

**REPORT TO:** East Lothian Council

**MEETING DATE:** 22 June 2021

**BY:** Executive Director for Place

**SUBJECT:** National Planning Framework 4 - Scottish Government Consultation on Minimum All-Tenure Housing Land Requirements

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## **1 PURPOSE**

- 1.1 This report outlines the main points in the Scottish Government consultation on establishing minimum Housing Land Requirements for inclusion in National Planning Framework 4. It sets out the figures produced by the Scottish Government for East Lothian, in the context of the existing land supply and is accompanied by a recommended response to the Scottish Government.

## **2 RECOMMENDATIONS**

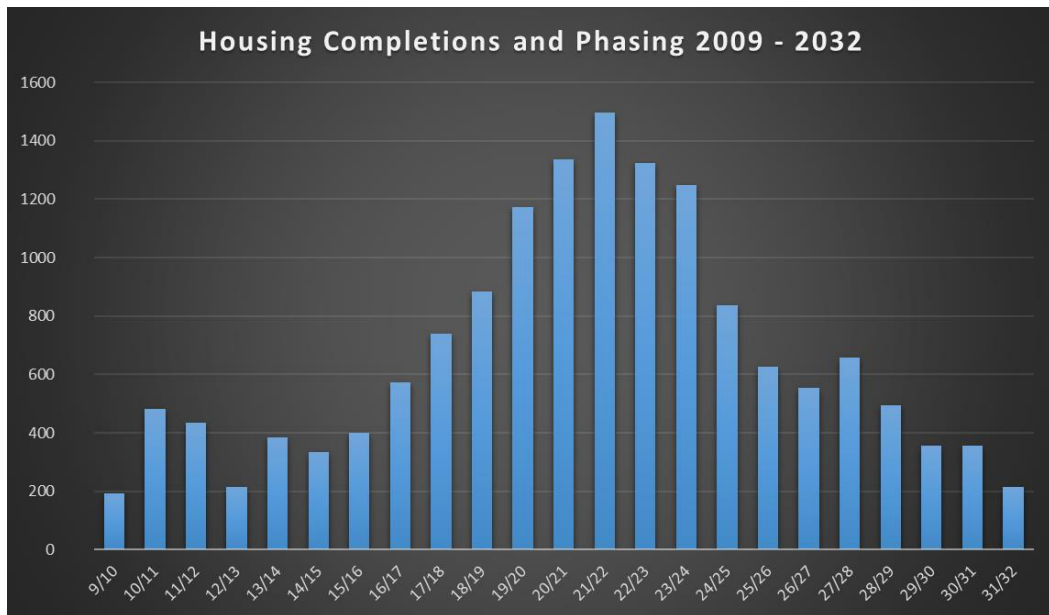
- 2.1 It is recommended that Council:
- (i) Notes the details of the Scottish Government consultation on Housing Land Requirements for inclusion in NPF4;
  - (ii) Notes the results of the consultation carried out through the Housing Market Partnership on the Housing Land Requirement methodology and outputs;
  - (iii) Agrees the response attached at Appendix A as East Lothian Council's response to the Scottish Government; and
  - (iv) Approves the submission of the agreed response to the Scottish Government NPF4 Housing Consultation.

### **3 BACKGROUND**

- 3.1 The Planning Act 2019 enhances the status of the National Planning Framework (NPF) to make it part of the statutory Development Plan.
- 3.2 East Lothian Council responded to the Scottish Government's earlier engagement to inform NPF4, through the Call for Ideas and the indicative Regional Spatial Strategy (iRSS). Produced jointly with the six SE Scotland local authorities, the iRSS document emphasised the need for a restrained approach to additional growth in the west and the east of East Lothian and where growth is required, it is backed up by an 'infrastructure first' approach. The response also promoted the new settlement at Blindwells as a candidate National Development.
- 3.3 The Planning Act also states that the NPF sets minimum all-tenure housing land numbers by local authority area. NPF will not concern itself with the allocation of these homes or their locations, with the exception of giving general locations for national developments. The NPF's remit is solely to establish a minimum housing land requirement, as a framework within which each authority will prepare its own Local Development Plan.
- 3.4 NPF4 is due to be published in draft this autumn and as part of the preparatory work, the Scottish Government is consulting on the proposed draft housing land requirements. East Lothian Council has two options: either accept the number of homes proposed as a minimum for East Lothian or suggest an alternative number, with clearly set out reasons. The Scottish Government is not obliged to make any changes to its proposal.
- 3.5 As part of this consultation on minimum housing land requirements, the Scottish Government has produced a series of technical documents which set out a process through which minimum all-tenure housing land requirements have been derived.
- 3.6 Local authorities have been asked to respond to the technical process and its outputs, stating whether they agree with the assumptions made and with the all tenure housing land requirements. If they think the inputs or the outputs of the process are inaccurate or set at the wrong level then local authorities are asked to respond with alternative proposals based on local circumstance. The Scottish Government has requested that the response from each local authority is signed off by both planning and housing.
- 3.7 The Scottish Government asked that each Local Authority respond by 4 June with their view on the housing figures and that the figures were also consulted on through the relevant Housing Market Partnership for the area. East Lothian Council was granted an extension for replying to accommodate committee timescales.

