

National Planning Framework 4

Minimum All-Tenure Housing Land Requirement

RESPONSE TEMPLATE (East Ayrshire Council)

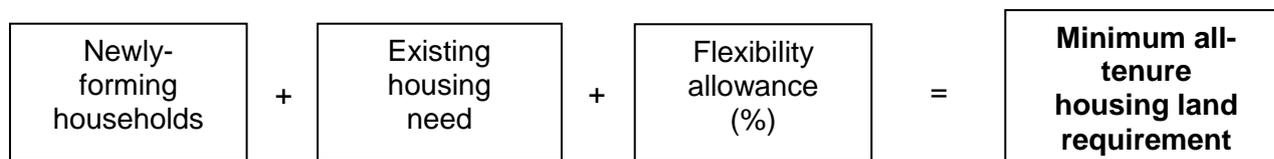
Scottish Government

Planning & Architecture Division and Housing & Social Justice

February 2021

PURPOSE

The Scottish Government has produced initial default estimates of the 10 year minimum all-tenure housing land requirement for each local authority and national park authority. These are derived from three main inputs:



The initial default estimates are set out in the Guidance and Method Paper that accompany this Response Template. They are a first step towards developing a Scotland-wide picture of the amount of land for housing that will be needed in the future to guide allocations in Local Development Plans (LDPs). They are a starting point for authorities to consider and input to in order to inform the final figures that will feature in the draft NPF4.

Authorities are being asked to consider the default assumptions for household projections and existing housing need, flexibility allowance and estimates and to make a case for adjusting them where there is clear and robust evidence and policy requirements do to so. The Guidance indicates how authorities should go about making the case for change and this template must be used to respond. The two should therefore be used in tandem. Please note that word limits set out in the template must be observed as closely as possible.

An Excel Calculator is also provided. It shows the default calculations and allows authorities to input adjusted data in three simple steps to produce locally adjusted estimates. If making a case for change, authorities must use the calculator and submit this alongside the template.

Prior to submitting the template to the Scottish Government for formal assessment, authorities are encouraged to discuss this with Scottish Government housing and planning officials and to seek any advice as they build a case. Requests of this nature should be sent to the following mailbox (NPF4housingland@gov.scot) in the first instance.

On completion, the response template and calculator should be submitted to the mailbox for assessment by Scottish Government housing and planning officials. The appraisal criteria that will be used are set out in the accompanying Guidance. A short Assessment Report will be written-up and this will contain the Scottish Government's decision.

STEPS TO TAKE

- Step 1** Read the Guidance and Method Paper accompanying this template.
- Step 2** Work with your Housing Market Partnership (HMP) and local stakeholders to consider and discuss the initial default estimates of the minimum all-tenure housing land requirement.
- Step 3** Use this response template to make a case for any adjustments you wish to make to the initial default estimates. Note that the response template should be no longer than **12 pages** (excluding the cover sheets) and this will be observed by SG when assessing the templates.
- Step 4** Discuss the template with SG housing and planning officials if that is useful.
- Step 5** The response template should be signed-off by the Head of Housing and the Head of Planning or the equivalent senior official from each department.
- Step 6** Submit the completed response template to the SG for consideration using the mailbox (NPF4housingland@gov.scot).

TEMPLATE PART 1 – Household Projections (Newly-Forming Households)

Instructions

The Scottish Government's initial default estimates use the NRS 2018-based principal household projections (equivalent to step 1 of the HNDA Tool). Alternative household projections are available including the NRS low migration variant and high migration variant. Some authorities also produce household projections in-house and authorities can consider the use of these where they can make a robust case for this.

Use the space below to provide evidence for the use of an alternative household projection. This must explain how the housing completions data provided by the Scottish Government has been considered. It must also include the actual household projections that you wish to use. Where necessary, tables of figures can be provided in an Annex.

Take no more than the 2 pages.

Each projection variant proposed for East Ayrshire (low and high) is identical at 1%. There would therefore be no departure from the modest increase from 55,107 households in 2018 to 55,695 in 2028. The NRS figures indicate a small increase in households to 55,837 in 2024 and a decline thereafter. It is therefore acknowledged that no other household projection exists that might produce an alternative scenario.

