

Explanation of Quarterly Statistics on new build and affordable housing supply

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1. Introduction

This document provides an explanation of the new build and Affordable Housing Supply Programme statistics published quarterly by the Scottish Government Housing Statistics and Analysis Team.

2. New Build Housing statistics

The new build housing statistics measure construction activity undertaken during the quarter to monitor the new build component of housing supply. The statistics record the new build activity undertaken, rather than the sales of new build houses. As such they are not intended to provide a direct measure of housing market activity. Neither are they a measure of housing tenure, as this may not be known at time of build. Although the supply of new houses is strongly related to housing market activity there are many other influences on the housing market, such as house prices, the availability of mortgage finance, households' disposable income, buyer confidence, etc which will influence households decisions to purchase a house.

The housing supply statistics break down new build construction activity into private sector led, Local Authority led and Registered Social Landlord (RSL) led starts and completions.

The statistics for private sector and local authority led development are drawn from local authority administrative systems, while those for the RSL led sector are drawn from the Scottish Government Affordable Housing Supply Programme administrative system. Further detail is included in the sections below.

These statistics are not seasonally adjusted, so comparisons with the previous quarter will include some seasonal effects. As a result figures are often compared to those for the same quarter one year earlier.

2.1 Private Sector Led New House Build Activity

Private sector led activity includes new house build undertaken by private sector developers. This will consist of mostly homes for private tenure, but will also include some Section 75 homes for social or affordable rent or the provision of other 'off the shelf' homes to social landlords, along with self-build activity (individuals who build, or procure builders to build, a house which is for their own occupation and not intended for sale on completion). In the calendar year 2018, around 6% of all private-led completions were for single plot sites (excluding Highland for which single plot sites are not identifiable in the data), a figure which can be used as an approximate estimate of self-build activity.

It is not always clear at the start of a development what the final tenure of the dwellings will be. Where final tenure is known at the outset, the dwellings will be included in the appropriate sector. However, where final tenure is not known, they are included in the sector which is leading the development.

Broadly speaking the majority of private sector development is for private tenure. However, private developers can also make a contribution to affordable housing supply through specific programmes such as New Supply Shared Equity (NSSE), the sale of 'off the shelf' homes to RSLs, and other contributions agreed through the planning system (often referred to as Section 75 homes).

Statistics on private sector led new build activity are sourced from LA administrative systems, based on local authority building inspector data. Individual dwellings are included as they are started and completed irrespective of whether the whole site is completed.

2.2 Housing Association led and Local Authority (Council Housing) led New House Build Activity

Both the housing association led and the Local authority led new build activity are, for the majority, funded through Scottish Government funding programmes. As a result, the level and pattern of activity are directly impacted by Government funding

programmes and any changes to these programmes. The seasonal patterns of the statistics can therefore be inconsistent across time, as any significant changes in the funding of programmes have impacted on the timing of affordable housing activity as well as the level of activity.

For example, in 2011, the Innovation and Investment Fund was introduced. The cessation of the previous funding programme and the introduction of the Innovation and Investment Fund meant that there were no approvals in Q3 of 2011, and the subsequent seasonal pattern of approvals was also different from previous years.

2.3 Housing Association led new build activity

Statistics on activity undertaken by housing associations are sourced from the Affordable Housing Supply Programme administration system. This records activity on all projects which receive some form of government funding. These statistics therefore reflect the implementation and running of the Affordable Housing Supply Programme.

The Affordable Housing Supply Programme statistics record new build approvals, starts and completions, for whole developments rather than for individual dwellings (or phases of development on larger developments). Approval and completion are significant parts of the administrative process, so the data for these should be of high quality. In the past there have been some delays in the reporting and recording of site starts, which is why approvals are generally used as a preferred measure rather than starts, although this is thought to be less of an issue in recent years. Starts are measured when a housing association notifies the Scottish Government through the Affordable Housing Supply Programme that a site has started. This may be at any point in the development, for example when site clearance begins or any point up to the beginning of ground works for foundations (the point recognised by building standards as the start point of the build). Additionally, all dwellings in the development are counted as started at the start of site works (rather than when each individual dwelling is started).

