategy 2023-2028](#). Essentially this is the translation of the Housing Need Estimates set out in the [Housing Need and Demand Assessment 3](#) (HNDA) to Housing Supply Targets (HSTs). This paper takes into consideration the Adopted NPF4 which sets out the minimum all-tenure housing land requirement (MATHLR) for all Local Authorities. It should be noted that the MATHLR figures were informed by HDNA3 for the South East Scotland area. The accompanying '[Housing Land Requirement Explanatory Report Addendum](#)' to NPF4 sets out the finalised MATHLR figures and the reasoning for these.

The report is structured as follows:

- Section 2 sets out the key policies and guidance for the Housing Supply Target and Housing Land Requirement. Extracts of all related policies and guidance are set out in Section 7.
- Section 3 provides a summary of the outputs from HNDA3. The HNDA provides the factual evidence on which a HST(s) is based and is used as a starting point from which the HST will be set.
- Section 4 provides a summary of the Adopted National Planning Framework (NPF) 4 which needs to incorporate in setting targets for new homes.
- Section 5 sets out the agreed methodology for identifying Housing Supply Targets and identifying the factors that may have an impact on the pace and scale of housing delivery.
- Section 6 summaries the agreed proposed targets.
- Section 7 provides an overview of the background and supporting papers that have helped to set the Housing Supply Target.

2. INTRODUCTION

The principle policy and guidance context for setting HSTs is provided by:

- [HNDA Managers Guide](#) (2020), Section 12 “Beyond the HNDA – Housing Supply Targets” which outlines that setting the Housing Supply Target is not part of the HNDA process, but it is the next stage of the housing planning process. The guidance identifies the factors which may have a material impact on the pace and scale of housing delivery and which should be considered when setting the Housing Supply Target.
- Scottish Government’s [Local Housing Strategy Guidance \(2019\)](#) highlights that the HST should be split into market and affordable and expressed at both local authority and functional housing market area level. The guidance also states that the Local Housing Strategy must include:

“A summary of the level and type of housing to be delivered over the period of the LHS together with an explanation around how the Housing Supply Target (split into market and affordable) has been determined and a web link or copy of any background paper explaining how it has been identified”.
- [The Planning \(Scotland\) Act 2019](#) sets out that the National Planning Framework (NPF) has elevated the status of NPF as part of the statutory Development Plan. As part of this the Act states that the NPF would incorporate setting targets for new homes.
- The new [National Planning Framework 4](#) (adopted on the 13th February 2023) sets out a 10 year Minimum All-Tenure Housing Land Requirement (MATHLR) for each Local Authority. The MATHLR is the minimum amount of land, by reference to the number of housing units, that is to be provided by each planning authority in Scotland for a 10 year period. The MATHLR is expected to be exceeded in each Local Development Plan’s Housing Land Requirement, to achieve an ambitious and plan-led approach.

The Council fed into the process of establishing the MATHLR, which is included within the Adopted NPF4, working with the Scottish Government and responding to the letter from the Chief Planner dated 23rd February 2021.

The HNDA provides the factual evidence on which a HST(s) is based. While it is expected that there is a clear alignment between the HNDA and the HST the two are not the same and are therefore not expected to match.

The HNDA gives a statistical estimate of how much additional housing would be required to meet all future housing need and demand, whereas the HST gives an estimate of how much additional housing can actually be delivered. The HST will take the HNDA as its 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. The HST is a policy interpretation of the HNDA, setting out the Council’s view on the number of homes which will be over the periods of the Local Housing Strategy, taking into account wider economic, social and environmental factors, issues of capacity, resources and deliverability and other important requirements. The target should be reasonable, should properly reflect the HNDA estimate of housing demand in the market sector and should be supported by compelling evidence.

3. HOUSING NEED AND DEMAND ASSESSMENT (HNDA) 3

Local authorities are required through legislation to develop a HNDA on a five-yearly cycle, providing an evidence base for housing policy decisions in Local Housing Strategies and land allocation decisions in Development Plans.

The production of Housing Need and Demand Assessments (HNDAs) are overseen by the Scottish Government's Centre for Housing Market Analysis (CHMA) which considers whether the HNDA is 'robust and credible'.

The third Housing Need and Demand Assessment (HNDA3) for the South East Scotland area achieved robust and credible status from CHMA on Thursday 28th July 2022. HNDA3 provides the evidence base for policy decisions in Local Housing Strategies and land allocation decisions in Local Development Plans for the local authorities in South East Scotland (City of Edinburgh Council, East Lothian Council, Midlothian Council, West Lothian Council, Fife Council and Scottish Borders Council) subject to subsequent agreement of housing supply targets.

The purpose of the HNDA is to estimate the future number of additional housing units to meet existing and future housing need and demand by housing market area, based on a range of scenarios rather than precise estimates. This includes analysis of demographic, affordability and wider economic trends which are key drivers of local housing markets, helping partners to understand housing market dynamics and make evidence-based choices on meeting housing need and demand. A section of HNDA3 also provides contextual information on a range of specialist housing requirements, helping inform targets for wheelchair and other accessible forms of housing.

