

Proposed Strategic Development Plan 2020

Housing Methodology Paper

August 2018

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1. Introduction

- 1.1. This Housing Methodology Paper has been prepared by the Aberdeen City and Shire Strategic Development Planning Authority on behalf of Aberdeen City Council and Aberdeenshire Council. The Strategic Development Plan covers the local authority areas of Aberdeen City and Aberdeenshire, except that part of Aberdeenshire which is within the Cairngorms National Park. This area is referred to throughout this Paper as the 'City Region'.
- 1.2. This Housing Methodology Paper has been written to accompany the Proposed Strategic Development Plan 2020 (the "Proposed Plan"). It explains the transition from the Housing Supply Target Scenarios generated by the Housing Need and Demand Assessment 2017 to the Housing Supply Target¹ in the Proposed Plan. It also offers additional explanation relating to the proposed Housing Supply Target, Housing Land Requirement, Additional Allowances and the adjustment to the percentage of new homes in the Housing Market Areas² as set out within the Proposed Plan.
- 1.3. The Proposed Plan will direct both Councils' next set of Local Development Plans and Local Housing Strategies.

Strategic Development Plan 2014

- 1.4. The Strategic Development Plan 2014 was approved by Scottish Ministers in March 2014. The Scottish Government published Scottish Planning Policy in June 2014. As such, it should be noted that some of the terminology used in the Strategic Development Plan 2014 relating to housing numbers differs to the terminology used in this Housing Methodology Paper and the Proposed Plan.

Policy Guidance

- 1.5. The main policy and guidance documents used to develop the "Our Communities" Chapter of the Proposed Strategic Development Plan were:
 - Scottish Planning Policy (2014);
 - Circular 6/2013: Development Planning;
 - Housing Need and Demand Assessment - Practitioners and Manager Guide (2015); and,
 - Local Housing Strategy Guidance (August 2014).

Supporting Evidence

- 1.6. A number of documents support the evidence base for this Housing Paper:
 - Aberdeen City & Shire Housing Need and Demand Assessment (2017);
 - Housing Land Audit data;
 - Strategic Development Plan - Monitoring Statement (2018);

¹ The total number of homes that will be delivered over the Strategic Development Plan period

² Geographical areas where the demand for housing is relatively self-contained

- Aberdeen City Brownfield Urban Capacity Study (2013);
- Strategic Development Plan Main Issues Report (2018).

Requirements of Scottish Planning Policy

- 1.7. Scottish Planning Policy (para 113) requires that Strategic Development Plans be informed by a robust Housing Need and Demand Assessment. The Aberdeen City & Shire Housing Need and Demand Assessment 2017 received “Robust and Credible” status from the Scottish Government’s Centre for Housing Market Analysis in March 2018.
- 1.8. Additionally, Scottish Planning Policy (para 114) states that the Housing Need and Demand Assessment, Development Plans and Local Housing Strategies process should be closely aligned. A joint working group was established to develop the Housing Need and Demand Assessment, Local Housing Strategies and Proposed Plan. This working group was made up of Officers from the Strategic Development Planning Authority and both Councils.
- 1.9. Scottish Planning Policy goes on to state (para 115) that Development Plans are required to address the supply of all housing by setting a Housing Supply Target (separated into affordable and market sectors) for each functional market area based on evidence from the Housing Need and Demand Assessment.
- 1.10. The Proposed Plan sets the Housing Supply Target based on a modified version of the Principal Scenario’s output from the Housing Need and Demand Assessment but interpreted using the guidance provided by the Housing Need and Demand Practitioners Guide. A detailed breakdown of the Housing Supply Target, both affordable and market, across Housing Market Areas and both Councils is shown in Proposed Plan Table 1 and Appendix 1 of this paper.
- 1.11. Once a Housing Supply Target indicates the number of new homes to be built over the Plan period Scottish Planning Policy (para 116) states this should be increased by a margin of 10 to 20%. This increase sets the Housing Land Requirement. This increase is commonly referred to as ‘generosity’.

2. Developing the Evidence Base

Housing Need and Demand Assessment

- 2.1. As stated previously, Scottish Planning Policy states that a Strategic Development Plan should be informed by a robust Housing Need and Demand Assessment. To achieve this, a Housing Market Partnership was established which comprised of Officers for Housing and Planning from Aberdeen City Council, Aberdeenshire Council and the Strategic Development Planning Authority.
- 2.2. The National Records of Scotland 2014 Population Projections were the most up to date projections for population at the time of developing the Housing Need and Demand Assessment. These projections are not a prediction of what will happen in the future but rather express what could happen based on a range of assumptions which include past trends.
- 2.3. The Population Projections consider migration patterns within the City Region and Scotland. Consideration is also given to the composition of households and the demographics of the region.
- 2.4. Whilst an updated set of Population Projections were released during the Housing Need and Demand Assessment's development it was not considered appropriate to recommence the Assessment due to the considerable work which had already been completed at the time.

Established Land Supply

- 2.5. Each year Aberdeen City and Aberdeenshire Councils jointly produce a Housing Land Audit which is ultimately approved for publication by the Strategic Development Planning Authority. The Housing Land Audit is prepared by the two Councils in consultation with the development industry. The Audit has historically been the agreed position on the City Region's Established Land Supply³.
- 2.6. The Proposed Plan's Established Land Supply is comprised of the Five-Year Effective Supply⁴, Post Five-Year Effective Supply and Constrained Supply⁵. A detailed breakdown of this can be found in Appendix 2.
- 2.7. The base date for the Proposed Strategic Development Plan is the Housing Land Audit 2016. This Audit also represents the base date of the Housing Need and Demand Assessment and the development of an updated Transport and Economic Landuse Model for Scotland (TELMoS).