Nevertheless, it is considered that to view NRS household projections as an indication of likely population growth does not account for one of the key purposes of the forthcoming East Ayrshire LDP2. Whilst the NRS household projection for East Ayrshire has been formulated on the basis of past trends, it is intended that LDP2 will, through its policies and housing land allocations, bring about an increase in the resident population of East Ayrshire so as to maintain the vibrancy and vitality of its towns, villages and wider economy¹. Factoring in the household projection presented for East Ayrshire in near isolation and if translated into an HLR, would result in stagnation of the resident population of the area, would adversely impact the area's commercial housebuilding sector and would hamper both the Scottish Government and East Ayrshire Council's ambitions for rural repopulation².

The approach taken by the Scottish Government in determining likely household growth in preparing the minimum HLR has been to project forward at the same rate of growth as the time period on which the 2018-based household projections were based. However, a range of influences, be they social or economic changes or the long term impact of the COVID-19 pandemic, will affect such expectations. It has been stated by Homes for Scotland in their 'Overcoming Housing Need and Demand Assessment Limitations' note (attached) that to project forward on the basis of a past undersupply of effective housing land and thereby factor in a past suppression of household growth would exacerbate past trends in the long term.

In their note, Homes for Scotland provide the example of Midlothian Council, which determined in the early 2010's to increase its land supply significantly above NRS household projections. They in turn achieved a significant increase in completions and new household formation. As a consequence, the 2018-based household projections for Midlothian are higher than was previously the case and now reflect that Council's desire to accommodate population growth. Whilst it is considered that Midlothian is an outlier in that it has achieved exceptional growth as a consequence of its location within commuting distance of Edinburgh, the example demonstrates that NRS household projections should be viewed somewhat sceptically and

¹ <https://www.east-ayrshire.gov.uk/Resources/PDF/L/LDP2-Main-Issues-Report.pdf>

² [Fourth National Planning Framework: position statement - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2018/04/Fourth-National-Planning-Framework-position-statement-gov.scot)

that they should be considered as but one of a range of influences when determining likely supply and demand.

The Scottish Government has itself acknowledged that household projections “have limitations” and that a projection is a calculation showing what happens if particular assumptions are made³. In the case of the 2018 projections, this may refer to past trends and not policy-based forecasts of what the Scottish Government wishes to happen.

In its response to the NPF4 Housing Technical Paper consultation in 2020, East Ayrshire Council highlighted the flaws and limitations of the HNDA tool in determining required levels of housing growth⁴. In particular, it was noted the outputs from the process have consistently not matched actual local conditions or evidence from housebuilding. In some instances the HNDA tool has produced levels of growth that have been greater than actual completions; the opposite has also been the case. Please note however that the East Ayrshire HNDA 2018 selected the ‘High Migration, Flatter Growth’ which details an increase from 55,676 households in 2017 to 59,436 households in 2037, an increase of around 7% and thereby greater than that predicted using the Scottish Government’s preferred method⁵. Whilst it is acknowledged that any projection tool or method is likely to be somewhat flawed, the HNDA tool has therefore proven to be inaccurate in many cases and, as the above examples demonstrate, may be interpreted in numerous different ways.

With such limitations in mind, the Council has in the past taken a pragmatic approach in that it has been able to assess estimates produced by the HNDA and then to introduce a degree of flexibility, as necessary, for the LDP in terms of projected housing land requirements. The HNDA tool should therefore be considered by the Scottish Government as the starting point from which to inform the establishment of the HLR and not its sole influence. Local authorities should be permitted to depart from the findings of the HNDA if they run contrary to their and the Scottish Government’s ambitions for household and economic growth.