The HNDA3 Project Team agreed six main scenarios (plus a bespoke scenario for Midlothian), providing a range of options for growth:

- **Scenario 1:** HNDA Tool - default position.
- **Scenario 2:** HNDA Tool with LA Existing Need – an additional scenario was produced to test the HNDA Tool default position but replacing the default existing need calculation with the local authority-generated existing need figures.
- **Scenario 2a:** HNDA Tool with LA Existing Need / Midlothian Modelling - requested by Midlothian Council based on Scenario 2 but with a 10-year backlog clearance for Midlothian only.
- **Scenario 3:** Strong Growth -reflecting a very positive outlook with movement towards high real terms income growth, high inward migration, greater equality, high/moderately high house price and rental growth across all local authorities.
- **Scenario 4:** Steady Growth – providing 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.
- **Scenario 5:** Slow Growth - low inward migration reflecting below real terms income growth, greater inequality, moderately low / low house price and rental growth.
- **Scenario 6:** Stalled Growth - delay in recovery from Covid-19 pandemic to 2024 followed by moderate real terms income growth, principal projection, 'creeping' equality, and moderate/trend house price and rental growth.

Apart from the HNDA Tool default scenario, the existing need calculation was replaced by a local authority generated existing need figure, the view being that the default figures under-estimate the increasing levels of homelessness arising from the Covid-19 pandemic and other specialist housing requirements.

The HNDA3 scenarios were processed through the HNDA Tool providing housing estimates for each local authority and South East Scotland as a whole. The 20-year results are:

	City of Edinburgh	East Lothian	Fife (W&C)	Midlothian	Scottish Borders	West Lothian	South East Scotland
Scenario 1 HNDA Tool Default	41,120	9,145	6,374	12,309	2,805	13,427	85,180
Scenario 2 HNDA Tool Default with LA Existing Need	44,279	9,506	7,443	12,493	3,078	14,232	91,481
Scenario 2a Midlothian Modelling	-	-	-	13,016	-	-	-
Scenario 3 Strong Growth	52,475	10,128	9,288	13,636	3,825	15,312	104,797
Scenario 4 Steady Growth	44,257	9,512	7,459	12,936	3,089	14,229	91,481
Scenario 5 Slow Growth	36,204	8,808	5,541	12,261	2,374	13,088	78,277
Scenario 6 Stalled Growth	44,435	9,507	7,551	12,953	3,113	14,284	91,843

The preferred scenario for the Scottish Borders was identified and agreed as **Scenario 3: Strong Growth**.

This scenario reflects a positive outlook with movement towards high real terms income growth, high inward migration, greater equality, high/ moderately high house price and rental growth.

While the current economic outlook is uncertain, Scottish Borders Housing and Planning colleagues agreed that the strong growth scenario is more reflective of the vision and aspirations for growing the economy in the region. There are a number of key policy drivers that support the strong growth scenario. The recent work on the Adopted National Planning Framework (NPF4) also supports this decision making. Below is brief list of the key policy drivers that have impacted SBC's preferred alignment with the HNDA3 Strong Growth Scenario.

- The establishment of South of Scotland Enterprise and a Team South of Scotland approach
- South of Scotland Enterprise (SOSE)
- The South of Scotland Regional Economic Partnership (REP)
- South of Scotland Regional Economic Strategy
- The Convention of the South of Scotland Forum
- South of Scotland Indicative Regional Spatial Strategy
- Borderlands Inclusive Growth Deal
- Edinburgh and South-East Scotland City Deal

Table 2 provides information on the outputs for the Scottish Borders based on the strong growth scenario.

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	115	17	18	18	839	42
Below market	35	17	18	16	436	22
PRS	97	49	54	50	1,251	63
Buyers	87	50	60	63	1,301	65
Total p.a.	335	134	150	147	3,827	191
Affordable p.a.	151	34	36	34	1,275	64
Market p.a.	184	99	114	113	2,551	128

4. NATIONAL PLANNING FRAMEWORK (NPF) 4

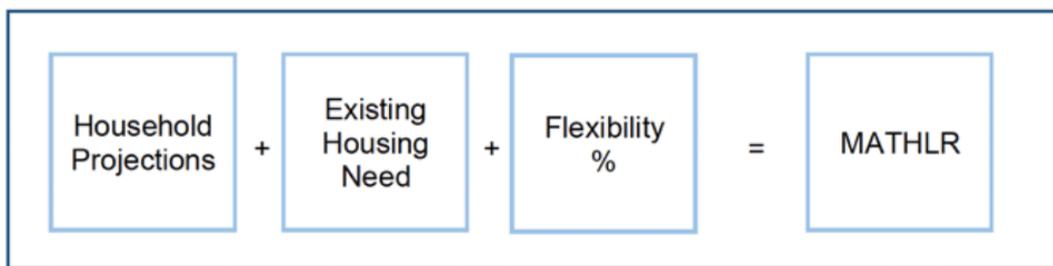
The National Planning Framework (NPF) is a long term spatial plan for Scotland that sets out where development and infrastructure is needed to support sustainable inclusive growth. Specifically, NPF4 will set out a spatial expression of Scottish Government’s economic strategy and infrastructure investment plans through to 2050. Critically, it must also take account of the urgent and accelerating threats of climate change, and biodiversity and ecosystems loss.

