

AYRSHIRE JOINT STRUCTURE PLAN 2025:

“Growing a Sustainable Ayrshire”

REPORT OF SURVEY

TECHNICAL REPORT TR06/2006

**NEW HOUSING –THE KEY TO DEVELOPING
A SUSTAINABLE AYRSHIRE?**

The Ayrshire Joint Structure Plan & Transportation Committee is a jointly funded partnership between East Ayrshire Council, North Ayrshire Council and South Ayrshire Council



FOREWORD

This technical report is part of the Report of Survey for the Ayrshire Joint Structure Plan. The full list of technical reports is appended to the back of this document. They are available on request, and in some instances will be subject to a minimum charge.

The purpose of these documents is to provide the reader with the evidence used in determining the policies that go to make up the structure plan. It is intended they will be updated as necessary.

Further information about the contents of this document, together with information about the Ayrshire Joint Structure Plan process and timescale can be obtained from the Ayrshire Joint Structure Plan & Transportation Committee at the address noted below.

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1 SUMMARY

The purpose of this paper is to explore a key rationale, central to the proposed new Ayrshire Joint Structure Plan of stimulating economic development through an increase in the housing land supply and additional new housing.

As economic change driven by global competition increases Ayrshire, and the wider Glasgow City-Region, of which it increasingly forms a part, cannot be competitively disadvantaged by housing resources and living environments which fail to attract and retain those individuals, households and businesses, key to the development of the economy. Aspirant groups unable to find expression for their demands will be deterred, or go elsewhere. Any strategy proposed, therefore, needs to anticipate and facilitate those key housing aspirations, associated with the development of a modern economy, particularly the emerging knowledge and service based economy centred on Glasgow.

Fundamental to this, a residential infrastructure is required which is competitive and responds to changing needs and aspirations. Transport improvements are changing the spatial dynamics of the city-region, particularly between Ayrshire and Glasgow. By building on its location, connectivity and environmental assets and extending lifestyle choices through enhanced housing opportunity Ayrshire can increase its own capacity to accommodate these changes and can help capture niche markets essential for the modernisation of the Glasgow City-Region.

This will not only help to stabilise the population and sustain growth locally, it will create an additional dimension to the residential resource base in the West of Scotland – improving its overall attractiveness as a place to live and its capacity to retain and attract population and investment in the face of strong national EU and international competition – thereby contributing to Scotland's economic growth.

Ayrshire Joint Structure Plan and Transportation Committee
February 2006

2 INTRODUCTION

The pivotal role of major cities in modern knowledge based economies and in regional and national development has moved centre stage in spatial policy terms. The governments emerging cities agenda recognises cities as the principal levers for driving up competitiveness and that city-regions will increasingly be central building blocks for economic growth. Glasgow's competitiveness depends upon the viability of the city-region as a whole and each of its component parts performing to their full potential. By closer integration with the City-Region, Ayrshire can contribute fully, enabling Glasgow to better fulfil its potential as driver of the urban renaissance and the economic competitiveness of the region, thereby strengthening the West of Scotland and Scotland's capacity for growth.

In a globalising world economy, economic growth is driven principally by people - from the supply side as producers and the demand side as consumers. Human capital is, more and more, the resource that influences the location of economic activity. Increasingly this is a qualitative as well as a quantitative issue and is the key complement to knowledge and ideas. The evidence confirms that highly skilled (Glaeser 2003) and creative people (Florida, 2003), particularly where they can interact, give an area competitive advantage through increased productivity.

Change and growth - even sustainable growth - are inextricably linked. High skill and education levels appear to make people and areas more adaptable to economic change and shocks. Skill levels seem to be particularly important in places that are attempting to regenerate themselves and in which there is not much prospect of externally generated growth. To remain dynamic areas have to constantly reinvent themselves - they must have the capacity to change and adapt - moving from one specialisation to another. Having the capacity to adapt new and emerging technologies locally is of key importance and depends on having educated, skilled people. People are not only producers but also consumers and members of communities. High skill individuals, whether economically active or not, offer significant advantages to local areas via knowledge, ideas, spending power and leadership skills.

At a regional level, having the ability to attract and retain high human capital individuals and workers requires housing - as well as the services, accessibility, amenities, environment, and quality education - that will attract the most skilled. Local areas that want to succeed have to think hard about providing lifestyle and consumption advantages to existing and potential residents. To get this right may involve hard choices and change from the way things have been in the past. In particular, policy should focus on provision of basic commodities desired by those with skills. Those areas that compete effectively and succeed in doing this will be the winners: those that do not, will lose out.

Ayrshire has considerable potential in location and environmental terms. The opening of the M77 extension and potential improvements to the rail services between Glasgow, Kilmarnock and Ayr offers key potential through their capacity to reorder the spatial dynamics of the relationship between Ayrshire and Glasgow. The plan proposes a significant widening of housing choice to release that potential and to increase the areas attractiveness to high skill individuals through both innovative

regeneration and new Greenfield initiatives. Over the medium to long term the plan can provide for a refreshed and restructured housing market offer in terms of quality, diversity and individualism of housing, neighbourhoods and environments which are attractive and aspirational to high skill and creative individuals.

To realise this potential and contribute fully to economic growth there needs to be a spatial strategy that not only sets out a proactive economic agenda but also enhances integration with the Glasgow city-region. This will allow an added dimension to Greater Glasgow within the emerging network of city-region agglomerations that increasingly form the spatial structure of the global economy. Through this closer integration Ayrshire can become more and more a full participant in, and key contributor to, the new knowledge based economy while the synergies to be realised will be of benefit to all - Ayrshire, Glasgow, and Scotland.

3 STRATEGIC CONTEXT

The population of Ayrshire is falling and ageing. Forecasts (GROS, 2004) of current trends indicate the population will fall to 361,000 by 2017 and 354,000 by 2025, a loss of 6,500 and 13,000 respectively. While the rate of decline has slowed very recently, a population loss of this magnitude will have severe implications for the viability and delivery of services by private and public sectors and is likely to deter new, and threaten existing, investment, regeneration and economic growth. These effects will certainly be felt locally but also knock on, impacting negatively on regional and national performance.

For Scotland's economy to perform at its best needs Ayrshire to maximise its contribution and perform to its potential. The plan therefore rejects the future implied by the GROS forecasts both for Ayrshire and for Ayrshire's wider contribution. Instead the plan seeks to underpin the strategy by maintaining a sustainable level of population at 363,000. To achieve this the new strategy proposes to shift policy in two ways:

- First by building on the potential to create economic prosperity through developing competitive advantage for the area by realising the potential of the areas assets – both natural and man made.
- Second, by capturing the synergies of closer integration of Ayrshire with the Glasgow City Region, for mutual benefit.

The strategy aims to maintain population by meeting the needs and aspirations of the existing population and making the area more attractive to newcomers through enhanced accessibility, employment, a high standard of living and an increased supply of quality homes. In this way Ayrshire can better secure its own future and also play a positive role in regional and national aspirations for economic and population growth.

The plan seeks to arrest decline and then stabilise the population at current levels by creating enhanced opportunities to live, work and visit, by capitalising on three new, emerging and related factors:

- the locational advantages and significant improvements in the areas relative accessibility via major transport and port investments;
- the areas green jobs potential, particularly through tourism and renewable resources, now becoming accessible through new and emerging technologies; and
- a tightening of the local and regional labour market and the possibility of emerging labour shortages resulting from a substantial decline in the working age population compared with buoyant forecast employment levels, particularly in the Glasgow and Clyde Valley area.

Population decline has only directly affected certain parts of Ayrshire. Much of Ayrshire has experienced relative population stability and household growth and will continue to grow in the future. The main towns have been holding onto their population. Rural Ayrshire has also proved relatively attractive and the accessible smaller and medium sized towns, with more attractive environments, have grown.

The former coalfield areas, particularly the larger settlements, have been the main areas of population decline. Unsurprisingly population has generally grown in areas where new housing has been built.

The spatial strategy has addressed these locational threats and opportunities. The plan is proposing an increase in the supply of new housing to exploit the comparative advantages Ayrshire has in terms of environment; lifestyle and accessibility. Many other elements of the strategy need to be in place – transport improvements; new business locations; environmental enhancements; community regeneration and green jobs – but the principal lever to kick-start a process which will put Ayrshire on the path to growth will be additional housing through increased housing land allocations.

There will be a variety of sources of demand for the market-based element of this new housing:

- in-migrants or stayers who are commuters to jobs outwith Ayrshire;
- in-migrants or stayers employed in additional jobs;
- retirement/“third-agers”;
- tenure shifters;
- latent households;
- second/leisure homes;
- quality/size adjusters;
- dual location households;
- amenity/ lifestyle seekers;
- suburban/rural home-workers/home-businesses;
- eco friendly/low-emmission/micro renewable energy homes; and
- self builders/grand designers.

Quality and the ability to deliver attractive lifestyle choices will be vital to the success of the strategy. Ayrshire must transform its residential resource infrastructure to one which is more appropriate to a knowledge-based economy and attractive and aspirational to highly skilled, creative individuals with autonomy and choice. The strategy must allow for flexibility to better position itself to anticipate and respond to the changes in the economic, cultural and lifestyle modes relevant to the new emerging economy.

3 NEW DIMENSIONS OF DEMAND

Can Ayrshire offer something on the housing supply side that is additional to the residential offer in the rest of the West of Scotland? This is not simply a question of can Ayrshire compete with similar offers, but rather can something genuinely additional be provided which adds a different dimension to the West of Scotland supply, making the whole region more attractive and therefore competitive? In this regard there are a number of key elements:

- Ayrshire has assets and the potential to develop elements and segments of housing supply for which it either has or can develop comparative and competitive advantage. The key factor that will begin to unlock and tap into this potential is Ayrshire's rapidly improving accessibility via the existing and developing rail services, the Motorway network, ports and airport;
- Improved national and European access via the airports and road links to Europe and Ireland are changing catchments and market opportunities;
- Ayrshire house prices are on average 10% lower than prices in Glasgow. Households can trade-off lower house prices in Ayrshire against higher commuting or other costs (e.g. education; access to services or house size/type/quality/residential environment);
- Ayrshire has space; environmental resources; varied coastal locations; lowland valley and remoter landscapes and a favourable climate all with good accessibility to local and urban centres as well as, critically, to education, health, commercial and cultural services in Glasgow, the conurbation and Central Scotland;
- Ayrshire has varied small to medium sized settlement forms which are well serviced offering good amenity and access to recreational and leisure opportunities and with good regional and national accessibility;
- Ayrshire has potential, generally, for housing with low impact design principles particularly in relation to housing in the countryside which supports a broader national agenda;
- Ayrshire has world class recreational, leisure and cultural assets particularly in relation to golf, coast and marine, designed landscapes which all offer potential for development and growth; and
- Ayrshire already offers some of the best traditional retirement locations in the West of Scotland. With the changing age structure, there is potential to further develop and segment this market. In particular to develop housing products for the middle aged and pre-retirement markets.

Much depends on perception and developing a more positive and coherent image and the variety of lifestyles potentially on offer. But just as the cities have developed a youth housing market based on jobs growth, tertiary education and the night-time economy so the well-located high amenity smaller urban, rural and coastal locations could consolidate and develop their role for a set of different housing markets. These might feature as key elements of demand quality of life, access to active leisure and environment combined with good transport links to airports and to educational, service and employment opportunities in Glasgow.

In this way Ayrshire can, over time, transform its residential resource infrastructure and position itself to respond to the economic, cultural and lifestyle changes that are relevant to the knowledge-based economy and attractive to the highly skilled and creative individuals who are its main driver.

