

# Planning Committee

2.00pm, Wednesday, 19 May 2021

## Scottish Government National Planning Framework 4 Housing Land Figures – City of Edinburgh Response

Executive/routine	Executive
Wards	All
Council Commitments	<a href="#">1, 2, 4, 10, 11, 12, 18, 26</a>

### 1. Recommendations

---

- 1.1 It is recommended that Committee:
- 1.1.1 notes the Scottish Government's proposed methodology for calculating housing land figures and the proposed default minimum requirement for National Planning Framework 4 for City of Edinburgh area, as set out to the Council's Head of Housing and Head of Planning;
  - 1.1.2 notes that this should be informed by local input and evidence and factor in policy ambitions to support growth in local housing provision and for provision of homes for older and disabled people;
  - 1.1.3 approves the proposed response to the Scottish Government in respect of the methodology and the proposed default minimum requirement for housing land as set out in this report and the attached Appendix 1; and
  - 1.1.4 agrees that the proposed response be submitted to the Scottish Government by 4 June 2021, including the provisions for further work and evidence to inform the process.

#### Paul Lawrence

Executive Director of Place

Contact: Iain McFarlane, Programme Director City Plan

E-mail: [iain.mcfarlane@edinburgh.gov.uk](mailto:iain.mcfarlane@edinburgh.gov.uk) | Tel: 0131 529 2419



## Scottish Government National Planning Framework 4 Housing Land Figures – City of Edinburgh Response

### 2. Executive Summary

---

- 2.1 The purpose of this report is to seek approval for a response to the Scottish Government's proposed methodology for calculating the amount of housing land that should be allocated as a default minimum requirement in the Local Development Plan (LDP), and the Council's consideration of factors that inform that housing land figure, all as set out in Appendix 1.

### 3. Background

---

- 3.1 The Planning (Scotland) Act 2019 set out that the National Planning Framework (NPF) would be a statutory part of the development plan which informs Regional Spatial Strategies and LDPs and has regard to them. As part of this the Act set out that the NPF would incorporate setting targets for new homes as well as incorporating a revised Scottish Planning Policy (SPP).
- 3.2 The process of reviewing the current NPF3 is underway. A Call for Ideas and a Position Statement on policy revisions have been consulted on and Planning Committee has approved responses to those.
- 3.3 The legislation also provides that the current statutory regional tier of Strategic Development Plans be abolished and be replaced by non-statutory Regional Spatial Strategies. The Council along with its partners of the South East Scotland Strategic Planning Authority (SESplan) has produced an informal 'interim' Regional Spatial Strategy (RSS) to inform NPF4, though there is as yet no further legislation or guidance produced by the government as to the form and content of an RSS.
- 3.4 Housing Supply Targets for LDPs are currently set by Strategic Development Plans (SDPs) as the basis for a Housing Land Supply which would allow for the delivery of the Housing Supply Targets. These are based on a Housing Need and Demand Assessment (HNDA).
- 3.5 One issue for the Council's Choices for City Plan 2030 consultation, as the main issues report for the next LDP and for subsequent City Plan work is that there is no formal Housing Supply Target, as the proposed SDP2 was rejected by Scottish Ministers.

- 3.6 In rejecting SDP2 the Ministers directed the SESplan local authorities to SDP1 as the extant strategic plan. However, Reporters dealing with appeal cases have given little credence to this approach in decisions to date. This may change in response to the December 2020 changes to Scottish Planning Policy, which removed the reference to out of date plans (over 5 years old) which had informed those Reporter decisions.
- 3.7 The Housing Study carried out for Choices worked with the most recent HNDA (2) as part of its reasoning and calculations, as the most up to date evidence, having been certified as being robust and credible.
- 3.8 The Proposals for Housing Land give another approach to calculating the supply of housing land for NPF4 and thus for City Plan 2030 as the next LDP for City of Edinburgh area.