[The Planning \(Scotland\) Act 2019](#) was passed by the Scottish Parliament in June 2019 and will determine the future structure of the modernised planning system. The act sets out that the National Planning Framework (NPF) has elevated the status of NPF as part of the statutory Development Plan. As part of this the Act states that the NPF would incorporate setting targets for new homes.

A proposed methodology for calculating the amount of housing land that should be allocated as a default minimum requirement in Local Development Plans was issued to Local Authorities for comment. The Council fed into the process of establishing the Minimum All-Tenure Housing Land Requirement (MATHLR), to be included within the adopted NPF4, working with the Scottish Government and responding to the [letter from the Chief Planner](#) dated 23rd February 2021.

Advice to Local Authorities was that consideration of the estimates should be informed by local input and evidence, and the estimates should factor in policy ambitions to support growth in local housing provision. Consideration was also given to relevant national drivers. The guidance advised that this local input should factor in policy initiatives and ambitions to support growth in housing provision and delivery. Consideration was also given to any alternative assumptions on the household formation projections, existing housing need, flexibility allowance, and account levels of housing completions achieved.

Figure 2: Inputs for Calculating the MATHLR



The methodology is similar to the starting point of the HNDA methodology, using household projections from the National Records of Scotland and a count of existing need from government statistics. A flexibility allowance of 30% for rural areas is added to set the minimum default figure for NPF for a 10-year period. In responding to the proposals on the minimum housing land requirement, the Council felt that a higher minimum figure was appropriate as it was not considered that the initial default estimate adequately accounted for the required delivery of affordable housing as a factor affecting the amount of land needed. Neither did it take into account the numerous policy drivers which seek to attract people to live and work within the region, help boost the economy and meet the required rise in the number of households. It was considered that the initial default estimate conflicted with national and regional policy aspirations for the Scottish Borders, including investment in the South of Scotland.

As evidence suggested, the initial default estimate was an underestimation of market demand as well as the affordable need for the Scottish Borders. Therefore, Scottish Borders Council worked collaboratively with the Scottish Government, taking an evidence based approach to form a locally adjusted estimate which took into consideration; past completion rates, the outcome of HNDA3, estimates of homelessness, hidden households and the policy drivers for the region.

Table 3 below sets out the finalised MATHLR, contained within NPF4, for Scottish Borders as (4,800); existing need (350); households (3,300) and additional flexibility (1,105). Scottish Borders Council have agreed that the figures are the minimum amount of land to be identified within LDP's and that this covers all tenures.

Table 3: Adopted NPF4: Proposed MATHLR for Scottish Borders Council																
Local City Region & National Park Authority	Initial Default Estimate	Locally Adjusted Estimate	Proposed MATHLR	Completions (2010-19)	Initial Default Estimate				Local Adjusted Estimate				Finalised MATHLR			
					Existing Need	Households	Flexibility %	Flexibility Amount	Existing Need	Households	Flexibility %	Flexibility Amount	Existing Need	Households	Flexibility %	Flexibility Amount
City of Edinburgh	27,550	36,900	41,300	16,654	2,150	19,900	25	5,500	4,150	25,350	25	7,375	6,300	24,100	25	7,347
East Lothian	6,050	6,400	6,400	5,124	500	4,350	25	1,200	750	4,350	25	1,275	860	4,350	25	1,300
Fife (Central & South)	4,200	5,650	5,650	9,613	600	2,750	25	850	1,750	2,750	25	1,125	1,700	2,750	25	1,110
Midlothian	8,050	8,050	8,050	6,271	500	5,950	25	1,600	500	5,950	25	1,613	1,100	5,950	25	1,788
West Lothian	8,850	9,600	9,600	6,568	600	6,500	25	1,750	1,200	6,500	25	1,925	1,400	6,500	25	1,986
Scottish Borders	1,750	4,400	4,800	3,512	100	1,250	30	400	100	3,300	30	1,020	350	3,300	30	1,105
Edinburgh City Region	56,450	71,001	75,800	47,742	4,450	40,700		11,300	8,450	48,200		14,333	11,710	46,950		14,637

5. SETTING THE HOUSING SUPPLY TARGET IN THE SCOTTISH BORDERS

The current HST identified in the [Local Housing Strategy 2017-22](#) was set in 2016. The target was informed by the outputs of SESplan Housing Need and Demand Assessment2 (HNDA2) which was undertaken in 2013/14 and assessed as robust and credible by Scottish Government in 2015. The LHS 2017-22 identified the target as 348 new homes per year. This comprised of:

- 128 affordable homes per annum; and
- 220 market homes per annum

The affordable housing supply targets were ambitious, but achieved due to the Council and its RSL partners responding proactively and creatively to opportunities to increase the housing supply in the Borders over the last five years.