#### **Current East Lothian Housing Land Context**

- 3.8 To meet the requirement in SESplan 1, land for around 12,000 houses had to be identified in East Lothian. Past completions and the delivery phasing for the LDP allocations is shown in Diagram 1. Past completions over the last 10 years equate to an average of 528 houses a year.



**Diagram 1 - Housing Completions and Phasing**

3.9 Since the LDP was approved in 2018, around 2,000 of these houses have been delivered. Preparatory work to inform LDP2 has now started. LDP2 will have a 10-year timescale with the expected base date of 2022. It is estimated that by the time that LDP2 officially commences around 4,500 houses will have been completed. This leaves between 7,000 and 8,000 houses still to be delivered during the lifespan of LDP2 between 2022 and 2032. As the majority of the remainder of the identified homes in LDP1 have planning permission, it is appropriate to assume that they will provide a considerable proportion of the necessary housing land supply during the timespan of LDP 2.

**Methodology behind the National Planning Framework 4 Housing Land Requirements**

3.10 The methodology produced by the Scottish Government is designed to provide a combined housing requirement for both affordable and private housing. It begins by following a similar process to the first two stages of the Housing Needs and Demand Assessment 3 (HNDA3) currently being undertaken by the six South East Scotland Local Authorities. It also includes other elements that relate more to the allocation of land for housing through the planning system, such as additional flexibility in levels of housing land allocated. Through this consultation the Scottish Government has asked for views on each of the steps set out in their methodology.

**Process for Developing Housing Land Requirement for East Lothian**

3.11 It is important to note that the only decision that requires to be taken at this point is in relation to the proposed minimum housing numbers for draft NPF4.

- 3.12 The figures provided in this Scottish Government consultation are the start of the process for arriving at the housing land requirement that will be in the next Local Development Plan. The current consultation will guide the Scottish Government in their inclusion of Housing Land Requirement figures in draft NPF4. NPF will be subject to public consultation and parliamentary scrutiny, prior to the publication of a final approved version, with the Government's stated aim being to complete the process by summer of 2022.
- 3.13 Once the final Housing Land Requirement figures are published in the approved NPF4 they will be considered in conjunction with the outputs of the HNDA3 exercise and a view taken by East Lothian Council on the appropriate level for an LDP Housing Land Requirement. This stage in the process will include looking at the capacity of infrastructure of all types across the Council area, to ensure that whatever level of development land requires to be allocated can be accommodated in an acceptable manner. Diagram 2 highlights the timescales for the housing land requirement and delivery related documents being progressed by the Scottish Government and East Lothian Council over the next two years.
- 3.14 The Scottish Government has stated in briefings on this consultation that whilst authorities will need to meet the minimum all-tenure housing land requirement in NPF4, the LDP will continue to set out the final housing land requirement for each authority area.

**Diagram 2 – timescales for development of strategic plans**

	Spring 21	Summer 21	Autumn 21	Winter 21/22	Spring 22	Summer 22	Autumn 22	Winter 22
NPF4	Engagement on Minimum Housing Land Requirements		Draft NPF	Consultation and parliamentary scrutiny		Final NPF		
LDP2				Use outputs of final NPF and HNDA process to develop LDP Housing Land position				Evidence Report including calculation of housing land requirement and supply
HNDA3		Development of options and consultation		Final HNDA				
Local Housing Strategy						Consultation on new LHS		

**Minimum Housing Land Requirements for East Lothian**

- 3.15 The Scottish Government's methodology results in a figure of 6,050 houses being identified for East Lothian over the 10-year period of LDP2. As a minimum the Council would have to identify sufficient land through its LDP to accommodate this figure.

- 3.16 When compared with the figures set out in paragraphs 3.8 and 3.9 this figure of 6,050 is less than the land for 7,000-8,000 houses that has already been allocated through LDP1 and is still to be delivered.
- 3.17 Therefore to meet this minimum level of housing land requirement the Council can demonstrate at a basic level that it would not require any additional allocations beyond the 7,000-8,000 expected to be delivered through existing allocations. As this is the first stage in the housing land requirement process, it is important to highlight that the final figures will be determined subsequently, through the preparation of LDP2. It is equally important that the Council maintains an adequate supply of housing land on a planned basis going forward. As LDP2 will be the first plan with a 10-year time horizon, it may have to identify additional land for the later stages of the plan period. This, however, remains within the Council's control and will be considered in detail as LDP2 progresses.