(see page 4 of the Guidance Note)

³ [Population Projections Scotland | National Records of Scotland \(nrscotland.gov.uk\)](https://www.nrscotland.gov.uk)

⁴ [Scottish Planning Policy and Housing - technical consultation: analysis - gov.scot \(www.gov.scot\)](https://www.gov.scot)

⁵ [East Ayrshire Housing Need and Demand Assessment 2018 \(east-ayrshire.gov.uk\)](https://www.east-ayrshire.gov.uk)

TEMPLATE PART 2 – Existing Housing Need

Instructions

The Scottish Government's initial default estimates include an estimate of existing housing need (equivalent to step 2 of the HNDA Tool). This includes homeless households in temporary accommodation and households who are *both* overcrowded *and* concealed.

Use the space below to provide robust evidence for the use an alternative existing housing need figure. This must explain how the housing completions data provided by the Scottish Government have been considered. This must also include the existing housing need figure that you wish to use. Where necessary tables of figures can be provided in an Annex.

Take no more than the 2 pages.

With regard to the determination of existing housing need, it is noted that whilst the HNDA toolkit factors in homeless households in temporary accommodation and households of more than one person which are both overcrowded and concealed, a larger number of factors would contribute towards a more rounded understanding of need. For example, a range of factors concerning living arrangements are not factored into the HNDA process, including unaffordable rent, the physical condition of properties, a lack of garden space for children, overcrowding whereby children of different sexes share a bedroom and a desire of some of those that live with parents to rent or own their own accommodation. The tool does not therefore achieve a full understanding of need and demand for new dwellings.

As has been described above, it is considered that the HNDA tool is a flawed and imperfect means of determining housing land requirements, particularly so if it is taken as the sole form of evidence without also factoring in other relevant inputs. Local authorities should consequently be permitted to depart from its findings if they are deemed contrary to their ambitions. Therefore, and as was recommended in the Council's response NPF4 Housing Technical Paper consultation, it is suggested that the Scottish Government should as a longer-term aim amend the HNDA tool so as to address its flaws and restore confidence in its use. Solutions may include the use of a wider range of inputs, as described above, or the use of national level digital tools to accurately reflect current need and demand.

The East Ayrshire Local Development Plan 2 is at the Proposed Plan stage of preparation and an HLR requires to be determined as soon as possible. It is therefore recommended that the HLR presented in Part 3 of this document is agreed. Nevertheless, it is recommended that the Scottish Government should as a longer term ambition undertake a wide-ranging survey in all Local Authority areas of household need so as to gain a more accurate understanding of housing need and demand than that predicted by the current HNDA tool. Such findings may contribute towards the determination of housing need and demand ahead of the preparation of East Ayrshire Local Development Plan 3.

(see page 4 & 5 of the Guidance Note)

TEMPLATE PART 3 – Flexibility Allowance

Instructions

The Scottish Government's initial default estimates include the addition of a 25 per cent flexibility allowance for urban areas and 30 per cent for rural areas. This is to provide a contingency or over programming of land to allow for changes in sites coming forward over the 10 year time frame of the local development plan.

Use the space below to provide evidence for the use of an alternative flexibility allowance, which should generally be no less than those provided. This must explain how the housing completions data provided by the Scottish Government has been considered. It must also include the percentage flexibility allowance that you wish to use.

Take no more than the 2 pages.

House completions data from the Scottish Government indicate that 3,651 dwellings were completed in East Ayrshire during the years 2010 to 2019; 365 units per annum⁶. East Ayrshire figures detail that at least 391 units were completed in East Ayrshire during the financial year 2019/2020, very close to the long term trend. It is anticipated in the East Ayrshire 2020 Housing Land Audit (HLA) that (subject to the impact of the COVID-19 pandemic) 373 units would be completed in 2020/21 alone⁷. It cannot therefore be reasonable to estimate that only 350 units (flexibility of 0.30 included) will be completed over the next decade.

The 2020 HLA projects that 2301 units will be completed in East Ayrshire during the five year time period 2020/21 to 2024/25; 460 per annum. These projections were determined after consultation and agreement of a range of house builders, Homes for Scotland and the Council's Planning Service. The long term rate of completions is also an important factor to consider when determining the HLR; Scottish Government data detail that 8778 units were completed in East Ayrshire between 1999 and 2019, 439 per annum. Past trends and the 2020 HLA can therefore be determined to be as accurate a reflection as possible of the actual long term trend. Taken together the rate of completions over the next 10 years and the HLA, the Housing Land Requirement is expected to be between roughly 4000 to 5000 units.