As described in the introduction, the HST will take the HNDA as its 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 2023-2028. The HST should cover all tenures and set out the expected broad split between market and affordable housing.

The HNDA Managers Guide (2020) and the LHS Guidance (2019) identify the following factors that may have an impact on the pace and scale of housing delivery and should be considered when setting the HST:

- 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

Strategic and Economic Factors

The Scottish Borders comprises 4,732 square kilometres, and is home to 115,270 people, making it the 6th largest and 7th most sparsely populated council area in Scotland (at 24 people per square km). Using the Scottish Government Urban Rural Classification 2016, the Scottish Borders is characterised as a rural area, having only 5 settlements with a population in excess of 5,000.

The rural nature of the Scottish Borders is one of our biggest assets, with the quality of our natural environment and landscape being key drivers behind people choosing to live and work in the area. Yet, the area suffers from a significant out-migration of young people and shrinking workforce – between 2008 and 2018, the percentage of 16 to 64 years olds fell by 4%, and the proportion of the population defined as “working age” decreased from 63% in 2007 to 59% in 2018. By contrast, the number of older people continues to grow with the number of over 65’s having grown by 25% over the same period; worsening the region’s dependency ratio which at 69.21 is significantly higher than the Scottish level of 55.71 (2018).

Between 2008 and 2018 the number of households in the Scottish Borders increased by 5.8% from 51,436 to 54,413. While the population is expected to increase across the Borders by 1.7% and the number of households by 7% it is set to be an ageing population, with increasing numbers of smaller households. The numbers of one adult households and two adult households in particular are growing, while the number of larger households is set to decline. Single person households are projected to increase by 14%.

Gross Value Added (GVA) in the Scottish Borders for 2018 was £1.6 billion or £13,604 per head of population, the 2nd lowest of the 21 NUTS3 (Nomenclature of territorial units for statistics) areas in Scotland. Weekly wages for full-time workers are significantly below the national median of £542.9 (2018). The median weekly wage for all full-time workers in the Scottish Borders was £462.7, making it 31st out of Scotland's 32 Local Authorities.

The degree of inequality in rural areas like the Scottish Borders can be overlooked: with the sparsely populated nature of our region obscuring the extent of deprivation. Although SIMD is urban focused it does show that the Borders has areas of particular challenge: 6% of SIMD data-zones in the Borders are in the 20% most deprived data-zones in Scotland (typically concentrated in the larger towns), while almost a quarter of the Borders data-zones are part of the 40% most deprived in Scotland.

The HNDA3 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. Scenario 3 (strong growth), which is the preferred scenario, recognises a very positive outlook with movement towards high real terms income growth, high inward migration, greater equality, high/moderately high house prices and rental growth. SBC agree that the strong growth scenario is more reflective of the vision and aspirations for growing the economy in the region. There are a number of key policy drivers that reflect the strong growth scenario. As these have already been taken into consideration, this should not have a negative or positive impact on demand and supply in the context of the Housing Supply Targets.

Strategy for Growing the Economy

The establishment of South of Scotland Enterprise and a Team South of Scotland approach

Set against these challenges, the Scottish Borders has real economic strengths and opportunities. It has particular strengths in food and drink production, manufacturing and tourism and cultural services, while its size and outlook enable strong public sector partnerships and strategic links with its nearest neighbours in Scotland and in the north of England in areas like tourism, energy, digital connectivity and natural capital. The region's physical geography means it is particularly well placed to benefit from national transition to a net zero economy both in respect of renewable energy production and carbon storage, and from the development of future farming, and land management practice following the UK's departure from the EU. An active further and higher education sector provides a strong base from which to develop the skilled workers of the future.

The unique opportunities and challenges facing the south were key drivers for the creation of **South of Scotland Enterprise (SOSE)** which assumed its legal responsibilities across the Dumfries and Galloway and Scottish Borders Council areas (which make up the South of Scotland) on 1 April 2020. The overarching aims of SOSE are to drive inclusive growth and ensure the South of Scotland benefits from a new approach that supports a diverse and resilient economy, sustains and grows communities, and harnesses the potential of people and resources.

Led by the two councils and the SOSE, partners have recently established **the South of Scotland Regional Economic Partnership (REP)**, which brings together stakeholders, including the wider public sector and representatives from business, higher and further education and the third sector. The REP's key purpose is shaping regional agenda for the South of Scotland and a future **Regional Economic Strategy (RES)**. The RES will set out agreed goals for all partners to work towards, providing the direction needed to enable national and local agencies to align and coordinate their efforts, in direct response to the needs of the area, to create jobs and to pursue a Just Transition through investment-led sustainable, green growth.