4 ANALYSIS OF KEY STRATEGIC DATA SOURCES

On current trends Ayrshire's population is projected to decline and age, while employment forecasts show a small decline in local jobs. This will be bad for Ayrshire and will thereby constrain Scotland's performance. The strategy does not accept that this is inevitable and puts forward the case for an alternative future based on stable population and increased housing choices for Ayrshire. The principles behind the population and employment figures have been explored in some detail in a series of position papers. They are included as appendices in full, but a summary of the main findings is contained here for ease of reference.

- (i) Increasing mobility, flexibility and choice in labour markets and housing markets are necessary for enhancing economic efficiency and productivity and the individual fulfilment of aspirations. Increasing the supply of housing will contribute to this by enhancing the overall attractiveness of the West of Scotland labour market area, creating an additional dimension to lifestyle choices on offer in the Glasgow conurbation (Appendix 1).
- (ii) Rising incomes, increasing levels of car ownership and the cumulative effect of transport investments have facilitated greater mobility and enabled much greater personal choice over what job opportunities people can access and where they live. Increased commuting flows between Ayrshire and the Clyde Valley indicate greater economic integration. Out-commuting from Ayrshire has grown at 4% pa and in-commuting at around 6%. 1 in 6 residents of Ayrshire now travel outside the area to work (Appendix 2).
- (iii) The growth of jobs in the conurbation and particularly Glasgow suggest that demand for labour will rise in relation to supply. This will be balanced by in commuting from the rest of the West of Scotland. Four scenarios for commuting provide the range of variation within which the likely outcome is probable. The scenario based on the housing led strategy of the plan appears to be feasible as it is within the lower and upper ends of the range of possibilities (Appendix 3).
- (iv) The Barker Review concludes that the UK housing supply is not sufficiently responsive to market price signals and that this cause problems for the economy, communities and individuals. Barker recommends a large increase in UK house building up to an additional 145,000 pa, and that local strategies pay much more attention to market prices and market intelligence. This translates into at least an additional 7,500 houses in Scotland of which Ayrshire could contribute some 300 to 500 houses per year (Appendix 4).
- (v) Scotland generally has had a greater housing supply response to increased demand. In contrast the Ayrshire housing supply has shown almost zero response to price rises either in terms of stock turnover or new build. Ayrshire has been under-performing other areas in West and Central Scotland, where there have been significant increases in supply, suggesting a persistent supply constraint (Appendix 4).

- (vi) There is evidence of something of a ‘dual market’ for housing land in Ayrshire. Land prices indicate a very variable picture with localised ‘hot spots’ where absolute prices and increases are comparable with city prices (outside Glasgow and Edinburgh) and ‘cool spots’ catering for a more local demand. There is also some evidence of a tightening in the housing land supply from 1997 which may be constraining rates of development (Appendix 5).
- (vii) Additional house building will create additional households that are likely to generate additional commuting. At present 1 in 3 main wage earners moving into new houses work outside Ayrshire, mainly in Glasgow and the Clyde Valley. Additional population is likely to generate significant local employment multiplier effects. These jobs would appear in locally based private and public services. The remainder of the additional population would be employed in jobs outside Ayrshire or from additional ‘export’ sector jobs (e.g. tourism; civil service relocations; manufacturing; green economy). It is estimated that for every 1,000 new houses built for private sale in Ayrshire there would be an estimated 1,600 additional employed residents in the area, spending their income in local shops, supporting local services and contributing to the life of the community. Similar or greater local employment multipliers can be expected from additional in-migrant retired households (Appendix 6).
- (viii) Owner occupation has become the preferred tenure for the majority as the role of housing as a financial asset has increased with rising real house prices. People have expressed this preference as their incomes have risen and have bought more houses as their prosperity increases. Over the long term, as long as real incomes continue to grow, the main determinant of house prices will be the degree of housing supply constraint. The proportion of households in Scotland who own their own houses has doubled since 1971, but still lags significantly behind the national level. In line with preferences the proportion of Ayrshire households who own their own homes is likely to continue to move towards the UK average (Appendix 7).
- (ix) Demographic change in Ayrshire’s age structure, will impact on Ayrshire in number of ways. Firstly a declining working age population will impact on the workforce, reducing labour supply and in the face of relatively stable employment levels may lead to labour shortages. Second declining numbers of children and increasing numbers of older people offer potential public sector cost and revenue advantages and opportunities to attract additional retirees to live, capitalising on Ayrshire’s lifestyle, accessibility and environmental advantages. Increasing Ayrshire’s share of the retirement market offers advantages in both wider economic and public finance terms for the area. There are opportunities in coastal, semi-rural and small towns to supplement Ayrshire’s well-established retirement destinations. New areas linked to leisure facilities (particularly golf and marine-based), natural environment, favourable climate and good and improving access to urban services and airports give Ayrshire competitive advantage in these markets (Appendix 8).
- (x) Additional new housing of the scale proposed in the strategy will have a very marginal impact on migration from Glasgow & Clyde Valley. For every 100 additional new houses built for sale in Ayrshire, only some 10 houses will be

bought by households who might otherwise have located in Glasgow & Clyde Valley. As the scale of second hand house sales is almost ten times the rate of new build sales, it is the turnover in the existing stock of housing which is the main influence on in-migration to Ayrshire rather than new housing. The quality of existing residential environments are therefore highly significant to Ayrshire's wider market appeal (Appendix 9).

- (xi) However, although smaller in volume terms, new houses have twice the propensity to attract additional households to Ayrshire from not only the rest of Scotland but also from the rest of the UK and overseas. This makes new build housing a highly significant driver of migrant attraction particularly given that current housing market buoyancy means rates of new build are responsive to policy via housing land release. Over the longer term new build is of course vital for increasing the quality and attractiveness of the existing stock. Without building more new houses in Ayrshire, increasing the capacity of the West of Scotland to retain its population and increasing the rate of in-migration to Ayrshire from outwith Glasgow & Clyde Valley would be a more difficult task. A small net loss from Glasgow or the conurbation to Ayrshire is in any case a real gain to the West of Scotland and Scotland, if that household would have otherwise gone elsewhere in the UK or abroad. Building additional new quality housing in Ayrshire will add a different dimension of benefit to the overall housing offer in the West of Scotland (see Appendix 9).

- (xi) A land supply to accommodate some 32,000 private sector new build house sales between 2005-2025 in Ayrshire under 'Growing a Sustainable Ayrshire' compares with an implied 175,000 in G&CV under the Conurbation's 'Sustained Growth Scenario' over the same 20 year period. These rates of private new build show very similar levels of increase over the period. However on a relative population basis Ayrshire's proposed rate of private build is, at 86 houses per 1000 population, some 14% under the 100 per 1000 population for G&CV (see Appendix 9).

- (xii) A strategy based on improving Ayrshire's housing resource in terms of the quality and number of new houses will benefit Ayrshire in a number of ways. More and better houses means more choice; greater investment; increased wealth; additional households; more people; more workers; more skills; additional income and expenditure and ultimately additional economic growth. Ayrshire's communities could potentially make very substantial financial gains if they allow more houses to be built. At present most of the increase in land value (less any negotiated planning gain) created by the community in new Development Plan housing land allocations and the granting of planning consents goes to the landowner. As a result of new housing land allocations in the Structure Plan local authorities in Ayrshire have the potential to benefit from a share in increased land values of between £491m and £1,719m over the next 20 years together with additional council tax receipts of £37m each year and a cumulative total of £395m by 2025 (see Appendix 10).

5 CONCLUSIONS

The implications of a continuation of the existing strategy and resulting population loss will be detrimental to the Ayrshire and West of Scotland economy. First, as population declines, Ayrshire will lose demand for local goods and services, threatening existing and new investment in the public and private sector. Second, an undersupply of labour may act as a constraint on economic growth in Ayrshire and therefore Scotland. Third Ayrshire's labour supply will be under increased competitive pressure from the Glasgow labour market at the same time as Ayrshire's own labour market is tightening as a result of the reduced supply. This is not a desirable or sustainable future for Ayrshire.

A rebalancing of the strategic emphasis will increasingly become a key dimension in economic development, from one which sees attracting jobs through the provision of sites and premises as the main economic driver to one which seeks a widening of housing opportunity and choice through a better balance of the area's accessibility, environmental and lifestyle advantages. This approach will need to acknowledge the vital role which a qualitatively enhanced housing product can play in attracting and retaining people of ability, talent and resources to the area. An enhanced supply of sites and premises for business is also a necessary and continuing role of the strategy. However, while it is an essential pre-requisite, it is not a sufficient condition, on its own, to move economic growth closer to the national average and to Ayrshire's aspirations.

APPENDIX 1 - LABOUR MARKETS AND HOUSING MARKETS

The operation and interaction of labour markets and housing markets are key influences on the attraction and retention of population. Local authority, LEC and Structure Plan boundaries are themselves of little, if any, relevance to markets - migrants, housebuyers, job seekers and commuters. The notions of 'Ayrshire' labour and housing markets are an approximation for what in reality is much less spatially constrained. Functionally, for many occupations labour markets relevant to Ayrshire are already extensive and growing, covering the West of Scotland and beyond. Increasingly this means that for people accessing job opportunities there is in reality a West of Scotland labour market. This has knock on effects into housing markets.

For working households, accessibility to large, vibrant and diverse labour markets to maximise opportunities for career progression and minimise risk, is a key factor in migration decisions and locational choices. As the real costs of transportation and journey times, particularly between urban areas have decreased, for many, choice, willingness and ability to access job opportunities over wider areas has increased significantly. Steadily growing car ownership and usage* has freed up the dependence on fixed, point to point transportation modes. Jobs themselves are changing and for many people their workplace is area based rather than at a fixed location. ICT enables more people to work from home**, at least for some of the time, and as they travel. Improved access to wider job markets improves choice for employees and employers and provides greater opportunity, choice and flexibility and therefore reduced risk for both. Fundamentally a key to being able to respond and adapt to change is through increased flexibility and mobility in labour markets. A key component of improving labour market flexibility is increasing choice, opportunity, mobility and flexibility in housing markets. The two are inextricably linked.

*Travel to work by car increased from 29% in 1971 to 68% in 2001 (Figure 12.12 Scottish Transport Statistics, 2002). The Statistical Bulletin 11/2004 indicates this had risen to 69% by 2003.

**Approximately 5%

By increasing the supply and quality of housing in Ayrshire the strategy seeks to improve the overall attractiveness of the West of Scotland labour market area as a place to live and work and its capacity to retain and attract population and investment. Ayrshire adds value to the West of Scotland as a place to live and work by providing an additional dimension to the lifestyle choices on offer in the conurbation and Glasgow. As a complement to the G&CV housing supply, an improved and increased housing offer in Ayrshire offers the possibility of making a net addition to population and labour supply in the West of Scotland.

APPENDIX 2 - COMMUTING TRENDS

Commuting patterns are a key indicator of collective judgements on, and consumer preferences for, the balance between housing cost and location choices (and the bundle of associated services which housing gives access to – particularly schools, rail services, environment) and access to work and job opportunities. Increasingly people are living further from where they work. How far this is a preference; a response to housing cost differentials; or a consequence of economic change is a matter of debate. People change jobs more often than they move house*. Moving house in response to a job change is not always realistic. Multi-employee households have a variety of journey to work trips to consider and balance. Moving house is often very expensive (and for owner occupiers is heavily taxed) and job mobility is high and growing**. Commuting provides an adjustment mechanism, enhancing labour market efficiency and is in part a response to increasing labour market change, increasing job turnover and job mobility.