Whilst more difficult to establish in terms of effect, the HNDA/NRS method chosen to determine the Minimum All-Tenure HLR does not factor in less easily quantifiable factors like the call for sites, which demonstrated continued demand for new sites in East Ayrshire, nor the subsequent allocation of housing land in the forthcoming LDP2 and the associated intention of the Council to foster growth. Other factors also imply that setting a higher number than the 350 unit baseline would produce positive results. For example, the construction industry employed around 2000 people in East Ayrshire in 2019 and it is estimated that the construction of each new home in Scotland supports 4.1 jobs⁸. It is intended that Ayrshire Manufacturing Investment Corridor (AMIC), HALO Kilmarnock, National Energy Research Demonstrator Project (NERD) and other Ayrshire Growth Deal (AGD) projects will encourage inward migration and thereby spur demand for new homes. The AGD as a whole has the

⁶ <https://www.gov.scot/publications/housing-statistics-for-scotland-new-house-building/>

⁷ [HLA 20 \(Vol 1 - Summary Report\) \(east-ayrshire.gov.uk\)](#)

⁸ Business Register and Employment Survey (BRES) (2019)

⁹ Nathaniel Lichfield & Partners (2016)

potential to create 2,100 jobs in East Ayrshire as a consequence of 7000 jobs overall being created and with a 31% share of funding for the East Ayrshire area¹⁰.

Other factors like the Council’s Strategic Housing Investment Plan (SHIP) 2021-2026 which indicates that 1229 dwellings will be necessary during that time period and private sector dwelling depletion and the declining quality of existing stock are also important considerations to factor in to any HLR determination¹¹. Registers of Scotland data reveal that the rate of house sales in East Ayrshire has risen from 1339 in 2010, to 1807 in 2015 and to 2119 in 2019, the year before the COVID-19 pandemic¹². When taken together with the expectations of the 2020 HLA, it is evident that whilst the early 2010s experienced a slowdown in house building associated with the 2008 recession, Scottish Government data reveals the rate of completions has significantly recovered from a low of 239 in 2013 to more than 400 in 2019 and shows no signs of tailing off.

On the basis of the various inputs and factors presented above and in East Ayrshire Council’s submission to the Scottish Government on the 24th of March 2021, updated and attached, it is considered reasonable to apply a considerable flexibility to achieve the HLR. The guidance states that any flexibility allowance should generally be no less than the 0.25 or 0.30 provided and that any reasoning must be made on the basis of local, regional or national policy drivers and aspirations. The guidance document and early discussions with the Scottish Government Planning & Architecture division suggest that a significant uplift from the initial figure of 350 units would be considered appropriate. On that basis, it is proposed that the following approach is employed to establish an agreed Housing Land Requirement for East Ayrshire Local Development Plan 2.

In the first instance, it is necessary to reflect the findings of the East Ayrshire HNDA 2018, approved as robust and credible. The HNDA forms the foundation from which to construct the HLR and, as a baseline, the following calculation taking account of its projections, the 2020 HLA and completions between 2010 and 2019 is made:

A	Comp. 2010-2019	B	HLA 2020-2025	C	HNDA 2018	Calculation	HLR
	365 p.a.		460 p.a.		186 p.a.	$A + B + C / 3 * 10$	3370

It can be demonstrated that the lower expectations of the HNDA have influenced the HLR figure in the above example in that the average annual 2010 to 2019 rate of completions and those predicted through the HLA 2020 are significantly higher than the average annual figure from the 2018 HNDA. The HNDA ‘A Practitioner’s Guide (2020)’ states that past trends are often a good predictor of future trends and it is evident that considering the HNDA alone would produce a figure that was lower than the long term trend, as well as agreed future expectations.¹³

It can therefore be determined that a number of less quantifiable influences on housing supply and demand must be considered so as to build on the findings of the HNDA. These can be summarised as follows (more information is provided in the attached NPF4-HLR Evidence Report):