The Regional Economic Strategy has recognised the centrality of tackling housing challenges to future economic success and sets out a range of relevant and interlinked activities. The following housing-related actions in the RES Delivery Plan form part of a prioritised programme of work:

- Action 2 (H) Promote flexible working practices through housing and planning policies, to support the concept of 'live here work anywhere'.
- Action 6 (E) Advocate and lobby to create the right conditions for investment in new and existing housing within the region, to boost the number of new homes delivered to better align with economic and social needs and ambition.

At the same time, **the Convention of the South of Scotland**, a forum composed of all public sector partners, and Scottish Government, seeks to ensure effective public sector partnership working and delivery, assessing and planning for existing and future challenges, and driving inclusive growth and regional priorities.

The two South of Scotland local authorities have developed an **Indicative Regional Spatial Strategy (IRSS)** seeking to align spatial strategy with a number of initiatives and strategies including the Edinburgh and South-East Scotland City Deal and Borderlands Inclusive Growth Deal, the Strategic Transport Projects Review and the emerging Regional Economic Strategy.

With a focus on ways to make the area more attractive to investors, visitors and those who may wish to come and live here, the **Borderlands Inclusive Growth Deal (BIG Deal)** brings together the five cross-border local authorities of Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council to promote the inclusive economic growth of the area that straddles the Scotland-England border.

Edinburgh and South-East Scotland City Deal comprising the local authority authorities of Edinburgh, East Lothian, Midlothian, West Lothian, Fife and Scottish Borders, together with regional universities, colleges and the private sector, is a mechanism for accelerating growth by pulling in significant government investment.

Lowood in Tweedbank is the only strategic housing site identified in both the Borders Railway Corridor and the South East Scotland City Region Deal that is situated within the Scottish Borders. Supplementary Planning Guidance (SPG) and [Design Guide](#) (DG) was agreed by Council in June 2021. This guidance will steer future work to agree a master plan for development, help assemble infrastructure investment and implement phasing packages.

Scottish Government: Remote, Rural and Islands Housing Action Plan

The Remote Rural & Island Action Plan will support rural and island housing policy and investment commitments by working to remove key barriers to housing delivery. While the Action Plan will be rooted in the actions, principles and vision of Housing to 2040, its development and implementation presents a new and vital opportunity for all organisations to channel their efforts, work effectively, and collaboratively to deliver more and better housing in remote, rural and island areas.

