

National Planning Framework 4

Minimum All-Tenure Housing Land Requirement

City of Edinburgh Council Response May 2021

From the [report and annexe](#) approved by Planning Committee 19 May 2021

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PART 1 – Household Projections (Newly-Forming Households)

The **Household Projections** are derived from the 2018 National Records of Scotland work on future newly forming households. The Council agrees that this is the most up to date information available to the Scottish Government for this purpose, and that these show a reduced level of demand from the 2014 projections, which informed work on the Housing Need and Demand (HNDA) 2 process for the south east region. However, that is qualified by the following considerations.

It is noted that HNDA3 work can use the higher projection variant (higher migration) but the NPF4 calculator uses the principal variant as it is to calculate the minimum land requirement. Therefore, the outputs of HNDA3 might vary from those of the NPF4 methodology rather than reflect them. However, given that the variance between the principle variant and the higher is only 1% (and for the lower only -1%) then using the principle variant is a reasonable approach towards a minimum default housing land supply.

Whilst this is an appropriate starting point, the Council considers that it does not properly reflect the circumstances of housing need and demand. These are projections based on the 2011 census and informed by trends in birth rates and in migration, both of which have fallen in recent years. Given the time elapsed since the census, the use of the projections as a starting point needs to be considered carefully alongside other evidence. Edinburgh remains a strong attractor to potential new households through its economic growth as well as having its own demographic changes and housing pressures with affordability being limited due to high prices. Continued economic success, particularly in the post Covid era requires a housing supply that can properly support the workforce in all sectors of the economy.

Housing Supply and Market Context

Edinburgh is a growing city and one of the most highly pressured housing markets in the country. The latest robust and credible Housing Need and Demand Assessment (HNDA2) states there is demand for between 38,000 and 46,000 new homes in Edinburgh over ten years; over 60% of these homes need to be affordable. The Council notes that this is based on the higher projections of the 2014 NRS figures and the HNDA calculated tenure split.

The Scottish Federation of Housing Associations, The Chartered Institute of Housing and Shelter Scotland recently commissioned research to look at Scotland's affordable housing need over the next five years¹. The report highlights that building affordable housing should be a key part of Scotland's recovery out of the recession caused by the pandemic. The research also found that nearly 60% of the total annual affordable homes requirement for Scotland is needed in the Capital region (Edinburgh, Lothians, Fife and Borders), which is three times the need of the West Central area (Glasgow, Inverclyde, East Dunbartonshire, West Dunbartonshire, Renfrewshire, East Renfrewshire, North Ayrshire, and South Lanarkshire).

Edinburgh's population is projected to increase at a greater rate than the Scottish average, with the number of households projected to increase by 21% between 2018 and 2043, i.e. an additional 50,000 households in the city. Population and household growth are expected to place increased pressure on available housing. The Council notes that this figure relates to the 2018 NRS projections rather than the HNDA2 figures.

¹ Affordable Housing Need in Scotland Post-2021 (March 2020, revised May 2020) – SFHA, CIH Scotland, Shelter Scotland

Social rented homes account for only 14% of the housing stock in Edinburgh, compared to the Scottish average of 23%. The Council and Registered Social Landlords (RSLs) are experiencing high demand for social rent and mid rent homes. There are around 21,000 - 22,000 applicants registered on EdIndex (the Common Housing Register) at any one time. Overall available social rented homes for re-let are down by around 25% in 2020/21 as a result of Covid-19 pandemic, with an average of about 203 bids currently being received for available homes advertised through Choice.

Households registered on EdIndex can be awarded a Gold or Silver priority status based on their assessed housing need and there are currently around 5,700 applicants with a priority on their application, compared with an average of around 2,300 social rented homes becoming available each year.

Edinburgh lets more social homes than any other local authority to homeless households (72% of Council homes and 51% of RSL Partner homes). There are on average 3,130 additional households every year to whom the Council has a homelessness statutory duty to provide settled accommodation. Even with all the social lets made available to homeless applicants, there would still be a shortfall and there would be no available properties for other households with a priority need for housing. This demonstrates the need for a continued focus on both prevention and increasing access to settled accommodation in other tenures.

