

Robin Edgar
Acting SESplan Manager

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By email only

Dear Robin

NATIONAL PLANNING FRAMEWORK 4 (NPF4) – INITIAL DEFAULT ESTIMATES FOR MINIMUM ALL TENURE HOUSING LAND REQUIREMENTS (HLRs)

Thank you for your letter and email of 30 April asking Homes for Scotland (HFS) to provide initial views on the above by 10 May. This was an incredibly tight window, especially given this exercise began on 23 February and HFS wrote to all local authorities on 9 March seeking early engagement. Nevertheless, HFS has made special efforts to get this response to you early to claw back time for a proper, collaborative discussion once our respective positions are known.

All local authorities have now received a set of resources from HFS that we hope will help you as you consider your desired delivery levels and corresponding HLRs. In this letter we have added some locally specific information that looks at:

- The gap between the Scottish Government's initial default estimates and where HFS thinks Scotland as a whole and its constituent authorities should be aiming; and
- Some of the economic benefits to be gained through a modest increase on current delivery levels, and what would be at risk if the initial default estimates did go on to be included in NPF4.

The figures we present on the former are modelled on our manifesto 'ask' for a pan-Scotland, all-tenure aspiration to deliver at least 25,000 homes each year. We have looked at how those 25,000 homes might be distributed across Scotland if each authority made the same percentage contribution to that target as it did to the 22,596 homes delivered in 2019.

The HFS position on the three components of the Scottish Government calculations can be summarised as follows:

- We believe the Scottish Government's **existing household need counts** are too low. Detailed information, and potential solutions, are included in the second of the four papers which we issued to Councils last week (overcoming HNDA limitations).
- We do not think the principal projection of the 2018-based household projections provides a good basis for **estimates of newly forming households** to be planned for. Again, detailed information, and potential solutions, are included in the second of the four papers which we issued to Councils last week (overcoming HNDA limitations).

(As you and the other SESplan authorities are currently undertaking your own HNDA work you are in a good position to address the limitations we have identified in the Scottish Government's approach. We look forward to learning the results of that work and to liaising with you further as you prepare your locally adjusted estimates).

- We accept the Scottish Government's **flexibility allowance** levels.

Additionally, we believe it is the 2019 **completion figures** that should be considered, rather than the 10-year average suggested by the Scottish Government and included in your tables. This is because the 10-year average takes Scotland halfway back to the depth of the post-global financial crisis recession and does not serve the policy objective of increasing housing delivery.

Turning to the initial default estimates for local authorities in the South East Scotland region, we hope the additional tables in this letter are of use on top of the resources already provided.

Table 1: Comparison of Scottish Government targets to HFS modelled suggestion

(figures provided to West Lothian and City of Edinburgh Councils included for completeness. West Lothian shown separately as it is unique in having shown HFS its proposed locally adjusted estimate)

	A Existing Need Count	B Newly forming households Estimate	(A+B) Need + Demand Estimate	Adjustment to reflect 2019 completions and policy aspiration to increase delivery	Flexibility allowance (25% or 30% in with Scot Gov levels)	Minimum HLR
East Lothian IDE	500	4,350	4,850	-	1,213	6,063
HFS initial suggestion	500 +	4,350 +	4,850 +	10,267	2,567	12,834
Edinburgh IDE	2,150	19,900	22,050	-	5,313	27,563
HFS initial suggestion	2,150 +	19,900 +	22,050 +	34,121	8,530	42,651
Fife IDE	750	3,450	4,200 +	-	1,050	5,250
HFS initial suggestion	750 +	3,450 +	4,200 +	16,297 (1,630 pa)	4,074	20,372
Midlothian IDE	500	5,950	6,450	-	1,613	8,063
HFS initial suggestion	500 +	5,950 +	6,450 +	7,435	1,859	9,294
Scottish Borders IDE	100	1,250	1,350	-	405	1,755
HFS initial suggestion	100 +	1,250 +	1,350 +	3,441	1,032	4,473

West Lothian IDE	600	6,500	7,100	-	1,750	8,850
West Lothian LAE	1200	6,500	7,700	-	1,900	9,600
HFS initial suggestion	1200 +	6,500+	7,700 +	12,646	3,794	16,440