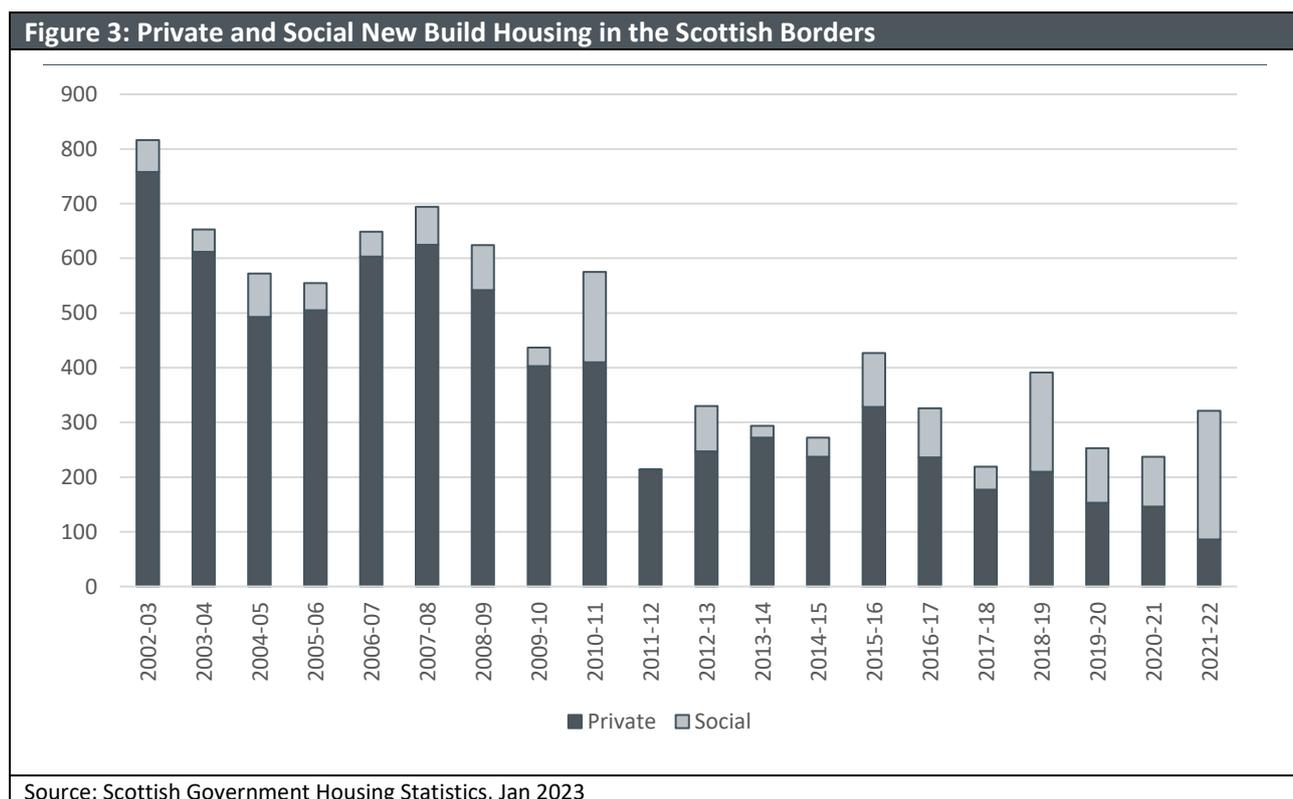
Capacity within the Construction Sector

Although completions have been increasing in recent years, they are still less than half of the number pre the 2008 financial crash. The fall in the number of completions has historically not necessarily been related to capacity but rather due to the lack of confidence of the financial institutions and others to lend money for mortgages and to builders and other businesses involved in housing. It is also due to the lack of job security during the recession which meant borrowers didn't have a stable credit footing. Additionally post

financial crash the Scottish Borders lost a number of SME construction businesses and locally-owned house builders in the region and local housing providers have flagged concerns about the availability of construction capacity and competition to tender for projects. It can also be difficult to find developers to take on small housing schemes in remote areas – larger developments in towns are more commercially attractive – so there is also arguably a degree of market failure.

While this situation has been improving in recent years, completion figures are a long way from pre-recession levels. Figure 3 shows completions by tenure between 2002/03 - 2021/22 and highlights that completions started to fall after 2007-08 as the economic downturn commenced. This low rate of completions then persisted, reflecting the difficult economic market at the time. The number of private sector completions fell until 2017-2018 but these have been increasing since then. Since 2009-2010 the number of social rented new builds has been increasing due to RSLs building in the area and also the Council in 2012/2013 starting their own new build programme for Mid-Market rent.

The legacy of Covid, impacts of Brexit, the war in Ukraine with subsequent inflationary pressures all impact on housing delivery, particularly in a rural location such as the Scottish Borders. The cost of construction materials and components are still 44.0% higher than pre-COVID-19 levels and these elevated costs could remain for as long as energy prices stay high and sterling is undervalued. There are also challenges with ongoing skills shortage which contributes to increasing labour costs, for example The Royal Institute of Chartered Surveyors’ Building Cost Information Service suggests labour costs may increase by up to 8.1% in 2024.



More recently the impact of factors such as Brexit, Covid, material shortages, increasing tender costs and construction price inflation, current cost of living crisis and labour shortages have contributed to delays in, or viability of, new housing development. Many of these issues have yet to be resolved, and longer lead in times or reduced delivery is possible in the shorter-medium term.

Housing Land Audit

Scottish Borders Council (SBC) undertakes an annual Housing Land Audit (HLA), to identify and monitor the established and effective housing land supply, to meet the requirement for monitoring housing land. The annual base date for the Scottish Borders HLA is 31st March. The two key functions of the HLA are;

- To demonstrate the availability of sufficient effective land to meet the requirement for a continuous five-year supply; and
- To provide a snapshot of the amount of land available for the construction of housing at any particular time.

An estimate of the timescale for delivery of housing projects has been continually difficult due to the downturn in the housing market. The programming of sites within the audit continues to be a reasonable expression of what can be developed within the given time periods and there is a significant degree of uncertainty beyond years 2 to 3. A large number of sites were subject to delays and stalling as a result of the COVID-19 pandemic, since early 2020. As a result, it is acknowledged that this will have impacts upon the programming of sites going forward. This has been taken into consideration in the programming. Scottish Borders Council are also aware of the economic position regarding the lack of finance and the availability of mortgage finance for buyers. It should be noted that in recent years there are very few house builders developing sites within the Scottish Borders. The above demonstrated the direct impact upon rural areas including the Scottish Borders as a result of the current economic climate and the COVID-19 pandemic recovery.

The audit methodology is constantly being updated and improved to ensure the programming is as accurate as possible. COVID-19 implications have added uncertainties to the housebuilding process. Local/national developers and land owners with an interest in sites included within the audit have been contacted to obtain their input into the programming process and to identify any relevant constraints. Where this information has been received, it has been incorporated into the audit report.

The most recent [Finalised Housing Land Audit](#) (HLA) is 2021 and demonstrates that there are 8,715 units in the established housing land supply within the Scottish Borders. 3,538 units are classed as effective (Years 1-5) and 1,967 units are potentially effective (Years 6-7). This demonstrates that the Scottish Borders has a vast amount of land available for housing development, which includes a range of sites within all housing market areas. Furthermore, the established housing land supply also includes windfall sites, which account for approximately 20% of the supply. There are 570 windfall sites included within HLA, which is not uncommon for a rural Local Authority given the number of single houses and steading conversion developments.

Delivery of Market and Affordable Housing

Table 4 below provides information on affordable and market completions over the past eight years. Over the past eight years the number of market completions has been as high as 87% but in recent years has been around 60-68%.

	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/ 21
No. of affordable homes (new supply)	83	38	49	84	75	87	130	114	94
% of affordable homes (new supply)	27%	13%	18%	49%	30%	39%	38%	35%	32%
No. of market completions	223	250	223	189	175	135	215	210	204
% of market completions	73%	87%	82%	51%	70%	61%	62%	65%	68%
Total completions	306	288	272	373	250	222	345	324	298

The highest level of completions annually is within the Central Housing Market Area (HMA), where most of the larger settlements are located. Very low levels of completions are recorded in the Southern HMA, this is due to the rural nature of the HMA with only one main settlement which attracts a low level of development.

The overall completion rate within the Scottish Borders has been much lower than before the global financial crash, with many of the sites under construction within the Borders delivered at a much slower rate or stalled due to lack of developer interest/mortgage finance. This demonstrates that notwithstanding the large number of allocations within the established housing land supply, there remains a relatively weak market and low completion rates in recent years.

Delivery of affordable housing is largely determined by availability of funding. The Council's Strategic Housing Investment Plan (SHIP) 2024-2029 sets out the delivery plan for new affordable homes. As part of the process of setting the HST Scottish Borders Council have considered the level of affordable housing contribution which is likely to be deliverable in the current economic climate, as part of a viable housing development.

The current affordable housing policy was updated and revised in 2015. The Council considers all residential developments of 2 or more house units, including windfall development and conversions, as potentially contributing to meeting affordable housing need. The level of affordable housing required as a contribution within a market site should generally be no more than 25% of the total number of houses. The guidance requires that all sites of 17 units and above be considered for on-site provision of affordable housing. Developers are expected to work in partnership with the Council and Registered Social Landlords in the delivery of this policy.

Provision through the policy as applied to recent and new sites, together with the on-going new build programmes of the RSLs identified in the SHIP 2024-29 should make a significant contribution to improving access to affordable housing in the area.

Availability of resources

The Programme for Government makes clear Scottish Government are committed to delivering 110,000 affordable homes by 2032 of which at least 70% will be available for social rent and 10% will be in remote, rural and island communities. National targets for affordable housing have increased substantially to 50,000 affordable homes over the course of the current Parliament. This new commitment brings increased resources and a renewed emphasis on innovative funding mechanisms, designed to support continued growth in affordable housing delivery.

The Council and its partners have welcomed the significant increase in Affordable Housing Supply Programme funding and the opportunities presented through increasing affordable housing delivery to contribute towards successive Scottish Parliament affordable housing targets, in the face of considerable tender price inflation issues. There was a keen interest across the housing sector in the outcomes and recommendations of the Affordable Housing Supply Programme Investment Benchmarks Working Group, and the subsequent [announcement of new grant benchmarks](#) by Scottish Government in October 2021 were generally welcomed across the affordable housing sector.

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. In June 2022 Scottish Government confirmed Affordable Housing Supply Programme grant allocation of £16.0m in 2022/23 and assumptions of £15.954m in 2023/24, £16.010m in 2024/25 and £16.275m in 2025/26. A Resource Planning Assumption of £16.275m has been made for 2026/27.

The Council and its partners are optimistic that through effective partnership collaboration, resources allocated can be fully spent to deliver the projects set out in the SHIP 2024-29. Projects have been identified which could potentially be accelerated in order to manage slippage in the programme, and potentially attract and spend additional grant in the event that infrastructure issues and other challenges can be resolved. Given the challenges of the necessary lead-in timescale for project delivery, individual project proposals are normally prioritised accordingly and a best realistic estimate provided for year of completion. Notwithstanding the projects identified, work continues to identify new potential development opportunities and these will be explored and brought forward when feasible and with regard to available resources.

Year	No. of Potential Affordable Homes	RPA
Year 1 2024-2025	144	£16.010
Year 2 2025-2026	156	£16.275
Year 3 2026-2027	152	£16.275m
Year 4 2027-2028	340	n/a
Year 5 2028-2029	330	n/a
5 year average	224	

The average benchmark grant per unit in the Borders is £96k per unit. The above figure is a minimum funding assumption, nevertheless, it suggests that achieving an average output of 224 units annually over the five year period of the SHIP 2024-2029 would be highly challenging and ambitious, and would certainly require significant additional funding.