The average house price is around six times the average gross annual earnings in the city, making it the least affordable city in Scotland to buy a home. The lockdown restrictions effectively saw the sales market frozen over the usually active Spring market in 2020, but a sharp increase was observed as restrictions eased and number of sales in Edinburgh jumped to levels well above Summer 2019. Despite a second lockdown in Scotland, ESPC reported that, in the three months of December 2020 to February 2021, the average selling price for homes Edinburgh, the Lothians, Fife and the Borders had increased by 6.2% year-on-year to £265,446, while the volume of property sales in these areas was up 42.2% year-on-year over the same period.

The average advertised monthly private rent in Edinburgh in the last quarter of calendar year 2020 was £1,085, with the second highest rent recorded in Glasgow at £848 and a Scottish average at £826 (source: Citylets). Although this was the first year-on-year reduction in Edinburgh's average rent in a decade, it still represented a 41% increase from 10 years ago (2010 quarter 4) and was twice the rate of the 20% CPI inflation over the same period. One of the reasons for the year-on-year reduction was the increased number of properties available for rent, as landlords sought to secure rental income through residential lets whilst the holiday market had stalled under the Covid-19 pandemic.

It is estimated that there has been a loss of around 10% of Private Rented Sector homes to short term lets in recent years. The rapid growth in short term lets is creating further pressure on supply, rent levels and house prices in some areas. Although the Covid-19 pandemic has driven some of the short term lets back to the long term lets in the last year, the lasting impact is yet to be seen.

The tenure of mid-market rent is aimed at people who cannot afford home ownership but would not usually be eligible for social housing. The average mid-market rent (MMR) for a two-bedroom home in the city is around £630 a month; more than 40% cheaper than the average private rent.

The introduction of mid-market since 2010 has aided the Council in driving more value for every pound of Scottish Government grant provided. Homes receiving help from Scottish Government either through grant or rental guarantees have their rents restricted to the mid-point of market rent levels for the property sizes in the relevant Broad Rental Market Area. This guarantees the long-term affordability for tenants.

The Council is working with RSL partners to make mid-market rent more accessible for people in work, presenting as homeless. These measures include tailored housing option advice and improved information around the availability of mid rent homes, including homes in development.

Mid-market rent as a tenure continues to be a much-needed tenure for people on low to moderate incomes. The most recent NHT development at Western Harbour attracted around 42 applications per homes when it was released in 2018. Similarly, Edinburgh Living's own development of 22 homes at Clermiston attracted a large number of enquiries, with 80 notes of interest in the first three days of marketing and over 40 applicants attending an open viewing within the first week. No further advertising was required. Subsequent developments have continued to let well, with average time to let sitting under 30 days in the first six months of operation. However, cognisance needs to be taken of the competitive nature of mid-market rent in some locations within the city.

The City Region Deal, its emerging Regional Growth Framework and the incorporation of this in interim Regional Spatial Strategy feeding in to the NPF4 process need to be considered also. The Council's submission to that part of the process referred back to the proposed housing land supply set out in Choices, the Main Issues Report for City Plan 2030 and whilst that LDP process needs to be a cross-reference point from the information previously submitted, it is emerging work which needs to go through the process of Proposed Plan, representation and Examination. Without the clarity of an approved SDP2 due to its rejection by Scottish Ministers, this continues to be an uncertain process which this work may help to inform.

In addition to the above the Council notes that the most up to date information on tenure split is given by HNDA2, where more than 60% of need and demand is of an affordable tenure (including MMR etc). Applying that split to the 10-year minimum housing land supply calculated from the housing projections indicates that only some 9000 market homes would be needed in the area over that period, some 900 completions per year. Recent market completions have risen to some 2000 per year. In those circumstances the evidence strongly suggests that this is an underestimation of market demand as well as of affordable need. Work going forward will need to take into account the emerging evidence of HNDA3 in terms of growth and demand scenarios and tenure split.

From all of the above, the Council maintains its commitment made in 2017 to build at least 20,000 affordable homes by 2027, to ensure that the availability and affordability of homes continues to be addressed and that economic growth is not hampered by a high housing cost barrier. In respect of that commitment the Council has published its HRA Investment Strategy as part of the support of this initiative to increase the delivery of housing supply in the area. Part of the supply will continue to come from affordable homes delivered from market sites.