*more than a quarter of FT workers change jobs each year, whereas less than 10% move house. The average job tenure is 7 years 4 months, compared to 8 years for the average length of house occupancy.

** employment related migration moves are decreasing at the same time as 'commuting', in the form of short term assignments; long distance weekly commuting and daily commuting, is increasing

Rising incomes, increasing levels of car ownership and the cumulative effect of transportation investments have facilitated this process and enabled much greater personal choice over what job opportunities people can access and where. The real costs, in time and money, of making longer trips (particularly by car) has consequently declined, allowing people to travel further in exercising those wider choices without spending more time or money in doing so (average time taken to commute has remained very stable at around 22 minutes overall and is similar for car journeys). This in particular applies to length of journey to work trips which, overall, are increasing at 50% more than the rate of trips generally (between 1985/86 and 1999/2001 commuting trips increased in length by 59.2% compared with all trips by 39.6% - Scottish Transport Statistics 2002).

Figure 2.1 - Commuting Duration in 2002 for Adults 16+

	Under 5 minutes	5-10	11-20	21-30	31-60	61+
% of Commuting Trips	1	21	30	21	20	7

Source: Scottish Household Survey (Figure 16)

Ayrshire has also experienced significant growth in mobility and commuting as the economies of Ayrshire and the Glasgow conurbation have become more integrated. There are significant and growing cross boundary commuting flows in the West of Scotland generally and in Ayrshire. More people are travelling into and out of Ayrshire to work*. Ayrshire is a net exporter of labour and net out-commuting from Ayrshire has been growing. Between 1991 and 2001 net out-commuting increased by 5,000 (38.2%) from 13,070 (17,190 out and 4,100 in-commuters) to 18,070 (25,712 out and 7,642 in). Over this period there has been an 8,522 or 49.6% (equivalent to a 4% per annum rise) increase in commuting outwith Ayrshire to work and in consequence a reduction from 88.1% to 83.2% in the level of Ayrshire's self-containment in labour market terms, (this also applies to North, South and East

Ayrshire Council areas). Commuting into Ayrshire has also grown - up 80.5% between 1991 and 2001, from 4,100 to 7,642.

*More than 33,000 people commute across the Ayrshire boundary each day.

As a proportion of total resident employees, those travelling outwith Ayrshire to work have increased significantly from 12% (or 1 in 8) in 1991 to 17% (or 1 in 6) in 2001. (The largest proportionate increase was in South Ayrshire with a rise of 61.7%, from 7.2% to 11.64%). Unsurprisingly, the closer to Glasgow and concentrations of employment opportunities in the conurbation, the higher the proportion of employed residents who commute. In 2001, in North Ayrshire this was just under 1 in 4 compared with over 1 in 10 for South Ayrshire. However distance is not of primary importance, it is speed and predictability of journey times which are key. In this regard Ayrshire's relative accessibility is improving markedly with the M77 completion and other transport investments in the pipeline. Significant parts of Ayrshire will be at least as accessible to concentrations of employment opportunities in the Conurbation as areas within Glasgow and the Clyde Valley itself.

Figure 2.2 - Travel to Work: Employed Residents of Ayrshire - 1991 and 2001

	Total Employed Residents		Living and working in Ayrshire		Travelling to work outwith Ayrshire	
	1991	2001	1991	2001	1991	2001
North Ayrshire	51,620	55,264	42,580 (82.5%)	43,073 (77.9%)	9,040 (17.5%)	12,191 (22.1%)
East Ayrshire	46,300	50,503	41,500 (89.6%)	42,559 (84.3%)	4,800 (10.4%)	7,944 (15.7%)
South Ayrshire	46,250	47,890	42,900 (92.8%)	42,313 (88.4%)	3,350 (7.2%)*	5,577 (11.6%)
Ayrshire	144,170 (100%)	153,657 (100%)	126,980 (88.1%)	127,945 (83.3%)	17,190 (11.9%)	25,712 (16.7%)

Source: Census 1991, 2001

*Proportion of resident workforce

Between 1991 and 2001 there were 4,500 more people working in Ayrshire and 9,500 more employed residents across Ayrshire as a whole, spread across all 3 local authorities. While the total number of people living and working in Ayrshire increased by 965, at the same time the number of out-commuters increased by 8522.

Figure 2.3 - Travel to Work – Employees living outwith Ayrshire travelling into Ayrshire to Work

	Employees Travelling into Ayrshire to Work			
	1991		2001	
	No	% of total jobs	No	% of total jobs
North Ayrshire	1910	4.2	2742	6.0
East Ayrshire	1270	3.2	2335	5.7
South Ayrshire	920	2.0	2565	5.3
Ayrshire	4100	3.1	7642	5.6

Source: Census 1991, 2001

Of the 1 in 6 resident Ayrshire employees who commute outwith Ayrshire, 84% work in Glasgow & Clyde Valley and 43% (or 1 in 14) work in Glasgow itself. While the scale of Ayrshire out commuting to the Conurbation labour market is significant to Ayrshire, it is much less so to the conurbation. Although half the jobs in Glasgow depend on in-commuters, Ayrshire commuters take up only 2.5% of jobs in Glasgow and Clyde Valley and only slightly more (2.7%) in Glasgow itself. Glasgow and Clyde Valley commuters to Ayrshire are in fact taking a larger proportion of Ayrshire based jobs than the other way.

In reality skills are the key factor in employability, not place of residence and employees will only be able to access employment opportunities in the Conurbation or Ayrshire if they have the necessary skills. It is essential for efficiency and productivity that labour markets facilitate maximum mobility enabling employers and employees to have access to the widest possible choice of skills and opportunities thereby enabling a more productive match. The West of Scotland economy as a whole benefits from increased and easier commuting in that the available labour supply for any given area is expanded. Individuals benefit in that, in general, they commute to better paid jobs.

Figure 2.4 - Workplace destination of Employees Living in Ayrshire

Workplace Destination	Employees Nos	As a % of total Ayrshire commuters	As a % of jobs in the area
Ayrshire	127945	83.3	94.4
Glasgow	11051	7.2	2.7
Glasgow and Clyde Valley	21448	14.0	2.5
Outwith Ayrshire	25712	16.7	*

Source: Census 2001, Origin Destination Statistics.

APPENDIX 3 - FUTURE COMMUTING SCENARIOS

On the basis of the trends and strategy outlined above 4 Scenarios of future trends in commuting between Ayrshire and the Glasgow conurbation can be hypothesised. In each of the scenarios the demand and supply of labour will remain consistent with the employment and population forecasts for Ayrshire and the rest of the West of Scotland. It is the variation in the willingness and ability of the workforce to commute which is being tested.

Commuting will be influenced by spatial variability in a number of factors of which the most significant are likely to be:

- wage and job differentials – there will be an increased willingness to travel further to work if pay and career opportunities are better elsewhere;
- cost of living – if the cost of living/housing is lower outside their work area, then the willingness of workers to increase travel costs and commute longer distances will increase;
- transport infrastructure improvements – easier, quicker and cheaper accessibility will increase the potential and willingness to commute further; and
- lifestyle quality – real and perceived differentials in access to facilities, services and environment between ‘home’ and ‘work’ areas will affect willingness to commute.

Four commuting scenarios are outlined as follows:

- (i) Trend growth in out-commuting – the existing rise in out-commuting continues at its present rate, continuing the increasing propensity to commute experienced through the 1990’s;
- (ii) Trend growth in net out-commuting – the existing rise in net out commuting continues. As in-commuting to Ayrshire has been rising faster than out-commuting, there will be a slower rise in net out-commuting;
- (iii) Neutral Commuting – the ratio between commuting out of Ayrshire into the Glasgow conurbation and the number of jobs in the conurbation remains fixed at the 2001 level. In this way workers from Ayrshire will take a constant proportion of net additional Conurbation job growth; and
- (iv) Housing led Commuting – additional rates of new house-building in Ayrshire will reduce in-commuting growth to zero and will generate additional out commuters in similar proportions to existing new build.

Figure 3.1 - Commuting Scenarios 2001 – 2025

	Existing Commuters	Growth in Commuters				Total out-commuters			
	2001	2005	2010	2017	2025	2005	2010	2017	2025
Scenario 1	25,712	4367	6517	11562	17750	30079	36596	48158	65908
Scenario 2	25,712	2204	2932	4240	4364	27916	30248	35088	39452
Scenario 3	25,712	446	-93	254*	*	26158	26065	26319	*
Scenario 4	25,712	1440	2404	4580	4608	27152	29556	34136	38744

*SLIMS Employment Forecast to 2015

Starting with the situation in 2001 under the assumptions of all 4 Scenarios there will be a continued increase in out-commuting. The largest increase is with a continuation of past trends under Scenario 1 and the smallest under Scenario 3. These could be seen as the likely range of variation within which the likely outcome will occur. What seems clear is that Scenario 4 which is essentially the population stabilisation strategy of the Structure Plan is well within the lower and particularly significant, the upper end of the range. Given the significant improvements to accessibility and particularly travel times between Ayrshire and the conurbation, together with the projected employment growth, it seems likely that past rates of 4% commuting growth (relating to a period of poorer accessibility and stronger Ayrshire based employment) may be an underestimate.

The growth of jobs in the Conurbation and particularly Glasgow suggest that demand for labour will rise in relation to the supply. The latest indications are that there may in fact be emerging job surpluses in the conurbation, Particularly Glasgow and Lanarkshire. If existing trends in commuting develop this will be substantially balanced as in-commuting from the rest of the West of Scotland fills the growing demand within Glasgow. Given the scale of relative job growth between Ayrshire and the conurbation an increase in both gross and net out-commuting from Ayrshire is likely and a range of possible scenarios have been identified. Whether people can, in reality, take advantage of specific job opportunities will depend on the balance between the skills demanded and those they have.

Figure 4.1 – Existing Housing Transactions

Area*	Scotland	Ayrshire (KA)	Glasgow (GG)	Lanarkshire (ML)	Forth Valley (FK)	Fife (KY)
Mean 89-96	98373 100%	8997 9.1%	23377 23.8%	4448 4.5%	5749 5.8%	8640 8.8%
Mean 89-03	115972 100%	9197 7.9%	27190 23.4%	6682 5.8%	6317 5.4%	8961 7.7%
Mean 97-03	136085 100%	9426 6.9%	31548 23.1%	9234 6.8%	6966 5.12%	9328 6.9%
Mean 2001-03	148046 100%	10228 6.9%	34145 23.1%	9919 6.7%	7890 5.3%	10613 7.2%

Source: Sasines 1988-2003

*Postcode areas: Ayrshire-KA; Glasgow-GG; Lanarkshire-ML; Forth Valley- FK; Fife-KY

- Ayrshire's private new build performance has been relatively poor and unresponsive to price increases compared with other areas of Scotland. Ayrshire's share of Scotland's total private new build has been generally declining (down from 14.2% of the Scottish total in 1988 to 4.7% in 2003) compared to other areas and the national total, which are both showing substantial increases in output, in some cases doubling output between 1989 and 2003. Ayrshire by contrast showed a small decline.

Figure 4.2 - New Build Transactions

Area*	Scotland	Ayrshire (KA)	Glasgow (GG)	Lanarkshire (ML)	Forth Valley (FK)	Fife (KY)
Mean 89-96	11528 (100%)	816 (7.1%)	2975 (25.8%)	889 (7.7%)	747 (6.5%)	752 (6.5%)
Mean 89-03	13953 (100%)	893 (6.4%)	3378 (24.2%)	1168 (8.4%)	921 (6.6%)	974 (7.0%)
Mean 97-03	16725 (100%)	980 (5.9%)	3839 (23.0%)	1488 (8.9%)	1121 (6.7%)	1227 (7.3%)
Mean 2001-03	17437 (100%)	996 (5.7%)	4120 (23.6%)	1467 (8.4%)	1293 (7.4%)	1396 (8.0%)

Source: Sasines 1988-2003

*Postcode areas: Ayrshire-KA; Glasgow-GG; Lanarkshire-ML; Forth Valley- FK; Fife-KY

- Ayrshire's house prices show a very different picture. The average price of existing houses grew at 3.54% in Scotland as a whole compared with Ayrshire at 5.31%, ahead of the other areas considered in the study. This relatively rapid rise in average prices in Ayrshire may be indicative of a constrained availability of supply relative to demand.

Figure 4.3 - 1988 – 2003 Average (Mean) Price Change of Existing Houses

Area*	Scotland	Ayrshire	Glasgow	Lanarkshire	Forth Valley	Fife
Price as a Proportion of Scottish Total	100	87.1	96.4	68	95.6	87.7
Real % Growth 88-03***	68.8	117.5	36.6	56.2	57.9	79.1**
Real % annual growth****	3.54	5.31	2.21	3.02	3.10	4.25
Nominal % change 88-03	180.2	261.1	126.7	159.3	162.2	178.5

Source: Sasines 1988-2003

*Postcode areas: Ayrshire-KA; Glasgow-GG; Lanarkshire-ML; Forth Valley- FK; Fife-KY

**89-03

***2003-04 GDP Deflator

****compound real annual growth

- Price increases of new houses have been surprisingly uniform across the areas studied. Ayrshire's real growth of 4.85% was the same as Glasgow, ahead of Forth Valley and Lanarkshire and only marginally below Fife. The relative average price differential between areas showed reasonable stability over the last 15 years. New house prices in Ayrshire have averaged 10% below Scotland as a whole and 12.4% below Glasgow. Glasgow prices are 17.1% higher than in Lanarkshire.

Figure 4.4 - 1988-2003 Average (Mean) Price Change of New Houses

Area*	Scotland	Ayrshire	Glasgow	Lanarkshire	Forth Valley	Fife
Price as a Proportion of Scottish Total	100	90.2	102.6	85.5	95.3	102.3
Real % Growth 89 –03***	84.5	70.7	58.7	56.8	79.2	73.5
Real % annual growth****	5.29	4.85	4.86	4.08	4.79	4.97
Nominal % Growth 88-03	287	265.4	264.8	243.8	278.6	306.5

Source: Sasines 1988-2003

The analysis of Sasines data in Ayrshire indicates that for existing houses, turnover has not grown, even though real price increases have been high, indicating tightness

in the market for existing stock. For new build, the supply has remained stable and while real prices have exhibited volatility they have increased rapidly, again indicating tightness in the market.

The supply of housing in Ayrshire has not increased in response to real price growth either through increased rates of turnover in the existing stock or in increased rates of new build. This contrasts with other areas in the West of Scotland and comparable areas in the Central Belt which have experienced a substantial supply response to similar and lower price increases.

Scotland overall appears to have a greater supply response to increased demand than the UK in general and the South East in particular. The evidence suggests that this response deteriorated for Scotland as a whole from an 8.7% (1973-90) to a 5.5% (1990-2002) increase in supply for every 10% increase in house prices. In contrast to this general situation, however, the Ayrshire market has shown zero response to price rises – even lower than the south-east of England – and suggests a persistent supply constraint.

If the 1973 to 2001 Scottish rate of price elasticity of supply had held for Ayrshire, during 1989-2003, then the 103.5% increase in prices which actually occurred might have been expected to bring forward a 79.7% increase in supply, equivalent to an extra 689 houses per annum, or to a new build rate for private housing of 1554 by 2003. If the actual number of non-private new build (296 for 2002-03) is added, then the total new build for 2003 would have been 1850.

APPENDIX 5 - LAND SUPPLY

A critical element in the process of delivering new housing is land supply. However, the exact role the supply of land has on new house building and its response to price rises is not easy to assess at the local and regional level. How far Ayrshire's poor performance and lack of supply response is due to relative constraints in land would require an historic assessment of the dynamics of the housing land supply compared with other areas. In a situation where housing markets are much less geographically constrained in both demand and supply terms, what is likely to be increasingly relevant is Ayrshire's position relative to other areas as much as Ayrshire's supply at any one point in time.

What evidence readily exists relates to relative prices rather than supply. The Scottish Executive's Review of Evidence on the Housing Market documents average price rises of 150% for large sites (over 2 ha) from £0.537m per hectare to £1.37m between 1995 and 2004. The report only provides details for the main cities but reveals great variation. Residential land in Ayrshire is generally of much lower value than in the 2 main cities of Glasgow and Edinburgh but although there is less transactional evidence, areas such as Troon have shown increases of 231% and values of £0.692m per hectare, which is comparable to prices in the other cities and in percentage growth terms is higher than Edinburgh. Within Ayrshire the situation is also highly variable, reflecting localised 'hot' and 'cool' spots – Auchinleck £0.045m; Drongan £0.064m; Irvine £0.475m and Troon £0.692m. – and those locations which meet the demand from more generalised or localised markets.

Figure 5.1 explores the supply of land for housing within Ayrshire and its relationship to the output of housing.

Figure 5.1 - Effective Housing Land Supply & House Completions

		92-96	93-97	94-98	95-99	96-00	97-01	98-02	99-03	00-04
North Ayrshire	Houses*	2973	2872	2878	2619	2384	2234	2163	1967	2188
	Supply**	10.2	10.0	9.4	9.7	9.2	7.4	9.0	10.2	8.2
East Ayrshire	Houses	1265	1372	1416	1510	1701	2080	1935	1936	1844
	Supply	10.9	9.3	7.7	8.8	7.5	4.2	5.9	5.9	6.7
South Ayrshire	Houses	2135	2120	2039	1927	1548	1721	1812	1889	1913
	Supply	7.1	6.9	6.6	8.0	7.9	7.2	3.8	4.3	4.2
Ayrshire	Houses	6373	6364	6333	6056	5633	6035	5910	5792	5945
	Supply	9.3	8.8	8.1	9.0	8.4	6.2	6.4	6.8	6.5

*Rolling 5 Year house completion

**Equivalent years supply at rolling 5 year rate

Comparing Ayrshire's housing land supply with 5 year rolling house completion rates from 1991 to date indicates a significant tightening of supply from 1997 onwards. The effective land supply across Ayrshire in the early and mid 1990's was averaging around 8.6 years equivalent supply, whereas from 1997 onwards this had fallen to under 6.5 years. Housing land supply has been constrained in East and particularly in South Ayrshire where effective supply has fallen below 5 years, consistently, since 1998.

Further research into the housing land supply chain and its relationship to completion rates and supply elasticity would be useful.

APPENDIX 6 - LABOUR MARKET & HOUSING MARKET INTERACTION

The new Structure Plan strategy is proposing a significant increase in the rate of new house construction. Rates of new build in Ayrshire have been averaging some 1,250 per annum recently. The strategy calls for a 50% increase in new build rates to around 1,860 per annum in order to stabilise the population at 2005 levels through to 2025. While this is a significant increase it is only 17% above the rate of new build needed to meet the 2004 GROS Projected Population.

Figure 6.1 - Projected New House-building

	GROS (2004) Projection		SFigure Population as per 'Growing a Sustainable Ayrshire'		Additional Growth (SFigure Population – GROS)	
	New Housing	Average Build Rate pa	New Housing	Average Build Rate pa	New Housing	Average Build Rate pa
2017	18,700	1,558	22,400	1867	3,700	308
2025	13,000	1,625	14,800	1850	1,800	225
Total	31,700	1,585	37,200	1860	5,500	275

Where will these additional people work if the traditional elements of Ayrshire's economy continue to under-perform? To begin to consider this it is necessary to establish how the new build housing market and labour markets are inter-related.

6.1 Employees

Using the 2003 NEMS 'Ayrshire Housing Choice Survey' results and applying these to the 'Additional Growth' house building figures under simplified assumptions (eg 1 household occupies 1 house and no vacancy allowance), indicates the number of additional employees (FT & PT) generated by the additional housing, together with their likely place of work. NEMS indicates that for households moving to purchase new housing in Ayrshire 2 in 10 have no employed person; 4 in 10 have 1 FT employee; 3 in 10 have 2 and 1 in 50 have 3. Out of every 100 main wage earners, 64 work in Ayrshire, 31 work in Glasgow and the Clyde Valley and 5 elsewhere. In addition 1 in 4 households have PT workers.

Applying these proportions to the 'additional' households generates an additional 3,922 FT employees resident in Ayrshire by 2017, of which 1,216 will commute to Glasgow & Clyde Valley area. This is equivalent to an additional 101 each year. By 2017 a further 196 (16pa) will commute out of Ayrshire to other areas. Fewer part time workers are likely to commute long distances and of a total of 837 part time employees only 144 will be travelling outwith Ayrshire to Glasgow & Clyde Valley by 2017, equivalent to an additional 6 FTE pa

Figure 6.2 - Employees from Additional New Build Housing

	Full Time Employees	Part Time Employees (FTE's)	Total Employees	Commuters Outwith Ayrshire		
				Glasgow & Clyde Valley	Other	Total
2005-17	3,922	420	4,342	1,360	196	1,556
2018-25	1,908	204	2,112	447	96	757
Total	5,830	624	6,454	1,807	292	2,313

Commuting rates have been increasing, as evidenced by increasing trip lengths for journey to work, for the reasons outlined above. It is likely that this will continue, particularly as job opportunities in the Conurbation are set to grow substantially and transport connections and journey times between urban areas are likely to improve significantly. If commuting rates continue to increase at the 1991-2001 rate of 4% pa, this would increase the number of additional commuters as a result of the additional new housing from 1,556 to 2,491 by 2017 and from 2,313 to 3,165 by 2025.

6.2 Employment

Published employment forecasts by SLIMS (Oxford Economics/ Regional Forecasts) currently run to 2010. New Forecasts running to 2015 have also been prepared and both indicate the major source of new jobs growth in the West of Scotland to be in Glasgow and Lanarkshire. Glasgow is forecast to be the centre of this growth with 52% of the increase.

Ayrshire and Glasgow and Clyde Valley are expected to have a turnover of some 320,000 jobs and to have net additional job growth of 23,000 up to 2010. This is a total of 342,000 job opportunities within this wider labour catchment and which will be available to existing and potential residents of Ayrshire. Of this total 13% of job turnover or 46,000 is expected to be in Ayrshire itself, although the forecast is for no net additional job growth locally, infact the current forecast show a small overall decline (-800) by 2010. It is therefore vital to the wider regional economy and locally, that Ayrshire contributes fully to the regional economy by capitalising on its locational and accessibility advantages, tapping into the wider conurbation labour market. This will be particularly significant if recently forecast (SLIMS, 2004) jobs surpluses for the West of Scotland do infact begin to emerge.

Figure 6.3 - Employment Opportunities in Ayrshire and G&CV 2004-2010

	No of Jobs			Total Jobs available per annum*
	Replacement (turnover)	Expansion (net job growth)	Total	
Ayrshire	46,500	-800	45,700	7,617
Glasgow	119,900	11,900	131,800	22,650
Renfrewshire	44,900	-100	44,800	6,663
Lanarkshire	82,900	10,400	93,400	15,567
Dunbartonshire	24,700	1,400	26,000	4,333
Total	318,900	22,800	341,700	56,830

Source: SLIMS 2005

*may not sum due to rounding

Additional house-building at average rates (1,860pa) for 5 years 2005-2010 will create an additional 1,375 households which will generate 575 commuters (115 pa for 5 years). Recent work undertaken by Regional Forecasts, who are responsible for constructing the SLIMS economic and employment forecasting model for the West of Scotland, indicate significant local employment multiplier effects from additional population. 2/3rds of jobs required to employ the additional population are generated by the local demand of the additional population themselves. These jobs would appear in locally based private services and in the public services. The additional third of jobs would be generated in the form of jobs in other areas taken by commuters from Ayrshire or from other 'export' sectors (eg manufacturing; tourism; call centres; civil service relocations). As jobs growth in Ayrshire is forecast to be small or declining there appears little prospect of an improving contribution from Ayrshire based export sector jobs.