The impact of the allocation of additional housing land in the forthcoming LDP2 so as to spur development and to meet the intended higher growth scenario	The various Call for Sites exercises and interest expressed by respondents in developing land
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¹⁰ [Home | Ayrshire Growth Deal](#)

¹¹ [EA Strategic Housing Investment Plan 2021-2026 \(east-ayrshire.gov.uk\)](#)

¹² <https://www.ros.gov.uk/data-and-statistics>

¹³ HNDA ‘A Practitioners Guide (2020)’

Employment in the construction industry in East Ayrshire in 2019 and the 2000 people employed	Private sector provision of affordable homes through LDP affordable housing policy
The demolition of existing dwellings and their replacement with new dwellings, either as part of Council of private sector interventions	Accommodation choices, fuel poverty, energy efficiency and forms of overcrowding not captured by the HNDA
Economic influences not factored in as part of the 2018 HNDA, including the more recent Ayrshire Growth Deal.	The Council's Strategic Housing Investment Plan (SHIP) 2021-2026
The projections of the 2020 East Ayrshire Housing Land Audit, agreed with Homes for Scotland in September 2020	The rate of house completions over the medium-term 2019-2019 or longer-term 1999-2019 time period

As a consequence of the various factors detailed above that must be considered in addition to the findings of the HNDA and the Scottish Government's newly-forming households and existing housing need-based method, it is considered appropriate to increase the figure to account for the actual average rate of completions from the 2010 to 2019 time period and the average rate of completions determined through the 2020 East Ayrshire Housing Land Audit process. The HNDA 'A Manager's Guide' 2020 states that the tool is the starting point from which the HST (and HLR) may be determined, but that policy and practical considerations should be factored in to reach a view on the level of housing that can actually be delivered over the defined period.¹⁴ The HNDA therefore underpins the proposed HLR figure and exists as a baseline below which the chosen figure cannot fall, but is augmented by the aforementioned range of influences.

Therefore, it is deemed to be reasonable to set an HLR that reflects both past trends and agreed future trends, as well as having cognisance of the numerous factors described above that are expected to continue the long term trend of house completions in the area. The 10 year figure would be 4125 units, rounded to the nearest 100 is 4100, and is calculated as follows:

A	Comp. 2010-2019	B	HLA 2020-2025	Calculation	HLR
	365 p.a.		460 p.a.	$A + B / 2 * 10$	≈ 4100

This projection can be further broken down into each Sub-Housing Market Area in East Ayrshire. The ratio of completions of the years 2015 to 2020 for each area is approximated for the 2010 to 2019 completion figures and that figure is then added to projected completions for each Sub-HMA from the 2020 HLA. The number is divided by two and multiplied by ten to achieve the ten year HLR. The Sub-HMA breakdown is as follows (rounded to the nearest 5):

Kilmarnock & Loudoun	Cumnock	Doon Valley
3300	700	100
325 p.a.	70 p.a.	15 p.a.

The figures presented for each Sub-HMA are considered reasonable, particularly when the actual rate of completions in each area during the time period 2015 to 2020 is compared to the annual HLR from the 2017 East Ayrshire LDP. A comparison is made as follows:

	Kilmarnock & Loudoun	Cumnock	Doon Valley
East Ayrshire LDP 2017	399 p.a.	148 p.a.	49 p.a.
Comp. 2015-2020	287 p.a.	31 p.a.	13 p.a.
Proposed HLR	325 p.a.	70 p.a.	15 p.a.