HFS would support significant upward adjustments of the initial default estimates of need and demand, as they are coming out significantly lower than current (2019) completion levels and do not support the objective of increasing housing delivery, or wider policy objectives. Our table models where that upward adjustment would reach if local authorities collectively achieved the HFS policy target of delivering at least 25,000 homes of all tenures each year. The model rolls forward the proportionate contributions to supply that each local authority made in 2019, when 22,596 homes were delivered across Scotland. Corresponding minimum all-tenure HLRs are shown, for contrast. The HFS excel spreadsheet, circulated alongside the other resource last week, holds our workings on this.

The HFS paper on overcoming HNDA limitations (as previously circulated) identifies reasons why the Scottish Government existing need counts have come out so low. The primary issue is the very narrow definition of existing household need. The Scottish Government only counts:

- homeless households in temporary accommodation; and
- households of more than 1 person which are both overcrowded and concealed.

The table below gives examples of other types of existing household need that the HNDA toolkit does not acknowledge or attempt to count, and which local authorities may wish to make provision for in their locally adjusted estimates.

Table 2: Households Excluded from the NHDA Existing Household Need Count

Type of Existing Household Need	Description and Example
An overcrowded (but not concealed) household.	A household living in a home that has too few bedrooms for the family members (for example a family with a boy and a girl but only 2 bedrooms).
Households that are concealed (but not overcrowded).	A household that wants but does not have a home of their own (for example a young family living with grandparents).
Single person households in need (even if both overcrowded and concealed) (e.g. adults living in HMOs or with friends / parents / other relatives).	For example, an adult son or daughter forced by circumstance to be still living with a parent. If they wanted to form a home with a partner they would be 'counted', as a single person they are not.
Those living in homes that are physically unfit .	For example, a family living in a home with very poor condition roof / walls / ceiling.
Households in homes that are not affordable to them.	For example, a family that is struggling financially and spending more than 50% of their income on housing costs.
Households in unsuitable homes.	For example, a family with children living in a home with no private outdoor space.

We have also suggested that local authorities increase the estimate of newly forming households. This component of the initial default estimates uses the principal projection from the 2018-based household projections. The projections assume a continuation of past trends, irrespective of any

changes to policy or wider circumstances. The NRS itself acknowledges the limitations of its projections, and states that they are not policy-based forecasts of what the Scottish Government expects to happen. We are also concerned that the projections have, in the past, proven to be poor predictors of what happens in practice.

Rather than simply accepting the estimate of newly forming households that has been provided by the Scottish Government, HFS considers that local authorities should look at the full range of projections, from low through the default 'principal projection' to high. The most appropriate and reliable outcome may lie between the principal projection (which tends to under-predict household formation) and the high migration scenario (which tends to over-predict household formation, but to a lesser degree). HFS would be keen to look at the range of scenarios with authorities when your HNDA work is ready.

As well as the HNDA paper already mentioned, the resources distributed last week include a paper on Policy Thinking for Locally Adjusted Estimates. One area of policy thinking we have highlighted is around the economic benefits of housing delivery. The tables below illustrate a selection of the economic benefits of home building in local authorities in South East Scotland and considers how these benefits could be increased with the modest (10.6%) increase in housing delivery that HFS has modelled. It also shows what jobs and wider economic benefits are at risk if delivery reduced to the low number of homes indicated in the initial default estimates of need and demand. The West Lothian figures are based on their proposed locally adjusted estimate.

Table 3: Economic Benefits of Home Building in South East Scotland Local Authorities

(figures provided to West Lothian Council & City of Edinburgh Council included for completeness)

East Lothian	Per Home	Homes Built 2019	Achieved 2019	Uplift at 1,027	At risk at 485
Measure					
Jobs	4	928	3,712	396	1,772
GVA	205,000	928	190,240,000	20,295,000	90,815,000
Local Spend	5,000	928	4,640,000	495,000	2,215,000
Council Tax	990	928	918,720	98,010	438,570
S75	5,378	928	4,990,784	532,422	2,382,454