³ The total Established Housing Land Supply for both Housing Market Areas includes sites allocated for housing in the Local Development Plans, unallocated sites with a current planning consent, the remaining capacity of sites under construction, and other sites with agreed potential for development.

⁴ The part of the Established Housing Land Supply which is free or expected to be free of development constraints in the period under consideration and will therefore be available for the construction of housing

⁵ Sites or parts of sites which have problems preventing development starting within five years from the base date of the Audit.

3. Housing Supply Target

- 3.1. The process of setting a Housing Supply Target and a resultant Housing Land Requirement are explained in Scottish Planning Policy and outlined in Figure 1 below:

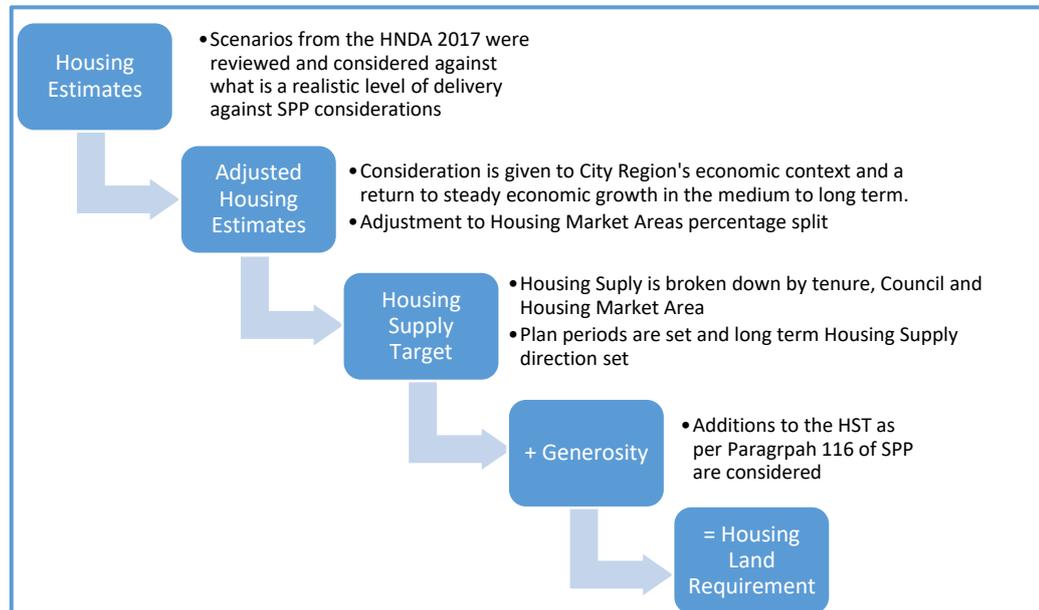


Figure 1: Housing Supply Target Process

- 3.2. Scottish Planning Policy (para 115) requires that Development Plans set a Housing Supply Target. The Housing Supply Target is a policy view of the number of homes the Strategic Development Planning Authority has set for each Housing Market Area over the period of the Development Plan and Local Housing Strategies. It takes into account the wider economic, social and environmental factors, issues of capacity, resources and deliverability, and other important requirements.
- 3.3. In accordance with Scottish Planning Policy (para 116) the Strategic Development Planning Authority Officer Team has prepared and agreed with the Housing Market Partnership; the Housing Supply Target and set the Housing Land Requirement including the addition of generosity. Both are reflected in the Proposed Strategic Development Plan and will become the basis for the land supplies and related strategic provisions for the next set of Local Development Plans and Local Housing Strategies.
- 3.4. The Housing Need and Demand Assessment Managers Guide, Section 13 'Beyond the HNDA - Housing Supply Targets' advises that local authority Housing and Planning Departments should work within the Housing Market Partnership to jointly agree the Housing Supply Target. The guidance gives examples of factors to be taken into account in setting targets and notes that they must be "deliverable on the ground".
- 3.5. Additionally, the Guide states "*Consideration of these types of factors could result in a Housing Supply Target figure which may be lower or higher than the housing estimate in the HNDA*". The Strategic Development Planning Authority Officer Team has taken these factors into account and added the additional

criteria of water supply given the City Region’s dependence on the River Dee Special Area of Conservation for residential potable water. The full list of factors taken into account in setting the Housing Supply Target is therefore:

- Water Supply;
- Regional 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; and,
- Planned new and replacement housing or housing brought back into effective use.

Housing Need and Demand Assessment – Scenarios

- 3.6. The Housing Need and Demand Assessment produced three scenarios to inform a Housing Supply Target: Principal Growth, High Migration and Low Migration.
- 3.7. The headline figures from the three scenarios are outlined in Table 1 below:

Table 1: Housing Need and Demand Assessment Scenarios (2016 to 2035)		
Scenario	Homes (per annum)	Housing Supply Target
Scenario 1 (Principal Growth)	2,171	43,420
Scenario 2 (Low Migration)	1,566	31,315
Scenario 3 (High Migration)	2,768	55,370

- 3.8. As the Housing Need and Demand Assessment Scenarios all finish at 2035, it has been necessary for Officers to make an informed assumption of future housing need for the period after that point⁶, i.e. from 2036 to 2040.
- 3.9. The following sets out the rationale behind the use of the Modified Principal Growth Scenario in the setting of the Housing Supply Target in the Proposed Plan. The decision not to progress with either the Low Migration or High Migration Scenarios are also discussed.

Consideration of Scenario 1 – Principal Growth

- 3.10. The Principal Growth Scenario’s Housing Supply Target is set at 43,420 homes to 2035. It is considered that this total number of new homes is largely appropriate for the Proposed Plan. This is for the following reasons:
- The Principal Scenario sets an average target of 2,171 new homes per annum. This is considered a realistic, yet ambitious level of delivery given

⁶ The Modified Principal Scenario’s HST for the period 2036-2040 takes the average of the period 2032-2035 (within the HNDA period of assessment) and multiplies this by the number of years in the period 2036-2040.

the City Region's historic levels of home completions and the current economic recovery. The annual Housing Land Audit records new home completions by Council and Housing Market Area. Completions for the period 2009-2016 were reviewed in the Monitoring Statement 2018 and revealed completions generally sit around 1850 new homes per annum.