¹⁴ HNDA 'A Manager's Guide 2020'

It can therefore be demonstrated that the proposed HLR for East Ayrshire as a whole and for each individual Sub-HMA is as accurate a reflection as possible of past and expected trends and, in the case of Kilmarnock and Loudoun, factors in a reasonable generosity to allow for an uplift in completions compared to the 2015-2020 trend. Indeed, the proposed 10 year HLR of 4100 for East Ayrshire is around 12% higher than the actual rate of completions of 3651 during the 2010-2019 time period, the percentage flexibility allowance applied to the Housing Supply Target to achieve the HLR as part of the 2017 East Ayrshire LDP¹⁵. A calculation made on the basis of a simple ten-fold multiplication plus 12% generosity would therefore produce the following result:

A	Comp. 2010-2019	B	Generosity	Calculation	HLR
	365 p.a.		12%	$A * 10 + B$	4088

It is therefore recommended that the Scottish Government should confirm their agreement of the **4100** unit HLR agreed by the Heads of East Ayrshire Council Planning and Housing for the 10 year period after the expected adoption of the East Ayrshire Local Development Plan 2 in 2023.

¹⁵ <https://www.east-ayrshire.gov.uk/Resources/PDF/P/Planning-SG-Housing-Market-Area.pdf>

TEMPLATE 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 = **350**

Adjusted Estimate = **4100**

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

Take no more than 1 page

(see page 5 of the Guidance Note)

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

Instructions

Use the space provided below to list the HMP membership, provide a summary of their views and an indication of whether the HMP has agreed the locally adjusted estimate of the minimum all-tenure housing land requirement. Also provide a list of additional stakeholders and a summary of their views. Use the sub-headings provided.

Take no more than 4 pages.

(see page 6 of the Guidance Note)

List of HMP members

Homes for Scotland – Tammy Swift Evans
Homes for Scotland – Joe Larnar

Strathclyde sub-committee members:

Heather Phillips (Barratt)
Robert Mckinnon (Miller Homes)
Lesley McVeigh (Taylor Wimpey)
Lynsey Fraser (Gladman)
Rory Doherty (Persimmon).

Representatives of East Ayrshire Council including:

Blair Millar – Strategic Lead: Housing
David McDowall – Interim Head of Planning
Members Officers Working Group – Elected Members, Vibrant Communities, Ayrshire Roads Alliance, East Ayrshire Leisure Trust, Housing, Planning, Economic Development, Education, Health and Social Care Partnership, Facilities and Property Management, Waste Management.

Summary of HMP views

We have been working positively with the HMP over the last year and had several meetings with HfS to discuss this matter. These were assisted by agreement of our 2020 HLA.

Planning officers discussed the NPF4 document in detail with Joe Larnar and house building representatives on 19th March 2021, and explored a range of methodologies and scenarios as to how the HLR could be determined.

In late April, HfS sent a document setting out their views on key considerations for the HLR which suggested that 450-500 units per annum appeared a reasonable target subject to determination of generosity.

Following that, Joe Lerner left HfS, and we continued work at EAC to determine the HLR. Planning officers met with HfS again on 2/6/21 when we had a productive meeting with Tammy Swift Evans during which we set out our preferred HLR.

Homes for Scotland has clarified in a letter to all authorities, dated 1 June, that it is not able to endorse the locally adjusted estimates produced by any authority at this stage, in most cases due to the timescales and constraints of the process. However, Homes for Scotland has been clear they and their members are very supportive of the inclusive and proactive approach being taken by EAC not only to their NPF4 figures but to wider HNDA and planning work. The locally adjusted estimates appear well-informed and well-intended and a significant improvement on the initial default estimates. There is agreement in place that we will continue the positive dialogue. HFS is aiming to provide closing commentary on the final locally adjusted estimates for all authorities as local authorities respond. EAC and HFS will forward and supplementary information in due course if necessary.

HMP agreement

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

NO

If not, please explain any disputes

Not yet. There is no dispute, see response above.

List of Additional Stakeholders

Summary of Stakeholders Views

TEMPLATE 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.

Take no more than 1 page.

(see page 6 of the Guidance Note)

Interim Head of Housing & Communities

Full Name: Robert McCulloch

Full Title: Interim Head of Housing & Communities

Email: robert.mcculloch@east-ayrshire.gov.uk

Date: 04.06.2021

Signature:



Head of Planning

Full Name: David McDowall

Full Title: Interim Head of Planning and Economic Development

Email: David.McDowall@east-ayrshire.gov.uk

Date: 04.06.2021

Signature:



