



NATIONAL PLANNING FRAMEWORK 4 HOUSING LAND REQUIREMENTS

A FRAMEWORK FOR LOCALLY ADJUSTED ESTIMATES

HOMES FOR SCOTLAND (HFS) APRIL 2021

The Scottish Government has published “initial default estimates” of housing need and demand in Scotland and of the corresponding housing land requirements (HLRs). It has asked local authorities to work with stakeholders to produce “locally adjusted estimates” that fit with policy ambitions and are mindful of the consequences of setting targets that are lower than recent completion levels. The final HLRs will be included in National Planning Framework 4 (NPF4).

This is one of a set of four HFS resources intended to inform local and national decision-makers to ensure NPF4 does not under-plan for housing:

1. **HFS framework for locally adjusted estimates** (this note).
2. Overcoming housing need and demand assessment limitations.
3. Policy thinking for locally adjusted estimates.
4. Excel spreadsheet reflecting HFS all-tenure target of at least 25,000 homes each year.

This note provides a summary how HFS has considered the initial default estimates.

CONTEXT

The Scottish Government has issued ‘initial default estimates’ to stimulate local discussions on National Planning Framework 4 minimum all-tenure HLRs.

These equate, when annualised, to minimum HLRs of 141,898, (or 14,189 a year), for which Local Development Plans (LDPs) across Scotland would collectively need to identify housing land capacity.

That figure includes a “flexibility allowance” of 29,143 (or 2,914 a year) which recognises the potential for some of the land identified in those LDPs to remain undelivered. The minimum housing land requirement therefore reflects estimated need and demand for just 112,750 homes (or 11,275 a year).

Whether looking at the annualised 14,189 “initial default estimate” minimum HLR, or at the 11,275 homes a year that figure is designed to support, this is far fewer homes than Scotland is currently building (22,596 homes were built in 2019), and fewer than have been built at any point in the post-war period.

Given that the minimum HLRs will cover the ten-year period beginning when NPF4 is adopted in spring 2022, this is a crucial issue at a time when Scotland still faces a shortage of housing of all tenures.

The Scottish Government has asked local authorities to engage with stakeholders to agree “locally adjusted estimates”. In this note, HFS sets out how local authorities can use this opportunity to ensure recent achievements in increasing housing delivery are not lost.

In reviewing the initial default estimates and scoping the potential HLRs we hope will emerge from this process, HFS has considered the following:



EXISTING NEED AND NEWLY FORMING HOUSEHOLDS

The Scottish Government has used its Housing Need and Demand Assessment (HNDA) toolkit to count existing household need and estimate newly forming households (using National Records for Scotland projections). It has not adjusted the HNDA process, or its output, to reflect limitations raised by HFS in response to the March 2020 Housing Technical Discussion Paper.

HFS ASKS Local Authorities to:

1. Note that not all types of existing household need are included in the HNDA count.

For the purpose of this particular exercise, the Council will rely on the NRS household projections as recommended by CHMA and used in the Scottish Government’s HNDA toolkit, in order to ensure consistency with the Council’s approved HNDA (November 2019). The Council also considers that any wider definitions of household need would be best considered and evidenced through the process of reviewing the HNDA.

2. Consider the options HFS has identified for quantifying / accounting for those households.

Notwithstanding the above, the Council does not possess alternative local projections that would be required to support a case for a locally adjusted estimate on the matter. Also, it is not our intention to put forward an estimated ‘buffer’ to address any perceived gaps/limitations in the data.

3. Note the risks of relying on past trends to estimate future household formation and consider the options HFS has identified for overcoming that issue.

As per the above.

See HFS note on overcoming HNDA Limitations for more information.

COMPLETIONS LEVELS AND POLICY THINKING

In 2019, Scotland built 22,596 homes of all tenures, the most successful year for housing delivery since the global financial crisis (GFC). The Scottish Government has celebrated this recovery¹.

The Scottish Government has asked authorities to consider the gap between their initial default estimates and completions data but, rather than focusing on the 2019 numbers, their spreadsheet reflects the completions achieved in the 10 years since the GFC. HFS considers this a regressive measure as delivery in that period has consistently grown year-on-year as we emerged from the crisis.

HFS ASKS Local Authorities to:

4. Use their area's completion figures for 2019 as their point of comparison and, where these exceed the initial default estimates, use their locally adjusted estimates to close that gap.