Approvals for all dwellings on site are included in their entirety at the point the funding approval through Affordable Housing Supply Programme is granted. This differs from the private sector led and local authority led series, which count individual dwellings when they actually start, irrespective of the size of the development.

Housing Association completions are measured on a similar basis, and are included at site completion rather than individual dwelling completion. This means the series for housing association approvals and completions reflects site development and therefore may be more variable as whole sites are included.

2.4 Local authority new build activity

Prior to the 2009-10 financial year, local authority new build activity did not receive subsidy from the government, and instead new build activity was largely financed through the Housing Revenue Account, commuted payments received through the planning system, and local authority income sources such as second homes council tax. In 2009-10, the Scottish Government introduced a system of incentive payments for new Council House Building, to support local authorities to build a much higher number of new council homes for social rent. This incentive system has continued, largely unchanged, both as part of the Innovation and Investment fund in 2011, and more recently as an integral part of the Affordable Housing Supply Programme from 2012-13 onwards.

Statistics on Local Authority led new build activity are sourced from local authority administrative systems. Starts and completions are counted as activity on each individual dwelling is undertaken, irrespective of the size of the development.

2.5 Considerations:

2.5.1 Local Authority level data:

New build data are collected at local authority level. House building is unevenly distributed both geographically and over time and patterns of housing development can produce clusters of new houses which can make the trends difficult to interpret at this level. For example, one or two major developments starting within an authority will produce an increase in starts as the ground works for each dwelling are started. Following this, these will drop out of the statistics as starts resulting in a decrease in the statistics.

The precise timing of when starts and completions are recorded in the statistics often depends on the timing of building control inspections. Revisions occur in the quarterly series to allocate starts and completions to the correct quarters based on information received from the administrative systems. For example, a building control inspector may not visit a site following completion until the following quarter – the completions when they are extracted from the administrative systems would be allocated to the correct quarter of completion resulting in a revision to the previously published statistics.

2.5.2 From start to completion:

A wide range of factors can influence the length of time it takes for a new house to be constructed. For private-led developments, depending on the size of the site, it has been estimated that the average time from start to completion of the entire site can range from anywhere between around 1.5 to 2.75 years. Individual homes, or blocks of homes, might be completed in shorter timescales if parts of the site are completed in advance of the rest. The average timescale from start to completion of a local

authority site has been estimated to be around 1 to 1.25 years, rising to around 2 to 2.5 years for some of the bigger sites. Individual homes, or blocks of homes, might be completed in shorter timescales if parts of the site are completed in advance of the rest.

In general, the number of starts will be a strong indicator of the likely trend in completions, but there may well be differences over the short and medium term depending on things such as the housing market, economic climate, and access to finance. It sometimes appears that an imbalance exists where the number of starts and completions differ. In Scotland, the difference between all-sector starts and completions tends to be small, with completions being within 2% of starts over the period 1996 to 2018. Over the long term starts and completions will balance out, except for the few occasions when a new dwelling may be started but never completed. Any shorter term imbalances can be understood as part of the economic cycle.

2.5.3 Seasonality:

These statistics are not seasonally adjusted, so comparisons with the previous quarter will include some seasonal effects. As a result figures are often compared to those for the same quarter one year earlier.

For all of the component new build series, and the Affordable Housing Supply Programme series, any seasonality in the series will be impacted by events which directly affect the sector, for example, changes to the funding models for affordable housing supply, and there may be other impacts seen on new build delivery such as impacts from periods of adverse weather. Interpretation of the statistics should take into consideration the potential impacts on the individual series as noted above.