PART 2 – Existing Housing Need

In terms of the **Existing Housing Need**, the figure for homeless households in temporary accommodation and households both concealed and overcrowded is 2140. This figure should be updated as the Council updates its figures for the year end 2020/21. The Council's "[Rapid Rehousing Transition Plan](#)" (RRTP), approved at Housing, Homelessness and Fair Work Committee on 18 September 2020, set out that as of 31st March 2020 there were 4,135 homeless cases where the Council has a duty to provide settled housing. The Council will feedback the updated figure as soon as it can.

Also, there is concern that this figure is treated as a standing snapshot which is added as a one-time number to the cumulative ten-year household formations. As set out in the above report (p54), even assuming no increase in homelessness presentations each year, there is a rolling increase from unresolved demand, with a figure of 3,453 in 2019/20 rising to 4,918 in 2026/27 before projected increased supply would bring this down. Other models of demand and supply are also shown, however, the critical factors are that this is significantly higher than shown in the proposed NPF figures and is a changing and not static figure.

Therefore, the calculator should be adjusted to reflect the available data, as set out at the end of this response.

Also, there is concern that the introduction of the "Homelessness etc (Scotland) Act 2003 (Commencement No.4) Order 2019" means a removal of Local Connection in homeless assessments. Households will no longer be required to evidence a local connection to be entitled to homeless assistance. The RRTP anticipates that this will lead to a rise in the number of homeless households presenting in Edinburgh given the potential for finding employment, but the extent to which this is the case has yet to be quantified. This impact of the removal of local connection will be assessed on an ongoing basis by the Homelessness Service and there may be a need to submit further revised figures to the Scottish Government in respect of this part of the calculation. It should be noted that the provisions of legislation to deal with the Covid-19 pandemic have had a similar effect and the first indication of the extent of this will be reported in the update to the RRTP in the summer, though data may be available shortly.

Therefore, in respect of this part of the calculation the Council's response must be seen as an interim one.

More generally in respect of the **methodology**, it is considered that this needs careful reading as currently set out and these are noted below. However, the essential process is recognised as being:

- to get a 10-year figure for a plan you take the newly formed households over 15 years, annualise that and multiply by 10 to get 10 years of newly forming households;
- existing need is then added to get total need/demand.

The proposed 10-year land figure to provide for 22,044 homes (27,555 with 25% flexibility]) would require 2,204 (2,756) new homes completed per year on average. The average completion rate over the last years has been 2,015. However, this takes in a period of severely reduced development following the recession. Completions over the last five years averages 2,540 with the latest year being just under 3,000. Therefore, completion levels could match a higher land supply given favourable economic conditions. The Council's HRA investment programme for affordable housing, the preferred policy requirement of the Main Issues Report for 35% affordable housing on market sites, the Government's Housing for 2040 programme and significant BTR investment in the city are additional mechanisms to deliver homes quickly without mortgage constraints and enable higher rates of completions.

PART 3 – Flexibility Allowance

The justification for the proposed 25% for urban areas over the 10 – 20% range set out in Scottish Planning Policy is that this reflects the provisions of the Planning (Scotland) 2019 Act that Local Development Plans be over 10 years rather than be reviewed at least every five years. Without analysing the original evidence behind the SPP allowance, the Council considers that this has worked well in principle and is acknowledged as a useful mechanism to ensure there is adequate land to provide for need and demand, where some sites may fail due to ownership, infrastructure or economic reasons. The proposed 25% to be taken as a minimum for urban areas should prove appropriate and the Council does not see a need to increase this. Given the provision that the housing land supply figures of the NPF4 would be a minimum figure that would not preclude an LDP allocating a larger supply of land if there were material reasons to do so this is seen as appropriate, and the land supply provided by the approach to affordable housing delivery as set out elsewhere in this response would be able to provide a very flexible supply for both affordable and market housing.

PART 4 – Locally Adjusted Estimate of Minimum All Tenure Housing Land Requirement

Instructions

The Excel Calculator must be used to produce a locally adjusted estimate of the minimum all-tenure housing land requirement. The initial default and adjusted estimates must be provided below.

Initial Default Estimate = 27,555

Adjusted Estimate = 48,125 @ 25% affordable housing requirement
36,875 @ 35% affordable housing requirement

A copy of the adjusted Excel Calculator must be submitted with the response template.

Taking account of the above questions and the proposed NPF4 default minimum housing land supply with 25% flexibility being land to provide for 27,555 homes, the Council considers that this would not be adequate. A key issue here is that this is an all tenure assessment of the amount of land (including flexibility) that would likely be needed to deliver some 22,000 homes based on household projections and an assessment of housing need.

However, this fails to take account of how many affordable homes are needed and how they would be delivered. As affordable homes are only partly delivered by Council and RSLs on their own or acquired land as 100% of site tenure, and at a lower rate on market sites through affordable housing policy requirements. This is currently 25%, with a preferred approach in Choices for City Plan 2030 of 35%. It is essential in calculating a realistic land supply to take account of this as it means a higher level of land supply is required to deliver the affordable homes needed. Equally where sites owned by the Council or RSLs are larger it will be desirable to ensure mixed communities are created or maintained by seeking market delivery alongside the affordable element, with the same consideration.

The earlier cited evidence of HND A2 and the over 60% split towards affordable tenures emphasis this point. The standard requirement for affordable housing from market sites is

25%. The Council is considering consultation feedback from Choices to a proposed policy requirement of 35%. If the 35% requirement were to be used to deliver the 20,000 affordable homes, this would require some 58,000 homes to achieve this.

However, the Council's Housing Revenue Account (HRA) investment programme in land and new build homes will provide for a significant proportion of the 20,000 affordable homes.

To provide for half of the 20,000 affordable homes commitment from market sites, there would need to be land for some 30,000 homes, plus at least land for another 10,000 homes for the HRA investment strategy.

If the affordable housing requirement was to be 25% then there would need to be land for some 40,000 homes plus the 10,000 affordable homes provided through the HRA investment strategy.

To date some 6,300 affordable homes have been granted permission in the Council area since 2017 and some 4,600 homes either completed or acquired for affordable tenure. The Council's Housing Revenue Account (HRA) investment programme in land and new build homes will provide for a significant proportion of the affordable homes commitment. To provide for half of the remaining affordable homes commitment from market sites, there would need to be land for some 22,000 homes, plus at least land for another 7,500 affordable homes to be provided through the Council's HRA investment strategy. If the affordable housing requirement was to be 25% then there would need to be land for some 31,000 homes plus the 7,500 affordable homes through the HRA investment strategy. Either of these approaches would allow for significantly greater market demand than the household projections entail, and therefore allow for further growth if market conditions support it.

A further consideration of that affordable split is that, as noted earlier in this response, if it is applied to the housing projections, housing need and flexibility calculations set out as a minimum requirement by the methodology used in this proposal for NPF4 (land for some 27,500 homes), that would mean fewer than 9,000 market homes are required in the 10 year calculation period. Using the methodology that would mean a land supply for some 11,250 homes would be adequate for this. Given that completions have averaged some 2,500 per year for the last 5 years, and given that of the near 3,000 completions last year nearly 2,000 of those were market homes, it is highly unlikely, unless the market changes to a very significant degree, that it will be the case that there will be only an average of 900 market completions per year over the 10 year period.

From the approach set out in this response it would be reasonable to consider an all tenure land supply for 39,825 homes on the basis of a 35% affordable housing requirement or 48,125 homes on the basis of a 25% requirement, as the default minimum, as an interim figure, for NPF4. As the affordable housing requirement policy change remains to be considered through the representation and Examination process of City Plan 2030, and for the reasons summarised below, it would be prudent at this stage to advise of an interim figure of land supply to provide for 48,125 homes to deliver the affordable housing need identified in this report.

However, given that retaining the affordable housing requirement at 25% would allow for a significantly greater supply of housing land for the market than the housing projections indicate, and thereby take into account the potential for the market to outstrip the estimated demand from the all-tenure projections, this would be a very generous housing land supply. It is therefore the Council's recommended approach to increase the affordable housing policy requirement to 35% to reduce this significant oversupply of land. Whilst this is

departing somewhat from an all-tenure approach to the housing land supply, it is clear that a realistic supply must take account of the delivery of affordable housing as a factor affecting the amount of land needed.

- The assumptions around the principle variant for household growth projections are reasonable and accepted but local evidence on housing prices, availability and of affordable housing need demonstrate why the Council has committed to providing for 20,000 affordable homes and why a greater land supply than that proposed in the default minimum figures is required.
- The assumptions around housing need are out of date. The most recently available figure for homelessness of 4351 is used at the time of writing but will be updated through iterative discussions with the Scottish Government on this matter.
- The Council is concerned that the use of an all-tenure figure hides the clarity of concealed households and overcrowding and affordable housing need, and how this relates to delivery of affordable housing.
- The Council considers that its affordable housing commitment actively addresses need and demand for housing and future housing provision and that this needs to be a consideration for the default minimum housing land figures in NPF4 as an appropriate land supply for Edinburgh

Taking from the above as applied to the Scottish Government's Excel calculator, it is proposed that an appropriate minimum housing land supply figure for City of Edinburgh be as follows.