Edinburgh, City of	Per Home	Homes Built 2019	Achieved 2019	Uplift at 3,412	At risk at 2,205
Measure					
Jobs	4	3,084	12,336	1,312	3,516
GVA	205,000	3,084	632,220,000	67,240,000	180,195,000
Local Spend	5,000	3,084	15,420,000	1,640,000	4,395,000
Council Tax	990	3,084	3,053,160	324,720	870,210
S75	5,378	3,084	16,585,752	1,763,984	4,727,262

Fife (All)	Per Home	Homes Built 2019	Achieved 2019	Uplift to 1,630	At risk at 420
Measure					
Jobs	4	1,473	5,892	628	4,212
GVA	205,000	1,473	301,965,000	32,185,000	215,865,000
Local Spend	5,000	1,473	7,365,000	785,000	5,265,000
Council Tax	990	1,473	1,458,270	155,430	1,042,470
S75	5,378	1,473	7,921,794	844,346	5,663,034

MC	Per Home	Homes Built 2019	Achieved 2019	Uplift at 743	At risk at 645
Measure					
Jobs	4	672	2,688	284	108
GVA	205000	672	137,760,000	14,555,000	5,535,000
Local Spend	5000	672	3,360,000	355,000	135,000
Council Tax	990	672	665,280	70,290	26,730
S75	5378	672	3,614,016	381,838	145,206

SBC	Per Home	Homes Built 2019	Achieved 2019	Uplift at 344	At risk at 135
Measure					
Jobs	4	311	1,244	132	704
GVA	205000	311	63,755,000	6,765,000	36,080,000
Local Spend	5000	311	1,555,000	165,000	880,000
Council Tax	990	311	307,890	32,670	174,240
S75	5378	311	1,672,558	177,474	946,528

WLC	Per Home	Homes Built 2019	Achieved 2019	Uplift at 1,265	At risk at 770
Measure					
Jobs	4	1143	4,572	488	1,492
GVA	205000	1143	234,315,000	25,010,000	76,465,000
Local Spend	5000	1143	5,715,000	610,000	1,865,000
Council Tax	990	1143	1,131,570	120,780	369,270
S75	5378	1143	6,147,054	656,116	2,005,994

HFS understands that your constituent local authorities are working together to prepare a HNDA for the South East Scotland Region. That sounds helpful and we look forward to seeing initial local outputs as soon as they are available. Thank you for recognising HFS as a key stakeholder and member of the HMP. We look forward to collaborating with you further as this work progresses.

We very much hope this letter, and the more detailed information in the resources which we shared with all local authorities last week, helps your thinking on inputs and locally adjusted estimates. If there is anything at all that you want to ask us, including anything in this letter or the wider resources that need to be clarified, please do not hesitate to get in touch with me.

In the meantime, HFS looks forward to you and/or the individual local authorities sharing your thinking on the locally adjusted estimates you will now be preparing for submission to the Scottish Government. As you are required to engage with us and other HMP partners on this we hope you will be in a position to discuss next steps with us without further delay. As above, HFS has made extra efforts to reply ahead of your deadline in order to create more time for the next stages of this work, ahead of your final submission to the Scottish Government.

Finally, HFS wrote to the Scottish Government on 29 April to ask that they give local authorities more time to report back on their Locally Adjusted Estimates. It is clear local authorities have had a lot of thinking and preparation to do ahead of commencing stakeholder engagement, and the 6 June deadline is fast approaching. With many authorities – including those in South East Scotland - doing their own HNDA work and/or being required to seek committee sign-off for their locally adjusted estimates, the time available feels just too squeezed for such an important and complex collaborative exercise. If an extension of time is something you would support, we would be grateful if you could confirm this to us and the Scottish Government.

Irrespective of whether the Scottish Government does allow more time, we are clear that further discussion between HFS and local authorities in South East Scotland is essential if this is to be the collaborative, consensus-building process envisioned by the Scottish Government.

Yours sincerely

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Cc:

City of Edinburgh Council – Iain MacFarlane, Kate Hopper
East Lothian – Michaela Sullivan, Douglas Proudfoot
Fife Council – Lucy Turner
Midlothian Council – Peter Arnsdorf
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West Lothian Council – Margaret Stone