## 4. Main report

---

- 4.1 On 23 February the Chief Planner and the Director for Housing and Social Justice wrote to Local Authority Heads of Planning and Heads of Housing in respect of input to 'targets for the use of land in different areas of Scotland for housing' as set out in the Planning (Scotland) Act 2019 for the NPF4. The letters and accompanying documents were copied to Homes for Scotland and other industry bodies and the papers are published online. This is set out as being a starting point for meeting the requirement of this provision of the 2019 Act.
- 4.2 The Scottish Government seeks comment on the proposed NPF4 Housing Land Figures.
- 4.3 The papers sent with the letters are a Method Paper, an Initial Default Minimum All Tenure Housing Land Requirement – Response Template, Housing Land Figures – Guidance and an Excel Calculator. Responses to the documents are requested by 4 June 2021, either individually or collectively with regional partners.
- 4.4 Authorities should:
  - 4.4.1 Consider the initial default estimates and whether alternatives to the default assumptions about projections for newly formed households and existing housing need should be applied;
  - 4.4.2 Consider whether they wish to propose a different flexibility allowance, which should generally be greater than the proposed 25% minimum for urban areas and 30% minimum for rural areas.
  - 4.4.3 Assess the extent to which their proposed land requirement compares with past completions for your area. Where the proposed requirement is substantially lower, the Scottish Government view is that authorities should consider whether it should be increased further; and
  - 4.4.4 Set out a locally adjusted estimate of the minimum all-tenure housing land requirement for your local authority area as a result of these adjustments.

- 4.5 Further, the advice to local authorities is that this consideration should be informed by local input and evidence, and factor in policy ambitions to support growth in local housing provision. Consideration should also be given to relevant national drivers, including the six statutory outcomes set out in the 2019 Act (including rural repopulation and providing homes for older people and disabled people) and the NPF4 Position Statement, published November 2020, which sets out current thinking as work progresses towards a draft NPF4.
- 4.6 Local authorities are advised that Housing Market Partnerships have a crucial role to play in this process and the Scottish Government encourages relevant interests to be part of this, including home providers. This is an early and important stage for inputting to the figures for NPF4.
- 4.7 However, it is also important to note that further opportunities will be available for all stakeholders, particularly as the draft NPF4 will be issued for public consultation and considered by the Scottish Parliament. Beyond that, once published in the finalised NPF4, the LDP preparation process will provide opportunities to further consider the extent of land supply that will be provided beyond the minimum stated.
- 4.8 The Method Paper states clearly that the figures to be published in draft NPF4 'will be established through collaboration'. It adds that they are a basis for developing a Scotland wide picture of future requirements for housing land in LDPs.
- 4.9 The basis of the method was developed following responses made to previous consultations on NPF4 and in discussions with the Housing Advisory Panel. It should align with the work on Housing to 2040 published in recent weeks, with Local Housing Strategies and with HNDA work. Essentially, the methodology is similar to the starting point of HNDA methodology, using household projections from the National Records of Scotland (NRS) and a count of existing need from government statistics.
- 4.10 A flexibility allowance of 25% for urban areas is added to set the minimum default figure for NPF for a 10-year period. It is then for Local Authorities to work collaboratively with an evidence based approach as to any proposed alternative to the minimum default figure. These will be considered by the Scottish Government as input to the figures for draft NPF4.
- 4.11 The guidance advises that this local input should factor in policy initiatives and ambitions to support growth in housing provision and delivery. It should also consider any alternative assumptions on the household formation projections, existing housing need and the flexibility allowance, and take into account levels of housing completions achieved.
- 4.12 This should be a collaborative approach with the Housing Market Partnership.

### **Methodology**

- 4.13 In respect of the papers and methodology set out by the Scottish Government, officers advise that whilst some careful reading of the methodology is required, essentially the approach is that:

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

## **Policy**

- 4.14 In respect of the questions asked as set out above and for the reasons given in the accompanying draft report, officers recommend that the following considerations should be taken into account:
- 4.14.1 **Estimates of homelessness and hidden households** - Assumptions on household projections and housing need should take into account more recent local estimates of homelessness and hidden households. The Council's "Rapid Rehousing Transition Plan", approved 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.
- 4.14.2 **Impact of Local connection** - Work to update the Council's Rapid Rehousing Transition Plan has commenced and will be presented to Housing, Homelessness and Fair Work Committee in June 2021. This will provide updated figures for the number of households with unmet homeless housing need. 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, 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 revised figures to the Scottish Government in respect of this part of the calculation.
- 4.14.3 **The outcome of Housing Need and Demand Assessment 3 (HNDA3)** - Six local authorities commenced joint work on Housing Need and Demand Assessment 3 (HNDA3) in June 2020. The project is being managed by Fife Council in collaboration with regional partners. As the methodology set out by the Scottish Government reflects the starting approach of the HNDA process on an all tenure basis, then the two will work together. HNDA3 when completed, likely in 2022, will inform this in more depth, including tenure split and the NPF process will need to take account of this as it moves from draft to finalisation.
- 4.14.4 In 2017, following the formation of the Capital Coalition, a commitment was made to develop a programme to deliver at least 10,000 social and affordable homes over the next five years, with a plan to build 20,000 by 2027. Over 6,300 affordable homes have been approved during the first four years of this commitment, and over 4,600 affordable homes have been

either completed or acquired. The Strategic Housing Investment Plan (SHIP 2021-2026) was approved by Housing Homelessness and Fair Work on 14 January 2021. It set out a pipeline of 10,036 affordable homes that could be approved for site start and 11,370 potential completions over the next five years. There are currently around 2,000 affordable homes under construction on over 30 sites in the city.

- 4.14.5 Whilst the approach of the methodology is that the default minimum land figure should be an all-tenure one, the implications of affordable housing delivery and the Council's delivery initiative through the Affordable Housing Commitment have to be taken into account in arriving at an appropriate housing land supply figure. In order to achieve the commitment by a combination of provision through affordable housing requirement on market development and Council investment, the capacity of Edinburgh's housing land supply needs to give regard to how the affordable tenure is delivered. The evidence for this commitment comes from HNDA2 need and demand figures and particularly from the tenure split it defined, with over 60% of the 38,000 to 46,000 homes it required for Edinburgh being affordable tenures.
- 4.14.6 On the basis of that split applied to the housing projections used in this proposal for NPF4, that would mean that fewer than 9,000 market homes are required in the 10 year calculation period and a land supply for some 11,250 homes would be adequate for this. It is highly unlikely, unless the market changes to a very significant degree, that it will be the case that there will be only 900 market completions per year over the 10 year period.
- 4.14.7 The link of housing cost and economic performance is part of the evidence of a need to ensure that the city has an appropriate supply of land for homes, particularly affordable homes. Recent research by The Scottish Federation of Housing Associations, The Chartered Institute of Housing and Shelter Scotland<sup>1</sup> highlights that building affordable housing should be a key part of Scotland's recovery out of the recession caused by the pandemic and also 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 including Glasgow). The evidence of this need in terms of population growth and cost is set out in the proposed response to the Scottish Government.
- 4.14.8 A further factor to be considered is the work on a Regional Growth Framework for the City Region Deal and the growth impacts of that investment programme on housing need and demand. This will help shape future demand and is a factor in the consideration as to why the default minimum housing land figure for Edinburgh should be considered carefully

---

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

to ensure there is a forward looking approach to having a planned housing land supply that can adapt to the range of factors affecting it..

- 4.14.9 The Council's HRA Investment Strategy includes some £1.9 billion of investment over 10 years for land acquisition and new build affordable homes as part of the means to address affordable housing need.
- 4.14.10 Also as part of its approach to addressing housing need the Council is considering consultation feedback on raising the affordable housing policy housing land requirement to 35% from 25%, in response to the evidence of affordable need provided by HNDA2, subsequent studies as above, the pressures on the affordable homes supply and the high property costs in the area, as set out in more detail in the draft response.
- 4.14.11 If the 35% requirement were to be used to deliver all of the 20,000 affordable homes, this would require land for some 58,000 homes to achieve this.
- 4.14.12 However, some 6,300 affordable homes have been granted permission since 2017 and some 4,600 homes either completed or acquired and 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 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.
- 4.14.13 To meet sustainability policies and targets, the Council is seeking to pursue a brownfield land first strategy and avoid where possible making new greenfield allocations for housing. In Choices for City Plan the Council acknowledged that this strategy may require higher levels of intervention than might be the norm. The HRA investment programme can support this. The Council has also acknowledged that using CPO to facilitate development may be needed. The requirement to consider flexibility will facilitate both of these as needed 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. This was established in Scottish Planning Policy through its 'generosity' allowance of between 10 and 20%. The proposed minimum 25% for urban areas would therefore likely be appropriate on the basis that the land supply provided by the approach to affordable housing delivery as set out in 4.13.11 above would be able to provide a very flexible supply for both affordable and market housing.

- 4.14.14 In relation to housing completions, the proposed land supply should be considered in the following terms. The average number of completions over the last 10 years is 2,015, affected in part by the 2008 recession and its impacts. Completions over the last five years average 2,540, with the latest year (2019/20) being 2967 homes, one of the highest figures ever. Whilst the lockdown measures to address the Covid-19 pandemic have had an impact on periods of demand and for 2020/21 completions will likely have reduced quite significantly, underlying levels of demand remain strong. This will be helped going forward by the build to rent market establishing a stronger presence in the area and an enhanced delivery of affordable homes not relying on mortgage availability for build rates.
- 4.15 From the above, it would be reasonable to give 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 for City Plan 2030.
- 4.16 As the affordable housing requirement policy change remains to be proven 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 the Scottish Government of an interim figure of land to provide for 48,125 homes to deliver the affordable housing need identified in this report.
- 4.17 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.
- 4.18 Importantly, it needs to be emphasised that this would be a land supply with flexibility and not a target for the number of homes to be built, which remains to be considered through the Proposed City Plan 2030 process. Officers will continue to work on the NPF process with the Scottish Government and this response is therefore caveated in terms of further emerging evidence on homelessness and housing need, on the City Region Deal Regional Growth Framework, on HNDA3 and emerging further detail of the Scottish Government's Housing for 2040 programme.

## **5. Next Steps**

---

- 5.1 Subject to approval of the proposed response this will be submitted to the Scottish Government as the Council's formal response on this consultation. Officers will continue to promote these principles to the Government, including through any post-consultation process which follows.

## **6. Financial impact**

---

- 6.1 This report has no direct financial impacts.

## **7. Stakeholder/Community Impact**

---

- 7.1 The content of the Scottish Government proposed methodology has arisen from consultation and engagement with stakeholders throughout 2020 and the Government now seeks comment on it.
- 7.2 The Scottish Government's proposals are clearly set out and communicated, allowing all stakeholders the opportunity to comment further.
- 7.3 There are no direct sustainability impacts arising from this report.
- 7.4 Any required assessment of impacts would be addressed by the Scottish Government or through the LDP process.

## **8. Background reading/external references**

---

- 8.1 [Scottish Government letter to Heads of Planning and Housing](#)
- 8.2 [Method paper](#)
- 8.3 [Guidance paper](#)

## **9. Appendices**

---

- 9.1 Appendix 1 – draft Response to Scottish Government National Planning Framework 4 Housing Land Figures.

## **APPENDIX 1 - Draft Response to Scottish Government National Planning Framework 4 Housing Land Figures.**

### **National Planning Framework 4 Housing Land Figures – City of Edinburgh Council Response**

The Council has considered the methodology and draft outputs of the request from the Chief Planner and the Director for Housing and Social Justice for the Scottish Government in respect of input to 'targets for the use of land in different areas of Scotland for housing' as set out in the 2019 Planning Act for the National Planning Framework (NPF4). The request is to each local authority to consider the figures for its own area and, as appropriate, on a regional basis.

In respect of the four questions asked by the Scottish Government, the recommendations are as follows:

#### **1. Consider the initial default estimates and whether alternatives to the default assumptions about Household Projections and Existing Housing Need should be applied.**

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 years<sup>2</sup>. 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.

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.

---

<sup>2</sup> Affordable Housing Need in Scotland Post-2021 (March 2020, revised May 2020) – SFHA, CIH Scotland, Shelter Scotland

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 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.

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.

**2. Consider whether you wish to propose a different flexibility allowance, which should generally be greater than the proposed 25% minimum for urban areas and 30% minimum for rural areas.**

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.

**3. Assess the extent to which your proposed land requirement compares with past completions for your area. Where the proposed requirement is substantially lower, our view is that authorities should consider whether it should be increased further.**

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.

**4. Set out a locally adjusted estimate of the minimum all-tenure housing land requirement for your local authority area as a result of these adjustments.**

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 HNDA2 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 10000 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 10000 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.

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

### 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.