	SG		CEC		25% AH	35% AH
Input	Annual	Cumulative	Annual	Cumulative	Cumulative	Cumulative
Newly forming households	1,990	19,905	1,990	19,905	19,905	19,905
Existing Housing Need	2,140	2,140	4,135	4,135	4,135	4,135
Affordable requirement + additional market supply	-	-	-	14,460	5,460	
Subtotal	-	22,045		38,500	29,500	
Flexibility Allowance		25%		25%	25%*	
Total		27,555		48,125	36,875*	

*correction of error from committee report annexe which incorrectly used 35% in the flexibility line

Note on Methodology

- Annexes H and I are misleading as the only annualised figure is for newly forming households – the existing need figure is always static as it represents the number of households in need at the moment (overcrowding and concealed households).
- In Annex H, they calculate the newly forming households for 15 years and add the existing need and call it 15-year default figure but the 15 year default figure is not used for anything in later stages.

- In Annex I, they present the housing need figure and the annualised newly forming household figure, then for reasons not clear, add them together in the last column.
- In later steps, they correctly use the annualised newly forming households and add in the existing need.

PART 5 – Housing Market Partnership (HMP) and Stakeholder Involvement

List of HMP members

Fife Council
West Lothian Council
City of Edinburgh Council
East Lothian Council
Midlothian Council
Scottish Borders Council
Scottish Government
Health & Social Care
CHMA (Assurance)

Summary of HMP views

A general view of HMP members is a concern at under provision and that the SG figures are too low, however, no clear view has emerged from consultation with the HMP as time constraints meant there were very few responses. This is part of the iterative work referred to in the Planning Committee report and will be taken forward and further reported. The responses which were received could not form part of the report itself due to committee paper publication dates and a brief verbal summary was given in planning committee. Aside from discussions and a response from Homes for Scotland on behalf of their South East Scotland housebuilder/developer members, one response was received from a community group and one from an individual (see other stakeholders section).

Homes for Scotland will respond separately to the consultation in any case but in summary it sees a need for at least 25,000 new homes per year across Scotland and that this figure should be related proportionately to the 2019 level of completions (22,596 in their figures) in each Planning Authority area. It considers the SG figures very low in comparison with this. HfS considers that the housing need figure should reflect potential single households as the methodology hides these and is sceptical on the household formation projections. HfS suggests an Edinburgh minimum of 42651 to reflect 2019 completions.

With the approval of the committee report it is now possible to have more meaningful discussions with stakeholders.

HMP agreement

Has the HMP agreed your minimum housing land figure? *Please delete accordingly*

NO - Please see comment above

List of Additional Stakeholders

West End Community Council (Edinburgh)
West Pilton/West Granton Community Council (Edinburgh)
Portobello Community Council (Edinburgh)
Edinburgh Affordable Housing Partnership
Ore Valley Housing Association
Richard Street
NAS Tech Construction
Ladybank Homes Ltd
AJ Stephens
Muir Homes
Keepmoat Homes
Ogilvie Homes
The Newport Property Development Company
Allanwater Developments
Springfield Homes
Campion Homes
NHS Lothian

Summary of Stakeholders Views

The community organisation and individual responses were similar, focusing on the need to wait until inward migration stabilises post Brexit. They support a focus on brownfield rather than greenfield development and otherwise refer back to responses made to SESplan SDP2.

PART 6 – Joint Housing and Planning Senior Official Sign-Off

Instructions

This template should be agreed and signed-off, jointly, by the Head of Housing and the Head of Planning or the equivalent senior official from each department. Typed signatures can be provided.

Head of Housing

Full Name: Elaine E. Scott

Full Title: Housing Services Manager

Email: elaine.scott@edinburgh.gov.uk

Date: 24 May 2021

Signature: Elaine E. Scott

Head of Planning

Full Name: David Givan

Full Title: Chief Planning Officer

Email: david.givan@edinburgh.gov.uk

Date: 24 May 2021

Signature: David Givan