Recent development levels

Annual private sector completions in the Scottish Borders have dropped since the start of the economic downturn in 2007/08. The decline reflects depressed market activity since 2007/08 and a reduction in household and developer confidence in the future housing market. In order to help the Council understand private sector confidence and capacity, officers are working closely with the South of Scotland Enterprise, Convention of the South of Scotland, Borderlands Inclusive Growth Deal and Edinburgh and the South East Scotland City Region Deal to identify the barriers and opportunities to unlock the potential for more housing developments in the region.

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. A housing proposal which demolishes 100 homes and then rebuilds 100 homes would contribute a net zero to the Housing Supply Target.

There are currently no plans by any RSLs in the area to demolish any stock during the lifetime of the new LHS 2023-2028. There are no planned demolitions in housing stock over the next five years in the Strategic Housing Investment Plan 2023-2028.

Planned new and Replacement Housing

Since 2015/16, there have been 150 RSL purchases of existing housing stock and going forward, there are 50 planned open market purchases planned in the SHIP 2024-2029 by SBHA.

SBC now has a dedicated Empty Homes Officer working to actively engage with owners of Empty Homes across the Scottish Borders. Since starting in post, in August 2021, the Empty Homes Officer has an active case load of 110 empty homes, and has been making connections with owners, neighbours and

communities being affected by empty homes. As of April 2022, SBC have launched the Empty Homes Grant. SBC are able to provide support to owners wishing to bring their empty homes back into use, with a grant scheme. This is a discretionary scheme and will be allocated on a first come first served basis.

South of Scotland Community Housing

South of Scotland Community Housing (SOSCH) provides long-term support to community organisations relative to the planning and delivery of community-led housing. SOSCH get involved with a community at the very start of a housing conversation, providing support all the way through to delivery and beyond. This work is inclusive of Housing Needs and Demand Assessment, project development (including business planning and funding packages), delivery and housing management.

In the summer of 2022, SOSCH recruited a Community-Led Housing Co-Ordinator for South East Scotland. A key part of the role is to support community organisations bring empty homes back into use as community led housing.

The work of the South of Scotland Communities Housing Trust is vital in rural areas and community-led housing regeneration is important in the South of Scotland.

6. PROPOSED HOUSING SUPPLY TARGETS

Table 6 below summaries the split between affordable and market housing completions from a range of sources. This shows the split from the previous Housing Supply Target, the HNDA and previous completions. The split from the previous Housing Supply Target was 128 affordable and 220 market = 348 in total per annum. This is a split of 37% for affordable 63% market.

On average the split ranges from 31% to 45% affordable to 55% to 69% market. An average of the different methods concludes an average of 38-40% for affordable and 60-62% for market – for the purposes of setting the Housing Supply Target for 2023-2028, option 1 is the preferred option.

	Affordable	Market
1. Current LHS target	37%	63%
2. HNDA (2021-2025)	45%	55%
3. Historical Data (average 2012/13 – 2019/20)	31%	69%
4. Historical Data (average 2015/16-2019/20 5 year period)	38%	62%
Option 1 - Average of first 3 data sets	38%	62%
Option 2 - Average of data sets 1,2 & 4	40%	60%

Table 7 below provides a summary of the proposed Housing Supply Target and how this compares to the current target, the strong growth scenario in HNDA3, MATHLR and average completions over 5 years and 10 years.

Table 7 illustrates that the overall housing target exceeds the HNDA estimate of requirements for housing, and also exceeds recent completion rates. It is assumed that approaches such as shared equity delivered within the market supply will go some way to responding to address the unmet need for affordable housing. The affordable housing supply targets are ambitious and if they are to be achieved, the council and its partners must respond proactively and creatively to the opportunities to increase the housing supply.

Housing Completions	Proposed HST 2023-2028	HNDA3 (Strong Growth Scenario) per annum	10 YEAR PROPOSED MATHLR (-30% Flexibility) per annum	Av completions 2016/17 2020/21	Av completions 2010/11-2020/21	Current HST 2017-22
Affordable	141	151	-	100	106	128
Market	229	184	-	187	217	220
Combined	370	335	370	287	297**	348
**Based on 2012/13 to 2020/21						

There are many uncertainties around the financial viability of development in the Borders at present which seem likely to continue for the foreseeable future. While the HST needs to reflect the current aspirations of growing a strong economy in the Scottish Borders it must also reflect what can realistically be delivered.

7. BACKGROUND MATERIALS & SUPPORTING PAPERS

[Local Housing Strategy 2023-2028](#)

[Housing Need and Demand Assessment 3](#)

[Revised Draft National Planning Framework](#)

[HNDA Managers Guide \(2020\)](#)

[Local Housing Strategy Guidance \(2019\)](#)

[The Planning \(Scotland\) Act 2019](#)

[Housing Land Requirement Explanatory Report Addendum \(NPF4\)](#)

[Affordable Housing Policy](#)

[Letter from the Chief Planner](#)

[Feedback \(see section 57 Annex B\)](#)

[Local Housing Strategy 2017-22](#)

[Announcement of new grant benchmarks](#)

SHIP 2024-2028