In terms of gauging the impact of new house-building, effectively, for every new commuter household an additional 2 jobs will be created in local services. For the period to 2010, covered by the current employment projections, 1,375 additional houses generating 1,614 additional employees would generate 1,725 jobs.

Figure 6.4 - Ayrshire Employment Generated by Additional Housing 2005-2010 & 2011-2025

	Additional Housing	Additional Employees	Jobs		
			Commuters out of Ayrshire	Private & Public Services	Total
2005-2010	1,375	1,614	575	1,150	1,725
2011-2025	4,125	4,841	1,725	3,450	5,175
Total	5,500	6,455	2,300	4,600	6,900

Similar local multipliers can be expected from additional in-migrant retired households (albeit with a different range of age related service demands but potentially more locally focussed and therefore of greater magnitude), which would generate a further 550 jobs in local service sector employment.

The total number of jobs (in addition to those involved in construction) Ayrshire could expect from an 'additional' 1,375 houses would be of the order of an additional 1,700 permanent full time jobs in Ayrshire by 2010.

APPENDIX 7 - TENURE CHANGE

Tenure choice depends in part on financial circumstances which in turn depends on labour market experiences. Employment status, occupation, education and the number of people employed in a household strongly influence household income and therefore choice of housing. Higher incomes increase the chance of owning. Regional differences in tenure seem to be related to regional differences in employment. Differential regional housing markets can influence labour markets through price disincentives.

The proportion of households in the UK owning their own homes has increased from 49% in 1971 to 70% in 2001. Of these, 29% owned their own property outright and 41% had a mortgage. 21% rented socially and 9% privately. Both private and social renting has declined by 9% since 1971.

Figure 7.1 - Growth in Owner Occupied Housing

	1966	1971	1976	1981	1986	1991	1996	2000
Scotland (%)	28.9	31.2	33.6	36.4	43.1	52.4	59.2	62.3
Great Britain (%)	47.1	50.5	53.3	56.4	61.5	66.1	66.9	67.7

Source: Housing and Construction Statistics

The change to owner occupation in Scotland has been even more dramatic, doubling from 31% to 62% over 30 years between 1971 and 2001. In Scotland 62% are now owner occupiers. Of these 25% own outright and 37% have a mortgage, 30% rent socially and 8% rent from private landlords. 19% of the owner occupied stock has been purchased under right to buy. Ayrshire reflects this national pattern but there are significant differences between areas.

Figure 7.2 - House Tenure in Ayrshire, 2001

	Owner Occupier	Social Rented	Private Rented
East Ayrshire	59	34	8
North Ayrshire	61	31	8
South Ayrshire	71	20	9
Ayrshire	63	29	8

Owner occupation has clearly become the preferred tenure for the majority as the role of housing as a financial asset has risen. People have expressed this preference as their incomes have increased. The perceived and real benefits to individual households and communities have been substantial over the last four decades. Housing has a primary occupation function but as real house prices have risen substantially over the last four decades it also has important investment, asset, saving/pension functions which have highly significant impacts on peoples wealth, job mobility, access to services and living standards. From the viewpoint of owner occupiers, then, a rise in house prices seems like a good thing. The more housing equity people have had the wealthier they have felt as prices have risen. Tenants of course would take a very different view.

Real house prices have risen as a result of real growth in incomes and an inelastic supply of housing land and housing. As peoples real incomes increase their consumption of many goods and services – short breaks; durable goods; eating out; health care - including housing space and quality also increases. If ‘consumption’ of housing also makes people wealthier then they will clearly want to buy even more housing as they get richer. For much of the period since the 1960’s house purchase and owner occupation has had government encouragement in the form of favourable taxation (Income Tax; Capital Gains Tax); financial advantages (highly geared credit; secured loans) and subsidy (right to buy), compared with alternative assets such as bonds; shares; cash; pensions etc. On the supply side, housing land has been highly constrained and housing land releases have been related to the number of potential households rather than demand for housing. As a market traded good the price of housing is determined by demand and supply, and as rising incomes and government encouragement have driven housing demand up against a relatively constrained housing land supply, the consequence has been strongly rising real housing land and house prices. As a result housing is now the main form in which wealth is held and accumulated in the UK and one of the great wealth divides is between individuals and, perhaps even more significantly, communities that own and do not own housing. The key question, of course is what happens next? How housing valuations and other asset prices progress from here is a matter of much current debate. A short to medium term correction to current house price levels has been widely predicted, but over the long term, as long as real incomes continue to grow, it looks likely that the main determinant of house prices will be the degree of constraint on housing space via housing land supply.

While there are sound reasons for anticipating continued increased demand for owner occupation, not everyone wants or can afford their own house. There will be limits to the growth in owner occupation even with continued real growth in asset values. What might these limits be? In line with current trends, Scotland and Ayrshire are at least likely to move towards the UK national average figure of 70% (2001). The Scottish House Condition Survey, 2002 gives an indication of aspirations of households expecting to move. 73% gave owner occupation as their preferred tenure. A more recent UK survey (CML,2005) indicates current preferences as high as 80%. The Treasury /ODPM target for 2010 has been set at 75%. It is clear that expectations are for continued rapid growth in home ownership

Figure 7.3 - Tenure Preferences

Preferred Tenure	%
Own/Buy own house	73
Rent from Local Authority	14
Rent from Housing Association	4
Rent from Private Landlord	5
Other	1
Undecided/none/don’t care	4

Source: Scottish House Condition Survey, 2002 - Figure 4.11

Under simplifying assumptions of the tenure shift being accommodated entirely by new build with a deduction for right to buy, an estimate of additional housing can be made. The additional new build private housing to meet 70%, 73%, 75% and 80%

owner occupation on 2005 household numbers would imply at least an additional 8,634 to 21,715 houses, assuming that 19% of the total is met by purchases under Right to Buy. If this additional supply were to be built by 2025 this would be equivalent to between 437 and 1,086 houses per annum. Added to the existing social housing completions of 250 giving a new build total of 682 to 1,336 houses each year.

Figure 7.4 - Tenure Change Scenarios - 2005 Households

	H'holds	Additional O. Occ H'holds	Right to Buy H'holds	Total Additional New Build	Annual Additional New Build
Total hh 2005	161,500				
63.4% Owner Occupied	102,391				
70% UK O.Occ 2001	113,050	10,659	2,025	8,634	432
73% Scottish Tenure Preference*	117,895	15,504	2,946	12,558	628
75% Treasury/ODPM 2010 Target**	121,125	18,734	3,559	15,175	759
80% UK Tenure Preference***	129,200	26,809	5,094	21,715	1086

*Scottish House Condition Survey 2002

**Housing Policy Overview 2005

***Expressed Long term preference – Council of Mortgage Lenders 2005

Figure 7.5 - Tenure Change Scenarios - 2025 SFigure Population Households

	H'holds	Additional O. Occ H'holds	Right to Buy H'holds	Total Private New Build	Annual Private New Build
Total hh 2025	191,300*				
63.4% Owner Occupied	121,284	18,893	3,590	15,303	765
70% UK O.Occ 2001	133,910	31,519	5,989	25,530	1,277
73% Scottish Tenure Preference	139,649	37,258	7,079	30,179	1,509
75% Treasury/ODPM 2010 Target	143,475	41,084	7,806	33,278	1,664
80% UK Tenure Preference	153,040	50,649	9,623	41,026	2,051

*Based on SFigure Population – AJSPT, (2006), Technical Report 1

The additional new build private housing to meet 70%, 73%, 75% and 80% owner occupation on 2025 household numbers for a sFigure population would imply between 25,530 and 41,026 houses, assuming that 19% of the total is met by purchases under Right to Buy. If this additional supply were to be built by 2025 this

would be equivalent to between 1,277 and 2,051 houses per annum. Added to the existing social sector completions of 250 would give a new build total from 1,527 and up to 2,301 houses each year to meet house ownership aspirations, fully.

APPENDIX 8 - DEMOGRAPHICS AND THE STRATEGY

Projected long term demographic trends indicate a declining and ageing Ayrshire population. The strategy is aimed at addressing this projected loss in total population by gradually stabilising population numbers at 2005 levels. However, the GRO 2004 Based Projections indicate that the age structure is likely to undergo more dramatic change than the population loss itself, with the under 15's declining by 16.4% (or 10,251 people) and the over 60's increasing by 35.6% (or 31,200 people) by 2024. These and other demographic changes are likely to occur even with a stabilised population and will feed through to demand for age-specific services, impacting on the local economy, on local authority costs and revenue and on labour demand and supply.

Figure 8.1 - Changing Age Structure

	Percentage Change in Population 2005-2024 by Age Group						
	0-4	5-14	15-29	30-44	45-59	60-74	75+
Scotland	-4.9	-14.0	-10.4	-13.2	-4.4	30.2	51.0
East Ayrshire	-9.6	-15.8	-14.7	-20.7	-3.9	21.9	57.0
North Ayrshire	-16.1	-25.2	-17.1	-24.5	-12.6	28.3	70.0
South Ayrshire	-4.1	-14.2	-10.4	-18.4	-17.1	18.5	54.1
Ayrshire	-10.6	-19.0	-14.4	-21.4	-11.2	23.2	60.5

Source: GRO 2004 Based Forecast

Figure 8.2 - Changing Population under 15

	Population 0-15 (000's)					
	2005		2024		Change 2005-2024	
	No	% of Total	No	% of Total	No	% Change
Scotland	864	17	767.5	15	-96.6	-10.3
East Ayrshire	20.9	17	18	16	-2.9	-14.0
North Ayrshire	23.9	18	18.5	14	-5.4	-22.5
South Ayrshire	17.7	16	15.7	14	-2.0	-11.3
Ayrshire	62.5	17	52.2	15	-10.3	-16.4

Source: GRO 2004 Based Forecast

Figure 8.3 - Changing Population Over 60

	Population 60+ (000's)					
	2005		2024		Change 2005-2024	
	No	% of Total	No	% of Total	No	% Change
Scotland	1106.9	21.7	1519.8	29.7	412.8	37.3
East Ayrshire	26.7	22.3	35.6	30.6	8.9	33.2
North Ayrshire	31.6	23.2	44.8	34.6	13.2	41.8
South Ayrshire	29.4	26.3	38.6	35.4	9.1	31.0
Ayrshire	87.7	23.8	118.9	33.5	31.2	35.6

Source: GRO 2004 Based Forecast

As older people are better resourced than children, income and expenditure per capita will rise and have a beneficial effect on commercial services, retailing and employment. Demographic change in the age structure will have an impact on age specific user populations and is likely to lead to a gradual shift in the pattern of service demands from children's services to services for older people. Assuming service user ratios and staffing ratios remain constant this would imply a reduction in costs of children's services and a rise in costs for older people's services, (policy/legislative changes may in reality counteract these demographic effects). In practice declining costs may not have a fixed linear relationship to falls in numbers of service users and there will be local and regional variations in service user rates and demographic trends. How effectively savings can be made as service user numbers decline in practice will depend on economies of scale and minimum staffing requirements. Fortunately demographic change will be gradual and, although very significant in total, should allow gradual adjustment.

Would declining numbers of children and increasing numbers of older people have an adverse impact on local authority expenditure in Ayrshire? Evidence appears to suggest most NHS usage occurs in the very last few years of life and that living longer may not mean greater dependency. It seems reasonable to assume that morbidity may simply be compressed and that people will need the same period of care whatever age they die. At a Scottish level where existing older people live should impose no additional burden on public sector finances. At a UK level attracting additional older people to Ayrshire from outwith Scotland would have an adverse impact on public sector expenditure due to higher levels of publicly funded care provision. Living longer and healthier lives may even reduce the public sector burden but establishing a specific Ayrshire effect, if one exists, may be difficult.

An indication of the likely order of relative costs can be ascertained from national data. Using the Scottish Local Government Financial Statistics 2002-03, net expenditure figures indicate that children's services (including education - pre-primary; primary; secondary; special education; and social work - children's panel; children and families and school crossing patrols) per capita are £3,680 compared with £801 for older people (60/65+) (concessionary fares are not broken down and have been assumed to impact equally between children and older people and are therefore excluded).

Figure 8.4 - Scottish Local Govt Net Expenditure* for Children & Older People

Expenditure Headings	Expenditure (£000's)
Pre-Primary	193,678
Primary	1,154,974
Secondary	1,356,429
Special Education	309,284
Children's Panel	1,762
Children and Families	385,401
Older Persons	767,485
School Crossing Patrols	15,361

Source: Scottish LG Financial Statistics 2002-2003, Scottish Executive, 7/2004

*To be financed from revenue support grant; non-domestic rates; council taxes & balances.

Figure 8.5 - Per Capita LA Expenditure on Children's & Older People's Services

	Total Expenditure (£000's)	Population (000's)	Per Capita Spend (£)
Children <16	3,470,373	943	3,680
Older Persons	767,485	958	801

Source: see Figure 8.4

Figure 8.6 - Community Care Services for Older People

	Total Spend 2004 (£m)	Per Capita Exp 2004 (£)	Total Spend 2019 (£m)	Per Capita Exp 2019 (£)
NHS Expenditure**	318	386	579	559
LA Expenditure	765	928	1,392	1,344
Private Expenditure	318	386	567	548
Total	1,402	1,701	2,538	2,451

Source: First Report for the Range & Capacity Review: Projections of Community Care Service Users, Workforce and Costs, Scottish Executive, 7/2004

**NHS Bed; Private Nursing Home; Residential Care Home; Sheltered Housing; LA Care Home; Private Care; Day Care; District Nurse; Health Visitor; NHS Chiropractic

Clearly as far as costs to local government finances are concerned children are significantly more costly to service than older people – of the order of 4.5 to 1. Even if NHS and private care costs for older people are added, this gives a total of £1,701 per capita in 2004 prices for people 65+. This could rise to £2,451 per capita by 2019 at constant prices (Source: Scottish Executive Health Department, Capacity Review of Community Care Services for Older People – 16.7.04). This compares with published figures for average budgeted running cost figures per pupil for primary schools of £2,228 and £3,311 for secondary schools (Scottish Executive, 2004).

Further more detailed work on age specific service cost impacts arising from demographic and policy change would be useful. This preliminary analysis indicates that increases in the proportion of older people relative to children in an area offers considerable scope for financial savings to local government, assuming existing service levels are held constant. In the case of childrens and older peoples services in

Ayrshire, local government revenue cost savings of up to £40m (equivalent to approx £4.5m saving in Council Tax) per annum are implied by projected demographic change in the age structure under current GROS projections by 2018.

Just as the demographic trends in Ayrshire's age structure seem likely to have favourable impacts on local authority finances so a policy aimed at attracting third-agers and retirees would not only play to Ayrshire's comparative environmental; lifestyle and accessibility advantages and have positive economic and employment generation impacts (see previous section – 7) but would be likely, again in local government finance terms, to be beneficial. Cost savings would come about largely as a result of fewer people being employed in servicing old as compared with young people. Looked at slightly differently, demographic change in Ayrshire's age structure indicates that the area could afford to attract significant numbers of additional older people at no additional cost to local public finances. This currently could be as high as 4 additional older people for every child or could be in the form of enhanced service quality or a mix of both. Additional older people would also maintain and enhance existing levels of local service employment which are otherwise likely to fall in line with the number of children. This additional service employment will to some extent in turn begin to redress the ageing population issue by attracting into Ayrshire people of working age some of whom will have children.

The impact of demographic change, in the form of an ageing population, on local authority revenues could also be positive. A higher proportion of older people for a given population implies, on current trends, smaller household sizes and therefore more households. On the simplistic assumption that older households occupy a standard Band D or above house then more households will mean more Council Tax revenue on the basis that more Band D equivalent houses are occupied. In reality the council tax banding mix of housing which is built will have a specific impact on revenue generated. For instance if stabilising Ayrshire's population involved attracting a higher proportion of older and therefore smaller households into new housing of Band C and above, this would have a disproportionately positive effect on council revenues.

Not only will the over 60's be the fastest growing age group, in Ayrshire they will be more affluent, educated and skilled than older people in the past. Their experience and resources will be an opportunity for the economy and for the community. The provision of housing, services and amenities for retired people will grow in importance for the Ayrshire economy. It is a source of sustainable economic growth which encourages service jobs at comparatively little additional cost to local authority finances and deserves to be viewed positively and addressed imaginatively.

While the demographic trends present challenges they also offer Ayrshire significant opportunities in new and growing markets and clear policy choices are available.

APPENDIX 9 - HOUSE SALES & MIGRATION

If Ayrshire is to contribute more to the West of Scotland and Scotland's population growth and economic development and stabilise its own population it needs to improve its 'offer' as a place to live, work and invest. Continuing at current levels of investment with 'more of the same' will not be sufficient to change existing trends, particularly in the light of likely improvements in offers from other areas, which are in competition with Ayrshire. A significant part of the relative attractiveness between areas, and one which is also amenable to policy influence, relates to the availability and desirability of residential resources.

Can Ayrshire realistically expect to stabilise or grow its population if its relatively low historic build rates and forecast potential households are used to control the scale of future housing allocations? The evidence from new build and sales transactions suggests that opportunities for house purchase in Ayrshire have been relatively poor compared with other areas in Central Scotland. Part of the explanation for this relates to relatively low levels of new build. Ayrshire needs to construct significantly more new housing of high quality to enhance its attractiveness and meet the aspirations of existing residents and migrants. If Ayrshire is to stabilise or improve its situation relative to other areas, past rates of new build will have to be transformed. The Structure Plan is proposing a significant increase in housing land supply to improve this situation.

The housing market, like any other, is driven by demand and supply. Supply in both qualitative and quantitative terms is determined mainly by the existing stock, particularly the rate at which that stock turns over (ie. sales/stock), and only marginally, except in the medium to long term, by new build. Demand for housing is influenced by many factors – demographics; incomes; tastes and preferences; price of other assets; etc. Structure Plan comparisons of total housing units against potential household numbers to determine 'demand/need' and therefore additional new build 'allowances' may be a necessary starting point, but are not a sufficient basis to assess Ayrshire's potential to meet housing aspirations. In particular it ignores market realities and the potential for change that the market offers to Ayrshire. Households ability to satisfy their housing aspirations and choice will be mainly market driven, as nationally rates of owner occupation rise to 70% and upwards towards 80%. This offers Ayrshire, with its environmental advantages, a competitive advantage in housing and 'liveability' which has the potential to transform its future and which it cannot afford to miss.

Ayrshire is in competition with other areas for productive resources including people. An important way in which Ayrshire competes for people is through the attractiveness and accessibility of its residential resources. Attractive and aspirational housing and lifestyles are essential to retaining existing people and attracting new people. Making Ayrshire a place where people want to live means making sure that those resources are at least as attractive as those provided elsewhere. In order to do this it is therefore essential that Ayrshire has a good supply and availability of housing which can compete on quality, availability and price with other areas. It is also essential that the housing market presents sufficient opportunities and access to those opportunities to meet rising aspirations.

People can only move into an area or stay there if they can access housing. In the market sector, prospective house buyers can only move into or stay in an area if there are suitable houses for sale in that area. Fewer houses for sale in a location means that fewer people can move into or stay there. This inevitably impacts on migration and ultimately population levels.

The number of houses for sale in an area is made up mainly from sales of second hand houses from the existing stock and only partly from newly built houses, (only 1 out of every 10 houses sold are new). The number of houses for sale in Ayrshire from both the existing housing stock and from new build (as measured by the number of transactions) has been relatively stable over the last 15 years. This contrasts with all other areas of the Central Belt and Scotland as a whole which have shown steady, substantial increases. This strongly suggests that opportunities to stay or move into Ayrshire have declined relative to other areas over the last 15 years.

Ayrshire's low level of new build as a proportion of the size of the market is indicated in Table 1 by the rate of new build/total house sales transactions. Table 1 shows that in Ayrshire new build is a very much smaller part of the total houses for sale market than other comparable areas in the Central Belt or the Scottish average. Ayrshire's rate at around 9% is up to 50% below these other areas and approximately 33% below the national average. Again this indicates Ayrshire's relatively weak competitive market position.

To bring Ayrshire's 1997/2003 rate of new build sales/ total sales up to the national average would imply increasing the build rate from 980 to 1636 houses per annum for sale. A rate equivalent to Forth Valley or Lanarkshire would increase the build rate up to 1848 houses. The Structure Plan is proposing 1600 new build houses for sale each year, a figure below but more comparable with areas in competition with Ayrshire.

Figure 9.1 - New Build Sales as a Proportion of Total House Sales

	Scotland	Ayrshire (KA)	Glasgow (G)	Lanarkshire (ML)	Forth Valley (FK)	Fife (KY)
Mean 89-96	10.5	8.3	11.3	16.7	11.5	8.0
Mean 89-03	10.7	8.9	11.1	14.9	12.7	9.8
Mean 97-03	12.3	9.4	10.8	13.9	13.9	11.6
Mean 2001-03	11.8	8.9	10.8	12.9	14.1	11.6

Source: Sasines 1988-2003

Currently the relative lack of private new build housing, at under 1,000 each year is highly significant to Ayrshire's competitive ability to attract and retain population and talent, particularly those mobile groups which are economically important. New houses have a significantly greater propensity to attract cross boundary migrant households than houses sold from the existing stock. Quite simply any area that is building additional new housing will be attracting more in-migrants (& probably

retaining more of its existing population). The higher the proportion of new build to second hand sales, the greater the ability to attract migrants, for any given level of transactions.

On a house by house basis, new houses for sale attract twice the number of migrants compared with second hand houses. Sasines analysis shows that existing houses attract migrants from outwith Ayrshire at a rate of 1 in-migrant household for every 5 houses sold. Whereas 1 in 3 households buying newly built houses come from outwith Ayrshire, (see Figure 2). These findings are confirmed by the NEMS 2003, Ayrshire Housing Choice Survey, for households that have recently purchased (see Figure 3). Obviously then Ayrshire's relatively poor performance in constructing additional new housing is having a critically significant effect on the areas ability to attract in-migrants. Structure Plan allocations should be of a scale sufficient to improve on this situation particularly in light of the scale of proposed new build rates in other parts of Central Scotland. Ayrshire's relative position should at least aim to bring build rates more in line with comparator areas.