- The Principal Growth Scenario's Housing Supply Target is set at 43,420 homes to 2035. The current Established Land Supply (as per the Housing Land Audit 2016) is 37,077 homes. It is reasonable to assume that housing land would fall below the Five-Year and Post Five-Year effective supply over the life of the Strategic Development Plan. This would require the next set of Local Development Plans to allocate additional housing land to meet the Housing Supply Target and ensure the security of the Five-Year and Post Five-Year effective land supply.
- The Housing Supply Target is considered reasonable in terms of the capacity within the construction sector to deliver such volumes, as well as the likely pace and scale of delivery based on past completion rates and level of resources available.

3.11 While the Housing Supply Target of 43,420 new homes is considered appropriate, the Principal Growth Scenario does however show a declining need for new homes over the life of the Plan. It starts at 2,476 new homes per annum in 2016 declining to 1,900 new homes per annum by 2035. There is concern that this declining trend for the number of new homes per annum does not reflect regional economic aspirations for sustainable growth. This declining trend would also be in contrast to recent levels of new and anticipated housing completions shown in Housing Land Audits and the direction of the Regional Economic Strategy's aspirations for a diversified regional economy and future growth.

3.12 It is therefore the view of the Strategic Development Planning Authority that the total number of new homes set by the Principal Growth Scenario is appropriate, but that the reducing level of demand over the period of the next Strategic Development Plan is not. As such, a Modified Principal Scenario is desirable to allow short to medium term land supply flexibility and medium to long term sustained demand based on a sustainable and diversified regional economy.

Modified Principal Growth Scenario

3.13 As noted above, the Housing Need and Demand Assessment's Principal Growth Scenario's Housing Supply Target of 43,420 new homes over the period 2016-2035 is considered the most likely eventuality based on the current economic climate and historic rates of completion over the past decade. However, the rate of new homes per annum contrasts with regional aspirations for economic growth.

- The Principal Growth Scenario Housing Supply Target's highest level of new homes per annum is during the period 2016-2019. However, this is within the period of the current Strategic Development Plan and the two Councils' current Local Development Plans. Any demand for new homes would therefore be met from the effective land supply and existing Local Development Plan allocations.

- The period 2020-2032 sees the Housing Supply Target steadily decrease from 2,278 to 2,033 new homes per annum. The total Housing Supply Target for this period is 37,484 new homes, which could in theory be delivered using the effective supply and components of the constrained supply, should some constrained sites become capable of delivering over this time period.
- The period 2033-2035 sees a further reduced Housing Supply Target towards the end of the Plan period. There is then a steady decrease finishing at 1,905 homes new homes per annum.
- With an initially high Housing Supply Target, steadily declining over the Plan period, it is considered that demand could be met from the existing effective supply and that the next set of Local Development Plans would not be required to allocate new housing land.
- However; the Principal Growth Scenario's steady decline for new homes contrasts with the economic aspirations for the City Region. Given the considerable investment which has been made by both the United Kingdom and Scottish Governments, through the creation of the City Region Deal and the resulting Regional Economic Strategy, there are plans and programmes in place produced by both the public and private sector for a growing and diversified regional economy.
- Numerous large-scale infrastructure projects are in the process of completion such as; the Aberdeen Western Peripheral Route, the Aberdeen Harbour Expansion South, improvements to Aberdeen International Airport, upgrading of regional rail links, offshore wind energy, The Exhibition Centre Aberdeen and high-quality office and commercial developments. As such the City Region is in a position of strength and rightly has aspirations for economic and population growth.
- The steady supply and delivery of new homes in the City Region is dependent on a number of existing strategic allocations. Should these strategic allocations encounter delivery issues this would impact on the effective housing land supply. Responsible strategic planning must ensure that the five-year effective supply is maintained, and it is considered sensible that the next set of Local Development Plans should have the flexibility to allocate additional housing land to enable development on a smaller scale which complements strategic sites and ensures continuity of supply.

3.14 A Modified version of the Principal Growth Scenario's Housing Supply Target is therefore expressed in the Proposed Plan. It is in effect the Principal Growth Scenario's Housing Supply Target redistributed to reflect a return to steady economic growth and demand for new homes over the life of the next Strategic Development Plan. The Modified Principal Growth Scenario results in the following:

- 43,420 new homes up to 2035 (the end of the Housing Need and Demand Assessment period); and 55,120 new homes up to 2040 (the end of the Strategic Development Plan period).
- The Housing Supply Target for the period 2016-2020 is set at 1,950 new homes per annum. This reflects recent rates of delivery recorded in the Housing Land Audit 2016.
- The Housing Supply Target would steadily increase over the life of the Plan to 2,340 new homes per annum by 2031, and maintain this level until the end of the Plan in 2040.
- The period 2033-2040 looks towards strategic housing reserve – a provision for future housing need. This is a guide for the level of housing land beyond the period of the next Local Development Plans. It would establish the principal of a reserve of housing land which Local Development Plans could utilise in the future should the need arise. It also sets a strategic aspiration for the City Region and a long-term direction of the anticipated future need which the development industry and infrastructure providers can plan towards.

The Modified Principal Growth Scenario's Housing Supply Target is shown in Table 2 below.

Table 2: Housing Supply Target – Modified Principal Growth Scenario				
	2016-2019	2020-2032	2033-2040	Total
Aberdeen Housing Market Area	5,850	22,800	14,976	43,706
Rural Housing Market Area	1,950	5,720	3,744	11,414
Total	7,800	28,600	18,720	55,120

3.15 The Housing Supply Target and the resulting Housing Land Requirement follow a stepped change which moves towards a sustainable increase in the rate of housing delivery over the life of the Plan. A graph showing the Modified Principal Scenario is contained in Appendix 6.

Consideration of Scenario 2 - Low Migration

3.16 The Low Migration Scenario has been discounted on the basis of the following:

- It is considered unlikely that the average target of 1,566 homes per annum for the Low Migration Scenario would be adequate to satisfy the historic demand for new homes in the area as indicated in Housing Land Audits. Completions have only fallen below 1,600 homes per annum three times since 1981.
- The Low Migration Housing Supply Target is set at a total of 31,315 new homes to 2035. The current Established Land Supply as per the Housing Land Audit 2016 is 37,077 homes. If the Housing Supply Target was set at such a low level all future demand could be met from the Established Supply which would preclude the next set of Local Development Plans from

allocating additional housing land and would not be in line with regional intentions for future economic growth.

- It would also preclude both local authorities from reacting to changes in the housing market. This is particularly important given the diverse geographic and economic nature of the City Region. Consideration must be given to these specificities in order to enable the next set of Local Development Plans to allocate additional housing land.

Consideration of Scenario 3 - High Migration

3.17 The High Migration Scenario has been discounted on the basis of the following:

- The High Migration Scenario sets a Housing Supply Target of 55,370 homes to 2035. Comparatively the Principal Scenario suggests a Housing Supply Target of 43,420 homes to 2035. The High Migration Scenario Housing Supply Target is therefore approximately 22% higher and approximately 600 more homes per annum than the Principal Growth Scenario's Housing Supply Target.
- As stated above housing completions have only exceeded 2,000 homes per annum once in the period 2009-2016. Since the 1980s the average rate of completion has been 2,200 new homes per annum. Given these historic levels of delivery it is considered unlikely that the average of 2,768 new homes per annum for this Scenario would occur. Since 2009 the highest level of completion in one year was 2,099 homes. An annual target of 2,768 new homes is 24% higher than that, and is not considered achievable or realistic.
- It could also be argued that the development industry may encounter difficulties in delivering such numbers given its current construction capacity. It could take considerable time to assemble the required skilled labour, supply chains and logistics to deliver homes at such a high rate over the life of the Plan period.
- The quantity of resources required to deliver such levels of housing would put considerable pressure on resource and mineral reserves.
- Considerable work would need to be undertaken by both Scottish Water and the Scottish Environmental Protection Agency to ensure that current abstraction licences have the capacity to be able to meet future water supply demand without negatively impacting on the River Dee Special Area of Conservation.
- This level of additional allocations may also put at risk the delivery of existing strategic allocations. Many of these allocations have had considerable resources invested in them by developers, local authorities, infrastructure providers as well as local communities.

4. Housing Land Requirement

- 4.1. After setting the Housing Supply Target, Scottish Planning Policy then requires Strategic Development Plans to set a Housing Land Requirement. This is achieved by taking the Housing Supply Target and increasing it by a margin of between 10% - 20%. This increase establishes the Housing Land Requirement.
- 4.2. The Housing Land Requirement is necessary in order to ensure that a generous supply of land for housing is provided. The increase to the Housing Supply Target is commonly referred to as 'generosity'. Generosity is added as the development industry faces numerous delivery issues and it is not guaranteed that all allocated sites can be delivered. Therefore, it is prudent to increase the Housing Supply Target allowing Local Development Plans the security to allocate additional housing land and increase the effective land supply. The exact extent of this generosity depends on local circumstances.
- 4.3. Scottish Planning Policy (para 117) states that "*The Housing Land Requirement can be met from a number of sources, most notably sites from the established supply which are effective or expected to become effective in the plan period, sites with planning permission, proposed new land allocations, and in some cases a proportion of windfall development*". The Proposed Plan sets the Housing Land Requirement and the Local Development Plan process decides which sites will be identified to meet this Requirement.
- 4.4. The Proposed Plan's Housing Land Requirement (see Appendix 4), seeks to set out a generous level of housing land to ensure that the Housing Supply Target can be met.
- 4.5. The Proposed Plan sets a Housing Land Requirement of 64,272 homes for the Plan period (2016-40). This is considered to be appropriate on the basis of the overall need of the City Region, the capacity of the City Region to support additional growth above its need, and on the need to satisfy national planning policy which seeks to significantly boost housing supply. It is also a reflection on the challenges that face the City Region in continuing to deliver demand-led growth up to 2040 and to ensure that this is both deliverable and sustainable.
- 4.6. The Main Issues Report proposed an increase to the Housing Supply Target of 20% focused on the Plan period 2016-2030. Scottish Planning Policy directs Strategic Development Plans to set Housing Supply Targets and Housing Land Requirements up to year 12 from the expected year of Plan approval. Beyond year 12 and up to year 20, the Strategic Development Plan should provide an indication of the possible scale and location of housing land, including by Local Development Plan area.
- 4.7. The Proposed Plan's Housing Supply Target and Housing Land Requirement have therefore been divided into three time periods; 2016-2019, 2020-2032 and 2033-2040. The Proposed Plan has set generosity at 20% from 2016-2032. This will allow both Councils the flexibility to respond to additional housing need as the economy recovers and housing demand increases.
- 4.8. The Modified Principal Scenario's stable increase in the Housing Supply Target over the life of the Plan will be reinforced as the focused generosity will enable the Local Development Plans to make additional allowances. This will help to

ensure a continuous supply of housing land to meet the five-year and post five-year effective land supply requirements.

- 4.9. The focused 20% generosity will provide for a generous housing land supply without compromising the viability of allocated sites and undermining existing allocations, including strategic allocations, and without inhibiting delivery through an oversaturation of housing land.
- 4.10. All three Scenarios of the Housing Needs and Demand Assessment 2017 set high levels of affordable housing delivery. As discussed further in Chapter 6 it is unlikely that such levels could be delivered by planning policy alone. A proportion of the affordable component of the Housing Supply Target has therefore been moved to market delivery. The use of maximum 'generosity' for the Housing Supply Target period 2016-2032 increases the proportion of viable allocations in both Housing Market Areas and this should therefore result in a proportional increase in affordable housing delivery.
- 4.11. For the period 2033-2040 generosity of 10% has been set. An increase to the Housing Supply Target is considered necessary across the entire Plan period as opposed to only the period of the next set of Local Development Plans. The provision of 10% gives a strong degree of future flexibility, but this period is beyond the next set of Local Development Plans. As such, this period should be reconsidered during the development of the following Strategic Development Plan, and the level of generosity increased or reduced as appropriate.

5. Housing Allowances / Additional Housing Allocations

- 5.1. The Aberdeen City and Shire Structure Plan 2009 and the Strategic Development Plan 2014 set Housing Supply Targets which have resulted in a healthy supply of effective land in both Aberdeen City and Aberdeenshire. The Housing Land Audit 2016 indicates an effective supply of 37,077 homes and a constrained supply of 9,828 homes.
- 5.2. Over recent years considerable resources have been put into a number of strategic allocations by both the development industry and the two Councils. It is in the best interests of the City Region that such allocations are supported to successfully deliver a sustained supply of new homes over the medium to long term. This will give the City Region the security of supply to meet current and future levels of housing demand.
- 5.3. It is in this context that the Proposed Strategic Development Plan directs the next set of Local Development Plans to make new housing allowances over the period 2020-2032. Such allowances should be of a scale which would not inhibit the delivery of current strategic allocations. New allowances would also not be additions to existing strategic allocations.
- 5.4. Large scale allocations will not be encouraged, but rather allocations which can add to the effective supply and deliver new homes in the short to medium term will be encouraged through the Local Development Plans.
- 5.5. While Scottish Planning Policy only requires Strategic Development Plans to set a Housing Supply Target and Housing Land Requirement the Strategic Development Planning Authority has historically gone one step further and set housing allowances which direct the subsequent set of Local Development Plans.
- 5.6. There is no set way to calculate housing allowances and a degree of professional judgement must therefore be applied. The approach taken to establishing the level of additional allowances for the next set of Local Development Plans and future strategic reserves is the Housing Land Requirement minus the Established Land Supply. This balance is 27,195 new homes to be allocated over the period of the Strategic Development Plan. The allowances have been divided as follows:
 - From 2020-2032 Local Development Plans must allocate 8,335 new homes;
 - From 2033-2040 Local Development Plans can choose to set aside a Strategic Reserve of 18,860 new homes.
- 5.7. The allowances for the period 2020-2032 and 2033-2040 have been set at the above levels because:
 - The 8,335 new homes for the period 2020-2032 are appropriate as it will augment the established land supply without undermining the delivery of existing allocations. The established supply will continue to be added to while existing allocations are delivered. This will ensure continuity of supply.

- The Proposed Plan carries forward the Spatial Strategy from the Structure Plan 2009 and the Strategic Development Plan 2014. The Spatial Strategy has been designed to make the best use of existing and planned transport infrastructure. A Cumulative Transport Appraisal has been undertaken to assess the impact of the level of development in the Proposed Plan. Given the current transport infrastructure, proposed transport interventions and the Cumulative Transport Appraisal's projection of future development 'build out' it is considered that to increase the level of new homes beyond 8,335 for the period 2020-2032 would place pressure on the City Region's transport network before mitigating interventions have been delivered.
- The level of resources required to deliver new homes must be considered. Given the period of time for the new allocations it is reasonable to assume that the development industry will have sufficient lead in time to put in place the delivery mechanisms required. For the period 2033-2040 the strategic reserve offers direction for the development industry's long-term planning.

6. Housing Market Area Percentage Adjustments

- 6.1. As discussed, Scottish Planning Policy 2014 requires that the Housing Supply Target in the Strategic Development Plan be set out at the Housing Market Area level as well as Council Area level and Strategic Development Plan Area level.
- 6.2. The Aberdeen City and Shire Strategic Development Plan Area is made up of two Housing Market Areas – the Aberdeen Housing Market Area and the Rural Housing Market Area. The Aberdeen Housing Market Area covers Aberdeen City as well as parts of Aberdeenshire including Ellon, Inverurie, Banchory and Stonehaven (appendix 5 - Map of Housing Market Areas). The Rural Housing Area takes in the rest of Aberdeenshire and includes Huntly, Peterhead and Fraserburgh.
- 6.3. Historically the division of new housing allocations between the Aberdeen Housing Market Area and the Rural Housing Market Area has been set at 75% / 25% in favour of the Aberdeen Housing Market Area. Allocations between the two Councils are divided on a 50% / 50% basis.
- 6.4. A review of the boundaries of the Housing Market Areas was undertaken as part of the Housing Needs and Demands Assessment 2017. It was considered that, on the basis of information available, there was no need to amend the boundaries of the Housing Market Areas at that time. This will be reviewed again during the development of the next Housing Need and Demand Assessment.

The Adjustment

- 6.5. The Proposed Plan amends this percentage adjustment to 80% / 20% in favour of the Aberdeen Housing Market Area. The division between the two Councils remain at 50% / 50%. This can be justified as follows:
 - The Housing Need and Demand Assessment 2017 suggested a change in the division between the Housing Market Areas may be warranted. This change ranged from 77.8% / 22.2% in the Housing Need and Demand Assessment's Principal Scenario to 79.8% / 20.2% in the Housing Need and Demand Assessment's High Migration Scenario, both in favour of the Aberdeen Housing Market Area.
 - Local Development Plan policy in Aberdeenshire has changed since the original 75% / 25% division was introduced, with policies such as Local Organic Growth and Housing in the Countryside being successfully implemented. It is considered that this has resulted in more opportunities for growth on small unallocated sites in the Rural Housing Market Area.
 - There is evidence surrounding ongoing issues with the marketability of some allocated sites in the Rural Housing Market Area (discussed further below).
 - A Senior Officer Workshop (held on 5 June 2018 with over 30 attendees from both Councils) identified that consolidation of development around established settlements would result in more efficient use of Aberdeenshire Council resources.

Rural Housing Market Area - Constraints and Rates of Delivery

6.6. The ongoing issue of low uptake of allocated sites in the Rural Housing Market Area was evaluated through the Housing Land Audit 2016. A breakdown of the Housing Land Audit 2016 Effective Land Supply can be seen in Appendix 2. As of the base date of this Audit:

- There were 7,185 effective units and 5,899 constrained units within the Rural Housing Market Area's Established Land Supply;
- Of the 9,828 constrained units in the combined Aberdeen Housing Market Area and Rural Housing Market Area, 60% of constrained units were located in the Rural Housing Market Area;
- Out of the 5,899 units on constrained sites in the Rural Housing Market Area, 2,998 (51%) were on sites where the only constraint was marketability;
- A further 971 units were on sites which had a marketability issue and at least one other constraint;
- In total, 3,969 units (67%) in the Rural Housing Market Area were affected by a marketability constraint;
- Of the total 5,899 constrained units in the Rural Housing Market Area, 2,268 (23%) were classed as long term constrained. This means they had been available for at least 10 years but had not yet been developed.

6.7. Given the considerable proportion of allocated sites in the Rural Housing Market Area which are constrained by marketability, it is sensible to further examine the rate of completions on allocated sites within the Rural Housing Market Area over the last ten years. This period includes periods covered by the Aberdeen City and Shire Structure Plan 2009 and the Strategic Development Plan 2014.

- Of the 5,661 completions in the Rural Housing Market Area within this ten-year period, approximately 40% were on unallocated sites. In the Aberdeenshire part of the Aberdeen Housing Market Area 25% of completions were on unallocated sites.

6.8. Completions in the Rural Housing Market Area over the period 2006-2016 are broken down in Table 3 below.

Table 3: Rural Housing Market Area – Overall Completions 2006-2016 (taken from Aberdeen City & Shire Housing Land Audit 2016)		
Site Type	10 Year Completions 2006-2016	Proportion of 10 Year Total Completions
Allocated	3,459	61%
Unallocated – Windfalls (sites of 5 or more units)	783	14%
Unallocated – Small Sites (less than 5 units)	1,419	25%
Total Unallocated	2,202	39%
Rural Housing Market Area Total	5,661	100%

- 6.9. As shown in Table 3, 39% of all completions in the Rural Housing Market Area have come from unallocated sites. If we then remove Peterhead and Fraserburgh from this figure (as the two largest settlements with a ‘pull effect’ through employment and services), the percentage of unallocated completions in Rural Housing Market Areas increases to 42%.

Adjustment to Housing Market Area Percentage Division

- 6.10. In summary, the reasons for the adjustment to the proportion of the Housing Supply Target attributed to the Rural Housing Market Area are as follows:
- The Housing Need and Demand Assessment 2017’s Principal Migration Scenario indicated a Housing Market Area division of 77.8% / 22.2% in the Aberdeen Housing Market Area’s favour.
 - The uptake of allocated sites in the Rural Housing Market Area over the past 10 years has been adversely affected by the development of smaller sites (one off houses and windfall sites). In addition, many of the existing allocated sites are constrained. As such, continuing with the current division of 75% / 25% would only exacerbate this situation by adding more land which might not become effective.
 - Demand for housing in the Aberdeen Housing Market Area continues to be strong – we believe this area could accommodate an increased proportion of the Housing Supply Target.
 - Adding considerable new allocations to the Rural Housing Market Area could undermine the delivery of existing sites. Aberdeenshire Council’s Delivery Team is currently working successfully with owners, developers and infrastructure providers to bring forward allocated sites in the Rural Housing Market Area for development. An oversupply of land in this Housing Market Area could saturate the market and affect the confidence in investment to date and the future progress of these sites.
 - The 80% / 20% divide still requires new allocations to be made in the Rural Housing Market Area and therefore provide fresh opportunities for growth at an appropriate scale.

7. Housing Estimates by Tenure

- 7.1. The delivery of appropriate levels of affordable, good quality and sustainable housing in the right places is a critical issue for the Strategic Development Plan. The future of the City Region depends on delivering the right type and mix of homes and it is critical to meeting our economic, social and environmental objectives.
- 7.2. The Strategic Development Planning Authority Monitoring Statement 2018 indicated that the delivery of affordable housing has varied significantly over recent years, averaging 331 homes per annum over the last 5 years but ranging from 93 to 463 homes across the City Region. This is due to the nature of delivery of affordable housing which tends to be delivered in large numbers in certain years rather than a steady yearly output.
- 7.3. What is clear is that the above levels fall short of the level of need identified in the last Strategic Development Plan (820 homes per annum) and even the lowest estimated annual need for affordable housing identified in the three scenarios of the Housing Need and Demand Assessment 2017. Figures in the Assessment range from 880 to 1,368 new affordable homes per annum over a 20-year period, approximately 50% of all new homes to be delivered from the Housing Supply Target.
- 7.4. In the context of previous rates of delivery, assembly of necessary land, and the levels of funding required, it is not considered realistic to achieve such levels of affordable housing delivery through planning policy alone.
- 7.5. The two Council's Strategic Housing Investment Plans identify projects to be delivered over their lifespan. Appropriate levels of delivery must be set in the context of the funding and land available.
- 7.6. Historically, over the last 10 years, the City Region has accounted for 5% of social sector new build in Scotland. In the context of the Scottish Government's target of delivering 50,000 new affordable homes over the current 5-year parliamentary term, delivering 5% would equate to 500 affordable housing completions per year.
- 7.7. An optimistic but achievable potential level of delivery over the next 20 years needs to be determined in order to inform the setting of Housing Supply Targets.

The tools available to the Strategic Development Plan are:

- Under Scottish Planning Policy (para 129) an affordable housing contribution of no more than 25% of new development;
 - The funding available to deliver affordable housing through the Local Housing Strategies;
 - The rebalancing of the weighting given to the affordable sector in the Housing Needs and Demands Assessment 2017 to the market sector and the market's ability to develop alternative affordable delivery mechanisms.
- 7.8. Scottish Government affordable housing funding has been increasing significantly over the period 2016 to 2020 to help meet their target to deliver

50,000 more affordable homes over the current parliamentary period. This will see funding in Aberdeen City and Shire increase over the period 2016/2017 to 2021/2022 as follows.

Table 4: Scottish Government Affordable Housing Funding (in millions)					
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Aberdeen City Council	£10.956	£12.279	£17.120	£18.133	£19.436
Aberdeenshire Council	£17.2	£19.3	£25.3	£28.7	£30.6

- 7.9. If the level of funding is maintained at 2021/2022 levels for the period to 2040, it is likely that the level of affordable housing in the Modified Principal Scenario's Housing Supply Target can largely be met (if land can be made available as well). However, if funding falls back to 2016/2017 levels or below, there would be a large gap in delivering the homes needed.
- 7.10. Delivery of affordable homes will require Registered Social Landlords and both Councils to be in a financial position to make use of the grant funding with land to be available to develop. A combination of Local Development Plan policies of 25% affordable housing contributions and suitable public-sector assets will aid delivery.
- 7.11. The Affordable Housing Target identified in the Modified Principal Scenario's Housing Supply Target is 19,292 homes up to 2040 (approximately 35% of the total Housing Supply Target). Over the life of the Plan period this would mean an average of 742 new affordable homes per annum rising during the period 2020-2032 to an average of 770 affordable homes per annum. This is in line with the targets of Councils' Local Housing Strategies.
- Aberdeen City's draft Local Housing Strategy averages 367 affordable homes per annum over the period 2018-2023;
 - Aberdeenshire Council's Local Housing Strategy averages 425 affordable homes per annum over the period 2018-2023.
- 7.12. The Modified Principal Growth Scenario's proportion of market housing exceeds that of affordable housing. This is in order to try and address the shortfall in affordable need. Through setting 35% of the Housing Supply Target as affordable, with the balance of new homes added to the market sector target, it is expected that other affordable products and unmet affordable need will be met by market sector delivery mechanisms.
- 7.13. It is not expected that Local Development Plans would increase the 25% contribution for affordable housing. Extra mechanisms will be needed to secure affordable housing to increase the percentage of affordable housing in the City Region to 35% of the Housing Supply Target. These delivery mechanisms will include affordable housing projects developed by both Councils or Registered Social Landlords.
- 7.14. Aberdeen City Council has recently made a commitment of building an additional 2,000 social rented homes (in addition to current plans). Sites have been identified with the Council currently assessing the feasibility for each

development. This will be considered in greater detail in the Aberdeen City Local Development Plan.

- 7.15. Alternative affordable models of market housing such as; build to rent, self-build, greater housing mix in new developments, as well as higher rates of density will also assist delivery. The additional increase in land supply from the Housing Land Requirement will also assist the delivery of the affordable sector through the affordable housing policies and Local Housing strategies of both Councils.

Appendix 1 – Modified Principal Growth Scenario Housing Supply Target as per Proposed Plan

Table 1: Housing Supply Target by Housing Market Area, Local Authority and Tenure Mix											
	2016-2019			2020-2032			2033-2040			2016-2040	
	Affordable	Market	Total	Affordable	Market	Total	Affordable	Market	Total	Global Total	
Aberdeen Housing Market Area	2,050	3,800	5,850	8,008	14,872	22,880	5,242	9,734	14,976	43,706	
Rural Housing Market Area	680	1,270	1,950	2,002	3,718	5,720	1,310	2,434	3,744	11,414	
Aberdeen City Council	1,365	2,535	3,900	5,005	9,295	14,300	3,276	6,084	9,360	27,560	
Aberdeenshire Council	1,365	2,535	3,900	5,005	9,295	14,300	3,276	6,084	9,360	27,560	
Aberdeen City and Shire	Total	2,730	5,070	7,800	10,010	18,590	28,600	6,552	12,168	18,720	55,120

Appendix 2 – Established Land Supply as Per Housing Land Audit 2016

Table 2: Aberdeen City and Shire Effective Land Supply (Housing Land Audit 2016)				
Housing Allowance Area	2016 HLA 5 Year Effective	2016 HLA Post 5 Year Effective	Total Effective Land Supply 2016	Constrained Land Supply 2016
Aberdeen City Brownfield	1,869	753	2,622	571
Aberdeen City Greenfield	4,634	10,850	15,484	2,449
Aberdeen City Small Sites	145		145	
Aberdeen City	6,648	11,603	18,251	3,020
Peterhead-Hatton	737	835	1,572	711
Ellon-Blackdog	609	1,280	1,889	68
Huntly-Pitcaple	84		84	671
Inverurie-Blackburn	1,370	1,460	2,830	166
Sth of Drumlithie-Laurencekirk	236	502	738	410
Portlethen-Stonehaven	912	3,542	4,454	
Aberdeen HMA Local Growth	1,367	757	2,124	675
Rural HMA Local Growth	1,801	2,338	4,139	4,107
Small Sites AHMA	344		344	
Small Sites RHMA	652		652	
Aberdeenshire	8,112	10,714	18,826	6,808
AHMA	11,250	18,642	29,892	3,929
RHMA	3,510	3,675	7,185	5,899
Aberdeen City and Shire Total	14,760	22,317	37,077	9,828

Appendix 3 – Housing Land Requirement as Per Proposed Plan

Housing Land Requirement By Housing Market Area, Local Authority and Tenure Mix											
	2016-2019			2020-2032			2033-2040			2016-2040	
Housing Market Area	Affordable	Market	Total	Affordable	Market	Total	Affordable	Market	Total	Global Total	
Aberdeen Housing Market Area	2,460	4,560	7,020	9,610	17,846	27,456	5,766	10,708	16,474	50,950	
Rural Housing Market Area	816	1,524	2,340	2,402	4,462	6,864	1,442	2,676	4,118	13,322	
Aberdeen City Council	1,638	3,042	4,680	6,006	11,154	17,160	3,604	6,692	10,296	32,136	
Aberdeenshire Council	1,638	3,042	4,680	6,006	11,154	17,160	3,604	6,692	10,296	32,136	
Aberdeen City and Shire	Total	3,276	6,084	9,360	12,012	22,308	34,320	7,208	13,384	20,592	64,272

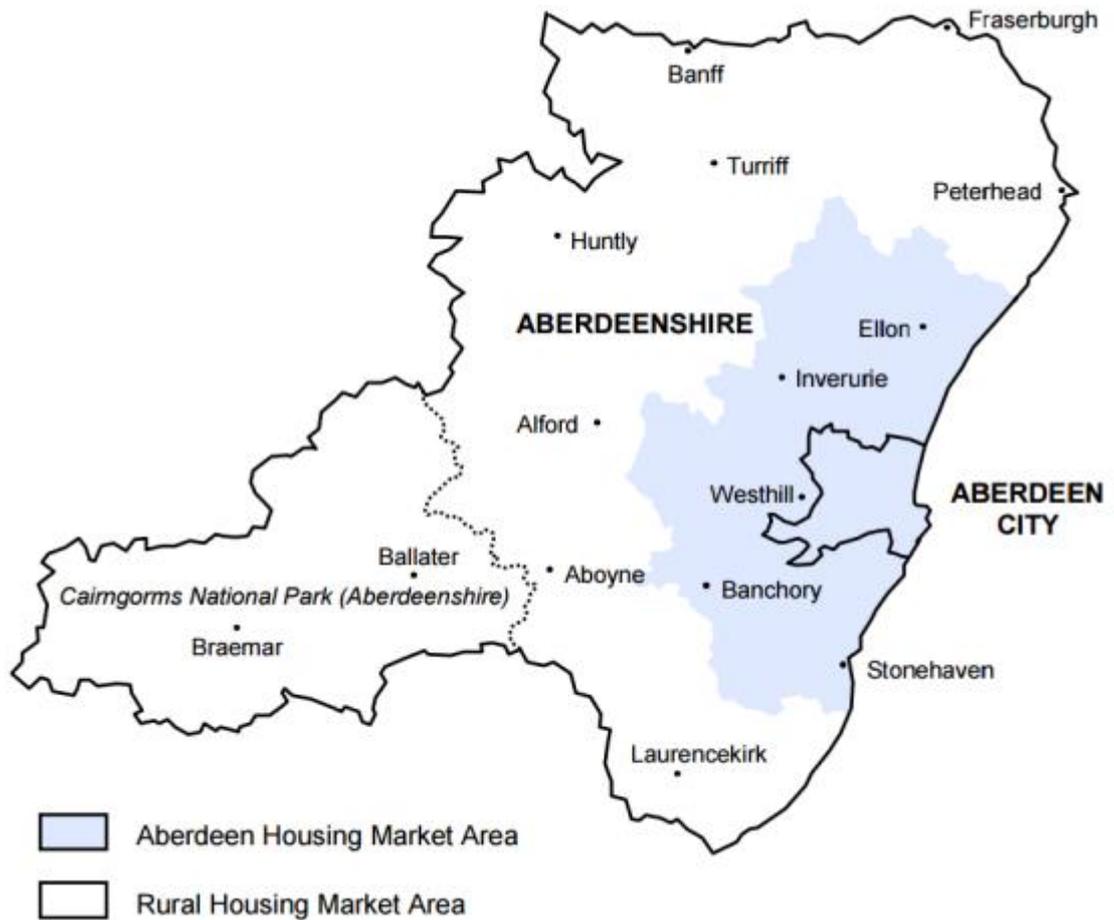
Appendix 4 - Local Development Plan Housing Allowances as Per Proposed Plan

Local Development Plan Housing Allowances							
	2016 Housing Land Audit 5 Year Effective	2016 Housing Land Audit Post 5 Year Effective	Total Effective Land Supply 2016	Allowances 2020-2031	Allowances 2032-2035	Allowances 2036-2040	Total Allowances
Aberdeen City Council	6,648	11,603	18,251	4,167.5	4,500	4,930	13,597.5*
Aberdeenshire Council	8,112	10,714	18,826	4,167.5	4,500	4,930	13,597.5*
Aberdeen Housing Market Area	11,250	18,642	29,892	6,668	7,200	7,890	21,756
Rural Housing Market Area	3,510	3,675	7,185	1,667	1,800	1,970	5,439
Aberdeen City and Shire	14,760	22,317	37,077	8,335	9,000	9,860	27,195

*Figures for allowances between Aberdeen City Council and Aberdeenshire Council to be rounded up

*Allowances will not include sites of 5 units or less

Appendix 5 – Map of Aberdeen Housing Market Area and Rural Housing Market Area



Appendix 6 – Past and Future Completion Rates under Modified Principal Growth Scenario Housing Supply Target