2.5.4 Comparability between the countries of the UK:

Each of the countries of the UK produces their own statistics on quarterly new build housing starts and completions by tenure, and all use broadly consistent definitions. These new build statistics for each of the countries of the UK, as well as for Great Britain and the UK as a whole can be found here:

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>.

In addition to this, the Ministry of Housing, Communities and Local Government (MHCLG) also produces an additional annual set of statistics for England on new build homes, as a component part of the 'Housing supply; net additional dwellings, England' set of statistics[1]. These statistics are collected on a different basis to the quarterly UK country statistics as local authorities can use a range of data sources to collate these figures rather than solely using building control information. Figures on this for 2017/18 were published on 15 November 2018, and this publication advised that the

'net additional dwellings' should be considered the primary and most comprehensive measure of housing supply in England.

MHCLG have advised that the quarterly new build statistical collection for England, whilst being a useful leading indicator of activity throughout the year, is not currently capturing all new build activity, largely due to difficulties in collecting accurate starts and completions data from independent building inspectors or where building control has been sourced out to strategic partnerships or the private sector. These data issues do not exist in the Scotland quarterly housing statistics, given that all of the 32 local authorities in Scotland directly manage building control and the associated provision of data to the Scottish Government on starts and completions.

As a result of this advice, the new build component figures of the 'net additional dwellings' statistics for England are included in the UK comparisons as an additional set of figures to consider when comparing between countries.

3. Affordable Housing Supply Programme

The Scottish Government's Affordable Housing Supply Programme (previously the Affordable Housing Investment Programme) funds housing for social rent, mid-market rent, and for low cost home ownership. The Programme funds both new build activity and other activity to increase affordable housing supply, for example off the shelf purchases, open market shared equity (OMSE), rehabilitations and support provided to home owners through the Home Ownership Support Fund (mortgage to rent and mortgage to shared equity). Further information on the Affordable Housing Supply Programme is available in annual out-turn reports available at <https://www.gov.scot/policies/more-homes/affordable-housing-supply/>.

While the majority of affordable housing developments in Scotland are supported by the Scottish Government through the Affordable Housing Supply Programme, there are also contributions to the costs from housing associations, councils and the private sector. In particular, contributions by private sector developers are agreed through the planning system. Further details of how the planning system supports the delivery of affordable housing are available at: <http://www.scotland.gov.uk/Publications/2010/08/31111624/0>.

The new house build statistics for local authority led development will include the new build housing delivered through the Affordable Housing Supply Programme, but will also include other new build housing which is not supported by the Programme.

3.1 Considerations:

3.1.1 Seasonality:

The seasonal patterns of the Affordable Housing Supply Programme statistics can be inconsistent across time, given that significant changes in the funding of the

programme can impacted on the timing of affordable housing activity as well as the level of activity.

3.1.2 Comparability between the countries of the UK:

Each of the countries of the UK produces their own statistics on affordable housing supply¹. Whilst there are some differences in the detail of affordable housing definitions and products used by each country, some comparisons can be made on how affordable housing supply varies per head of population

One difference in definitions used across countries is that the Scotland figures only include units funded through the Affordable Housing Supply Programme and therefore do not capture any non-government funded supply, whilst the statistics for Wales and England both include developer-funded Section 106 supply, although for England it is thought that some will be missed as local authorities are not aware of it all. Northern Ireland does not currently have an equivalent mechanism.

Work on the harmonisation and comparability of affordable housing statistics across the UK is being developed as part of a programme of cross-UK Housing Statistics work². Two reports are intended to be released later this year, which will cover work being carried out on the harmonisation of affordable housing statistics, as well as a UK wide Topic Report on affordable housing statistics.

¹ <https://www.gov.uk/government/collections/affordable-housing-supply>,
<https://statswales.gov.wales/Catalogue/Housing/Affordable-Housing/Provision>,
<https://www.communities-ni.gov.uk/publications/northern-ireland-housing-statistics-2017-18>

² <https://gss.civilservice.gov.uk/user-facing-pages/housing-and-planning-statistics/>