Figure 9.2 - Households Buying Existing & New Housing in Ayrshire

	Existing Housing (%)	New Housing (%)	All Housing (%)
Moving From:			
Ayrshire	80.8	66.0	79.6
G&CV	11.4	20.1	12.6
Outwith Ayrshire & G&CV	7.7	14.0	8.6
Rest of Scotland	2.7	4.6	3.0
Outside Scotland / Rest of UK	4.6	7.4	4.9
Rest of World	0.5	2.0	0.7
Total	100	100	100

Source: Sasines 2000/2001/2002/2003/2004

Figure 9.3 - Origin of Households Moving to Ayrshire from Glasgow & Clyde Valley

	Existing Housing (%)	New Housing (%)
G&CV	10.5	21.7
Glasgow	5.8	10.3
Paisley	1.0	1.4
Newton Mearns	0.4	2.6
Greenock	0.4	0.2
East Kilbride	0.4	0.3
Giffnock	0.0	0.2

Source: NEMS, Ayrshire Housing Choice Survey, 2003

For every 1000 households moving to new houses in Ayrshire: 660 are from Ayrshire; 200 come from Glasgow & Clyde Valley; and 140 from the rest of Scotland, UK and abroad. For every 1000 households moving to existing houses: 808 are from Ayrshire; 114 come from Glasgow & Clyde Valley; and 77 from the rest of Scotland, UK and abroad.

However as turnover in the existing stock is very much larger than sales of new housing, it is the existing stock of housing which is the main attractor of migrants to Ayrshire rather than new build. In a typical year approximately 9,500 existing houses are sold (see Figure 4) compared with less than 1,000 new houses. Second hand house sales would generate 1,900 sales to households outwith Ayrshire with 1087 originating in the G&CV area, of which 643 are from Glasgow itself.

Figure 9.4 - Ayrshire Annual House Sales & In-migrant Households

	Annual sales	In-migrant hh's to Ayrshire pa	In-migrants hh's from G&CV pa
Existing Houses	9500	1900	1087 (643)*
New Housing	980	334	197 (101)*

Source: Sasines

*() Purchasers originating in City of Glasgow

Not all Ayrshire households buy houses in Ayrshire. Figure 5 indicates the number of Ayrshire households buying existing and new houses in Glasgow and the G&CV area. The numbers are relatively stable with a slow steady increase from the mid 1990's and a relative shift to new build and to Glasgow itself.

Figure 9.5 - Ayrshire Households Buying Houses in Glasgow & Clyde Valley

	Existing Stock		New Build		Total	
	Glasgow	G&CV	Glasgow	G&CV	Glasgow	G&CV
1990	151	382	11	37	162	419
1991	181	397	7	32	188	429
1992	155	324	3	22	158	346
1993	160	335	11	30	171	365
1994	183	373	13	25	196	398
1995	154	292	19	50	173	342
1996	173	333	14	62	187	395
1997	175	344	41	95	216	439
1998	207	385	28	74	235	459
1999	225	447	31	80	256	527
2000	241	434	37	85	278	519

Source: Sasines 1990 to 2000

These Ayrshire to G&CV 'out-migrants' offset the G&CV to Ayrshire 'in-migrants'. The net annual migrant household inflow to Ayrshire from G&CV is therefore reduced to 653 into the existing stock and 112 into new build housing (see Figure 6).

Figure 9.6 - Ayrshire House Purchase Transactions (Current and Projected)

	Average Annual Transactions 97 - 2003				Total Transactions Over 20 Years to 2025			
	No	Total In-Migrant HH's	Gross Migrant HH's from G&CV	Net* Migrant HH's from G&CV	No	Total In-Migrant HH's	Gross Migrant HH's from G&CV	Net* Migrant HH's from G&CV
Existing Stock	9,500	1,900	1,087 (551)**	653 (310)	190,000	38,000	21,740	13,060
New Build	980	334	197 (101)	112 (64)	19,600	6,680	3,940 (2,020)	2,240 (1,280)
Total	10,480	2,234	1,284	765	209,600	44,680	25,680	15,300
Strategy***	600	200	121 (61)	69 (39)	12,000	4,080	2,420 (1220)	1,380 (780)
Total****	1,580	539	318 (162)	181 (103)	31,600 *****	10,760	6,360 (3,240)	3,620 (2,060)

*Net Migrants = Gross Migrants into Ayrshire from G&CV – Gross Migrants out of Ayrshire into G&CV

** Figures in () are for City of Glasgow

*** Additional private new build as per Growing a Sustainable Ayrshire 2005-2025

**** Existing new build plus additional new build as per Growing a Sustainable Ayrshire.

***** Assumes 280 houses pa (or 5,600 to 2025) are built in the social rented sector giving a total new build of 1,860 pa.

Over the next 20 years current annual levels of house sales transactions would produce a total of 209,600 sales, with 25,680 in-migrant households from G&CV and 10,400 out-migrant households to G&CV – giving a net total into Ayrshire of 15,300. 85% of this total will be sales of existing houses and only 2,240 will be sales of new build.

For Glasgow City to Ayrshire, the gross flows into new housing are 2,020 in-migrants and 740 out-migrants giving a net total into Ayrshire of 1,280 by 2025, equivalent to 64 houses per year.

If Ayrshire wants to contribute more to the West of Scotland's and to Scotland's population growth and economic development it needs to construct more new houses to enhance its attractiveness to migrants from beyond the West of Scotland, Scotland and the UK. Restricting additional new housing will not only limit migrants from the conurbation but will also inhibit Ayrshire's ability to attract talent from the rest of Scotland, the UK and abroad.

Policy could seek to act on a number of aspects of the housing market as a way of attracting more in-migrants to Ayrshire:

- build more houses.
- increase the rate of turnover in the existing stock of houses.
- enhance the attractiveness of new & existing housing.

The rate of turnover is difficult to increase directly. However, the rate of new build and the rate of turnover in the existing stock are linked. Increasing the rate of new build will attract more migrants directly but will also increase the rate of stock

turnover in the second hand market by a larger amount, depending on the length of housing market sales chains. For every single new house purchased up to 3.90 additional moves will be made in the existing stock, allowing for 'leakage' from first time buyers (FTB's) (ie. For every 100 new houses sold 12 are to first time buyers, which means that 88 are to existing owners who have an existing house to sell. When these 88 are in turn sold, 19 will be to first time buyers and 69 to existing owners with a house to sell. Further rounds of purchase and sale will continue until a total of 390 houses have been bought and sold as a result of and additional to the original 100 new houses on the market). However as a third of these sales of new houses are to households moving into the area and one fifth of each subsequent round of sales in the existing stock are also to in-migrants this would reduce the chain of potential moves within Ayrshire to 1.46.

Increasing the rate of stock turn will enable people to better satisfy their housing and labour market aspirations and preferences, and as a consequence will also increase the number of first time buyers and migrants. Figure 7 illustrates the dynamic effects of new house sales on total house sales at an Ayrshire level. Sales of 1,580 new houses pa made up of an additional 600 new houses pa as a result of the strategy on top of the 980 existing sales will increase existing house stock sales by 876 to 10,376 pa. The 600 additional new houses will produce 72 direct sales to first time buyers plus it will induce a further 192 FTB's into the existing stock. The new housing will produce 198 (24 will be first time buyers) direct sales to migrants into Ayrshire plus a further 144 induced by second hand stock sales. Overall the effect will be to increase the rate of new build sales /total sales (see Figure 1) up to 13.1 bringing Ayrshire slightly ahead of the current national average and closing the gap on Lanarkshire and Forth Valley. However this only holds if current build rates in these other areas remain static. This will not be the case and in reality the gap will widen as new build rates in other parts of central Scotland increase.

Figure 7 - Dynamic Impact of New House Sales on Total House Sales in Ayrshire

Sales Round	Initial Sales of new houses	Subsequent Rounds of Induced House Sales in Ayrshire's Existing Stock							Total Sales**	Total Sales 600*** Houses	
	0	1	2	3	4	5	6	7			Total
Houses for sale in Ayrshire	100	59	36	22	14	9	4	2	146	246	1476
Sales to First time buyers*	12	13	8	5	3	2	1	-	32	44	264
Sales to Ayrshire In Migrants	29	10	6	3	2	2	1	-	24	53	318
Sales to Existing Ayrshire O/Occupiers	59	36	22	14	9	4	2	2	146	146	876

Source: various

* a proportion of first time buyers will be in migrants. In the 1st round this will be 4

** may not sum due to rounding

*** number of additional new build houses from the 'Growing a Sustainable Ayrshire' strategy

Increasing the rate of new build by up to an extra 600 new build houses per annum as a result of the strategy would directly add an extra 121 households pa from G&CV or 2,420 households in total by 2025. 61 of these households each year, totalling 1,220 over 20 years would be from Glasgow itself. Induced effects through the existing stock would add a further 223 households pa from G&CV (4,463 by 2025) and 109 from City of Glasgow (2175 by 2025). The combined effects would be 170 and 344 additional households from Glasgow and G&CV respectively buying houses in Ayrshire each year. By 2025 the cumulative total would be up to 3,400 and 6,880. However these are gross flows and make no allowance for additional gross outflows from Ayrshire in response to the likelihood of a much enhanced housing offer through substantial additions to the new build supply and induced turnover effects in G&CV.

At current levels there would be some 210,000 total house sales in Ayrshire over the next 20 years of which only 9% would be new build. Net inflows to Ayrshire from G&CV of 765 each year account for 15,300 of these total sales by 2025, a relatively small proportion (7%) of the total. 85% of these will be sales of existing housing and only 2,240 or 112 per annum will be new build sales. The City of Glasgow contributes approximately half of these sales at around 64 each year. Increasing the rate of new build by 600 new houses each year would double this (39 from Glasgow and 30 from the rest of G&CV) to 126 net sales pa originating from Glasgow and a further 120 from the rest of G&CV. A total annual net outflow of 69* (1380 by 2025) households to Ayrshire from G&CV as a result of additional new private house-building in Ayrshire is relatively insignificant compared with the proposed rate of new build and the loss of population from the conurbation projected by GROS (110,000 people or around 50,000 households by 2025). The net movement from

G&CV to Ayrshire represents only 0.8% of the proposed 114,218 new build private houses proposed in G&CV by 2018**. Increasing the rate of retention of households within the West of Scotland and of in-migration to Ayrshire from outwith G&CV without building more new houses in Ayrshire would be a more difficult task. A small net loss from Glasgow or the conurbation to Ayrshire is in any case a real gain to the West of Scotland and Scotland, if that household would have otherwise gone to the rest of the UK or abroad.

* The true net loss to G&CV is likely to be closer to 35 households per annum. The NEMS Housing Choice Survey shows that of households buying new houses in Ayrshire from G&CV less than half are considering staying in G&CV as an alternative location. They would therefore not be staying in G&CV if they hadn't moved to Ayrshire. The only additional hh's who can be considered a real loss to G&CV as a result of new build housing in Ayrshire will be the 35 hh's who are considering choosing between G&CV or an Ayrshire location.

** the 2004-2018 rate of 8,786 houses pa under G&CV's 'Sustained Growth Scenario' would imply a total of 175,720 new private sector houses over the period 2005-2025

A land supply to accommodate some 31,600 private sector new build sales between 2005-2025 in Ayrshire under 'Growing a Sustainable Ayrshire' compares with an implied 175,720 in G&CV pro-rated over the same 20 year period. On a relative population basis the planned rate of private new build in Ayrshire is significantly below both the Conurbation and the Scottish levels. Ayrshire and Glasgow and Clyde Valley are proposing 20 year private new build rates of approximately 86.1 and 100.7 houses per 1000 population* respectively. The comparable figure for Scotland as a whole is 91.0, some 5% higher than Ayrshire.

*Using GRO 2003 MYE's of population divided into the total private new build and expressed as a rate per 1000:

Ayrshire – $31,600 / 367,140 \times 1,000 = 86.1$ private new build houses per thousand population.

G&CV – $175,720 / 1,744,920 \times 1,000 = 100.7$ private new build houses per thousand population

Scotland – $460,000 / 5,057,000 \times 1,000 = 91.0$ private new build houses per thousand population

Figure 8 – Comparative Annual House Build Rates

Actual Completion Rates	Ayrshire	East	North	South
A. 13 Year Completions 92-05 (Total)	1247	354	494	403
B. 10 year Completions 95-05 (Total)	1258	370	493	400
C. 5 Year Completions 2000-05 (Total)	1192	387	428	378
D. 13 Year Completions 92-05* (Total)	1352	389	529	438
E. 10 Year Completions 95-05* (Total)	1363	405	528	435
F. 5 Year Completions 2000-05* (Total)	1297	422	463	413
G. 13 Year Private Completions 92-05*	1107*	304	381	318
H. 10 Year Private Completions 95-05*	1203*	362	390	346
I. 5 Year Private Completions 2000-05*	1128*	357	363	303
J. Sasines Transactions New Build 1997-03	980			
Policy Build Rates				
K. Approved Structure Plan	1275	327	617	331
L. Consultative Draft	1750	641	617	486
M. Final Draft 20/01/06	1860	605	690	565
N. GROS (2002) Forecast	615	245	175	195
O. GROS (2004) Forecast	1585	517	586	482
Scenario Build Rates				
P. Population Share**	1890	618	697	576
Q. Housing Stock Replacement:***				
Scottish 98/02 Rate	0.98	1588	510	588
Mackay Consultants	1.15	1863	598	690
R. New Build to Total Sales:****				
Scottish Rate	12.3	1636	556	563
Lanarkshire/F Valley	13.9	1848	628	636
S. G&CV Build Rate per capita *****		2098	732	744
T. G&CV Build Rate Growth *****				
Total New Build	(i)	1773	576	637
	(ii)	1871	607	672

* Includes an allowance for Ayrshire of 105 houses per annum on small sites.

** Population as a proportion of Scotland's total population

*** New Build as a proportion of Total Stock. Ayrshire's rate is 0.80 – EA – 0.75; N – 0.82; SA – 0.84

**** New Build as a percentage of total house sales. Ayrshire's rate is 9.0

***** Applies a G&CV private build rate per 1000 people of 5.035 houses per annum to Ayrshire's population of 368,000, pro-rated to council areas on 5-year completion rates

***** G&CV SP has built in a 15% increase in house building rates for the Structure Plan area for 2004-2011 and a further 15%-20% increase 2011-2018. Applying these growth rates to Ayrshire's historic build rate of 1352 with (i) no further increase 2018-2025 gives a figure of 1773; and (ii) a further 15% increase 2018-2025 gives a figure of 1871

These Ayrshire totals have been pro-rated to council areas on 5-year completion rates.

Figure 8 summarises and compares a variety of actual and implied annual build rates for housing in Ayrshire. The Figure covers historic (A-J) and planned rates (K-O) together with build rates under different assumptions (P-T). While at the Ayrshire level there is surprising conformity between the Approved Structure Plan at 1,275 houses pa and the 2000-2005 Completions at 1,297, at individual Council level there has been considerable variation between 'planned' and actual completions.

The implications of a range of ‘scenarios’ for house build rates are presented in Figure 8 to contextualise and ‘test’ the Structure Plan allocations:

- Population Share (Scenario P) – if Ayrshire were to build new houses at a rate proportionate to its share of Scotland’s population, then based on an estimated 26,000 new houses per annum required across Scotland over the next 10 years Ayrshire’s share would be 1,890 pa.
- Housing Stock Replacement (Scenario Q) – across Scotland house-builders have been adding or replacing the housing stock at the rate of 0.98% pa. This rate is considered to be too low and analysis by Mackay Consultants indicates that a rate of 1.15 is needed. Ayrshire replacement rates have been much lower than either of these and to meet the Mackay rate would require a build rate of 1,863 pa.
- New Build to Total Sales (Scenario R) – Ayrshire’s low level of new build sales to total sales has already been referred to (Para 3 &4 and Figure 1). Figure 1 illustrates the required build rate to meet the Scottish and comparator Forth Valley and Lanarkshire figures. To meet the latter would require a build rate of 1,848 pa.
- Metropolitan Build Rates (Scenarios S) – to match planned per capita build rates in G&CV’s *Sustained Growth Scenario* at 5 houses per thousand people, Ayrshire would need to increase annual private sector build to 1859 pa. Total new build would be 2109.
- Build Rate Growth (Scenario T) – to remain competitive, with the increased opportunities for home ownership from growth in build rates under G&CV’s *Sustained Growth Scenario*, Ayrshire would need to be building up to 1,871 houses each year.

Building at the scale proposed in Growing a Sustainable Ayrshire (ie 1860 houses pa) will begin to reduce Ayrshire’s competitive disadvantage and to make Ayrshire more comparable with other areas on a range of measures illustrated in the Scenarios above. Although the 6 Scenarios are not intended to be exhaustive they are indicative of the gap that currently exists between Ayrshire and other areas, across a range of measures, and which without the proposals in Growing a Sustainable Ayrshire would bear on Ayrshire’s ability to compete now and increasingly in the future.

In summary:

- Ayrshire needs to retain existing people and attract new ones in significantly greater numbers than it has in the past.
- This will require considerable attention to quality of residential environments and liveability as people are increasingly demanding greater choice and willing and able to exercise those choices as real incomes rise.
- Ayrshire has the potential to do this and to meet demand in some significant niche markets which would provide an additional dimension to the housing offer in the West of Scotland.
- Ayrshire has in the past performed relatively poorly in providing sufficient housing market opportunities compared to close competitors.
- Ayrshire has begun to recognise this challenge and is now proposing to increase opportunities, at a scale which can compete more effectively with other areas.

- As other areas in Central Scotland and elsewhere continue to make significant improvements in their housing opportunities, Ayrshire must improve its relative performance, to avoid deteriorating consequences for population levels and economic activity.

APPENDIX 10 - FINANCIAL AND OTHER BENEFITS OF THE STRATEGY

More houses being built in Ayrshire will mean additional assets and wealth. Assuming an average of £100,000 for the value of a new house, a build rate of 1860 new houses pa will add approximately £186m each year to the capital value of Ayrshire's housing stock and personal wealth. Over 20 years to 2025 this will add some £3.7bn. to Ayrshire's economy. The additional 600 houses implied by the strategy will make up £60m pa of this total, equivalent to £1.2bn over 20 years.

More households will mean more household income. Assuming an average household income of £17,500 pa* a build rate of 1860 new houses pa will add £32.6 m each year to Ayrshire's household income. Over 20 years to 2025 this will be adding £652m to household incomes each year and will have cumulatively added £6.8bn to the local economy. 600 additional houses pa will bring an extra £10.5m of income each year to residents of Ayrshire. Over 20 years by 2025 this will be adding an extra £210m pa to Ayrshire incomes and will have added a cumulative total of some £2.2bn over 20 years.

*derived from the Scottish Household Condition Survey 2002 Figure 3.5 – relates to 2002 and includes income from employment; benefits and other sources.

More houses will mean more council-tax payers. Assuming an average Band D house pays £1009 pa*, a build rate of 1860 new houses pa will add £1.88m each year to Ayrshire's Council Tax receipts. Equivalent to a 1.6% pa increase in Ayrshire Council Tax income. ** Over 20 years to 2025 this will be adding £37.6m to local authority finances each year and will have cumulatively added £395m. 600 additional houses pa will bring an extra £0.6m in Council Tax, which over 20 years by 2025 will be adding an extra £12m pa and will have contributed some £126m in total.

*Scottish average Band D Council Tax for 2003-04, Scottish Local Government Financial Statistics 2002-2003

**Council Tax Income for the three Ayrshire Councils in 2002/2003 was £117.8m

More people will create additional demand for local goods and services, supporting local producers, service providers and retailing. This in turn will enhance the viability and vibrancy of town centres and support existing and new activities. 600 additional houses pa will add £5.16m extra expenditure** on goods and services pa. available to be spent locally. Over 20 years, by 2025 this will be adding an extra £103m pa to household spending and a cumulative total of some £1,081m over the period.

**average hh expenditure of £8,603pa, Mapinfo 2004

Allocating land and granting planning consent for the building 37,200 new houses will produce very significant increases in land value*. As para 10.1 indicates the additional asset value of this residential development could be of the order of £3.7bn with a potential betterment value of the order of £475m to £1,651m deriving from the increased value of the land. How these gains will be shared between private and community interests will ultimately be a political decision. The following is an illustration of one possible outcome:

*The same argument can also be applied to retail and other developments

Total Number of Houses built by 2025	37,200
66% built on greenfield sites*	24,550
Land required @ gross residential density of 10 houses per acre	2,455

Assuming existing agricultural use value @ £2,000 per acre	£4.9m
(i) most farmers willing sellers @ £4,000 per acre	£9.8m
(ii) all farmers willing sellers @ £12,000 per acre	£29.5m

Value of land in residential use @ (i)£200,000 per acre	£491m
(ii)£500,000 per acre	£1,228m
(iii)£700,000 per acre	£1,719m

Community share on the basis of a Community/ landowner-developer betterment split @

(i) 60/40	£295 to £1,031m
(ii) 50/50	£246 to £860m

*33% brownfield sites are likely to have higher development costs and therefore are assumed to have little scope to make significant community contributions without slowing or deterring redevelopment.

The above indicates that on the basis of residential land prices of £200,000 per acre and a 50/50 split of the development value there is the potential for a minimum average contribution of around £10,000 per house* towards community assets as a result of greenfield** development. This could rise significantly above this figure depending on land prices. For example if the land price was £700,000 per acre*** the contribution would rise to £35,000 per house. In theory the community could take 100% of the development value of £22.5m to £82.5m per annum, totalling £491m to £1,719m by 2025.

On the basis of a 50/50 split these land values would equate to approximately £12m to £43m per annum or £245m to £860m by 2025 available for investment in community assets in Ayrshire to 'mitigate the impact' of new housing development.

*This compares with £7.4m (or £1,500 per house) which is proposed by Borders Council as the developer contributions to £129.6m capital cost of the new Waverley Railway.

**Similar contributions could be expected from the development of industrial sites for residential use. Prices for industrial land in Irvine are around £45,000 per acre compared with £200,000 for residential. This would provide £15,500 per house or £7,750 shared 50/50 between the local authority and the developer- site owner.

***Price for residential bulk land per acre around Ayr (VOA 7/2004)

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Publicity Statement & Summary of Consultation

- 1 AJSP 2025 – Results of Consultation
- 2 AJSP 2025 – Results of Consultation Appendix 1 - 7

Technical Reports

- 1 Strategic Assessment of Housing Land Requirements
- 2 Study of Urban Capacity within Ayrshire
- 3 Renewables
- 4 Community Profiles
- 5 Retail Capacity Assessment - East, North & South Ayrshire 2004 to 2012
- 6 New Housing – The Key to Developing a Sustainable Ayrshire
- 7 Distribution of Population and Development Land for Housing between Core Area, Investment Corridors and Non-Corridor Communities

Supporting Environmental Information

- 1 Environmental Assessment
- 2 An Assessment of the Impact of the AJSP on Natura 2000 (Appropriate Assessment)

Background Reports

- 1 Ayrshire Development Study (Drainage)
- 2 Housing Land Supply 2005 (Draft)
- 3 Sustainability Report
- 4 Scottish Executive Form for Objections or Representations