In 2019 a total of 127 homes were completed, which produces a figure of 1827 homes using the HfS model. The initial default estimate of 3500 homes (or 350 per year) is 48% higher than the 2019 produced figure.

We consider that such an adjusted figure would be too low when compared to the average annual completions over the period of 2010-2019 inclusive, and having regard to the approved HNDA. Going forward we will seek to rely on average data as a more accurate and reliable measure upon which to provide evidence.

5. Consider the opportunity cost of supporting figures which suggest a contraction rather than an ongoing increase in all-tenure housing delivery.

In the context of the Stirling LDP area, the 10 year default estimate of 3500 homes is higher than the housing completions provided by the Scottish Government at 2878 for the period 2010-2019 (note that the HLA completions amount to 2614 over the same period).

However, with the flexibility allowance removed, the total 'need' and 'demand' figure of 2700 homes is comparable to both the Scottish Government's and Stirling Council's past completion figures. There is also close alignment between the default estimate and the 'baseline scenario' set out in the HNDA.

Therefore, in supporting the initial default estimate as the minimum amount of land to be identified in the next LDP, we do not foresee any negative implications for housing supply.

¹ [Transforming Places Together](#) celebrates the 30% increase in home building from 2013/14 to 2018/19

6. Use their locally adjusted estimates to reflect local and national policy ambitions and support increased delivery.

We accept the NRS principal household projections, and do not therefore intend to put forward a locally adjusted estimate on this matter. However, we are giving consideration to a locally adjusted estimate for existing housing need by looking instead at the number of homeless applications to ensure consistency with the approved HNDA – from 2014/15 the average number of homeless / threatened with homelessness is 420.

See separate HFS note on Policy Thinking for Locally Adjusted Estimates for more information.

FLEXIBILITY

The Scottish Government has added a ‘flexibility allowance’ of 30% for rural areas and 25% for urban areas. This “represents a contingency or over-programming of land to reflect the longer timescale of new development plans and allow for changes in sites coming forward”. HFS supports the use of generous flexibility margins to mitigate the further under-supply of homes.

HFS ASKS Local Authorities to:

7. Support the flexibility rates proposed by the Scottish Government.

The Council intends to make a case for an ‘urban’ classification on the basis of its geographical location, accessibility and rural development pressures.

LOCALLY ADJUSTED ESTIMATES: HFS MODEL BASED ON 2019 COMPLETIONS

The detailed Excel table provided separately sets an alternative starting point for considering the minimum HLRs that NPF4 should set for Scotland and for each local authority area.

It shows the contrast between the Scottish Government’s initial default estimates of need and demand and the number of homes of all tenures that HFS and others² have identified as required.

	Homes Required (Annualised)	Homes Required over 10 Years	Flexibility Allowance	Housing Land Requirement over 10 Years

² The 2015 Commission on Housing and Wellbeing suggested an interim target of 23,000 homes a year to 2020. This target would need to be increased to account for that level of delivery not yet having been achieved. More recently, a 2018 report by Professor Glen Bramley, for Crisis and the National Housing Federation, concluded that 26,000 new homes per year were needed in Scotland over the next 15 years.

Initial Default Estimate ³	11,275	112,750	29,143	141,893
HFS minimum delivery target	25,000	250,000	67,269	317,269

HFS ASKS Local Authorities to:

8. Consider the benefits of a minimum Housing Land Requirement that would support a modest increase (10.6% at the pan-Scotland level) on current (2019-based) delivery levels.

In supporting the default estimate, we consider that the Council will play its part in helping HfS to meet its delivery objectives.

9. Support the HFS-modelled housing delivery targets and corresponding housing land requirements unless there are locally evidenced alternatives that would deliver equivalent benefits and achieve the policy ambition of increasing housing delivery.

As per above.

HFS SUMMARY POSITION

HFS believes the minimum HLRs for NPF4 should be set at levels that support the delivery of at least 25,000 homes of all-tenures each year. In line with the Scottish Government objective of delivering more homes, this represents a 10.6% increase on the 22,596 homes built in Scotland in 2019.

³ Corrections have been made here (and throughout this set of documents) to the Scottish Government initial default estimate figures and calculations for flexibility allowances and minimum HLRs issued in February 2021. These slightly increase the Scottish Government’s pan-Scotland flexibility allowance and minimum HLR, by 243 homes each.