### **Consultation**

- 3.18 As requested by the Scottish Government, consultation on these draft housing land requirements was undertaken in May, through the South East Scotland Housing Market Partnership (HMP). This HMP is a partnership of multi-disciplinary teams including housing, planning, economic development as well as those from other relevant organisations such as house builders and Registered Social Landlords who have relevant knowledge and experience and have expressed an interest in being involved in shaping discussions on housing need and demand and is also involved in shaping the HNDA3. The main response to this consultation came through Homes for Scotland who represent many of the house builders active in the region.

### **Consultation - Questions, Responses and Recommended Council Response**

- 3.19 In its consultation, the Scottish Government sets out a series of questions on its housing land requirement methodology and outputs to which it seeks a local authority response. The Scottish Government wants to know, taking into account responses received during consultation, whether local authorities would recommend a variation from the information in the consultation. Any deviation from the information provided by the Scottish Government must be backed up with a detailed justification. Details of the recommended response to each the questions is provided as Appendix A.

### **Household Projections and Existing Need**

- 3.20 The first part of the Scottish Government methodology uses national household projections and estimates of existing housing need. This is a similar approach to that used in the HNDA process. It is recommended that the Council responds by accepting these first two stages of the process as being the most appropriate for use in the NPF4 context.
- 3.21 The figures provide a consistent national view on household formation and the identification of existing need is a standard part of any calculation in

determining housing land requirements. While the Council accepts the principle of these parts of the methodology, it does have alternative views on the levels of existing need.

- 3.22 As part of the HNDA3 process the Council has looked into the issue of existing need in more detail and refined some of the inputs. This has resulted in a slightly higher figure than that proposed by the Scottish Government. East Lothian calculates an increase from 478 to 765 households, which more accurately represents the levels of existing local need in the Council area. When put into the Scottish Government methodology this will result in a slight increase in the minimum housing land requirement by 350 units to 6,400.
- 3.23 Homes for Scotland (HfS) and other house builders responded to the consultation with an alternative methodology that does not use household projections. It uses the 2019 completion levels and extrapolates them out over the next 10 years by authority. This simply replicates current national development patterns and promotes more development in areas where there are already high levels of development, such as East Lothian. The result is that HfS proposes a minimum requirement figure of around 12,000 houses for East Lothian over a 10-year period.
- 3.24 It is recommended that the Council strongly opposes this alternative methodology as it goes against the broad principles of the planning process and simply bases the national strategy for the next 10 years on a single year of completions.
- 3.25 HfS also recommended changes to the assumptions made during the calculation of existing need. These have mainly been addressed through the Council's recommended reworking of the calculations set out above.

### **Flexibility Allowance**

- 3.26 The Scottish Government recommends that a flexibility allowance of 25% be added to the housing land requirement for authorities in more urban locations, including East Lothian. This is to reflect the fact that not all sites will progress at the same time and a buffer is required to allow the identified housing levels to be met. It is recommended that the proposed flexibility level is supported. It is also recommended that the Council's response requests that this flexibility allowance should not be required to be added again at the LDP level.

### **Minimum Housing Land Requirements and Infrastructure First**

- 3.27 The Scottish Government methodology results in a minimum housing land requirement for 6,050 houses. As a result of the recommended changes to the existing need figures (as set out in paragraph 3.22 above), this minimum figure rises to 6,450 houses.
- 3.28 This increase still keeps the minimum within the capacity of the housing land already allocated through LDP1 and also reflects more accurately the true needs of the population. It is therefore recommended that this alternative figure is included in the response to the Scottish Government.

- 3.29 It is also recommended that the Council highlights to the Scottish Government the need for an ‘infrastructure first’ approach to future development, as already promoted by the six South East Scotland Local Authorities through its iRSS and also indicates that S75 is not capable of funding all the necessary infrastructure to support new development so an alternative method needs to be found.

### **Next Steps**

- 3.30 If approved as recommended, the response attached as Appendix A will be sent to the Scottish Government. The Scottish Government will produce a draft NPF4 in autumn 2021. A recommended response to the draft NPF4 consultation will be brought back to Council later this year.
- 3.31 The Final NPF4 will be published in summer 2022 and its housing figures will be used by East Lothian Council, along with the outputs of the HNDA3 process and local information on infrastructure and environmental capacity, to determine the housing land position that will be set out in the LDP Evidence Report.

### **Conclusions**

- 3.32 The recommended minimum housing land requirement prepared by Scottish Government to inform NPF4 represents a figure that is broadly equivalent to that which had been proposed through SDP2 and which was promoted through the iRSS as East Lothian’s preferred housing land requirement. It is also close to the average level of East Lothian housing completions over the preceding 11 years. Affordable housing will be part of this overall total, with requirement levels and distribution across East Lothian a matter for East Lothian’s Local Housing Strategy and LDP2.
- 3.33 It is recommended that the Council responds supporting the overall Scottish Government methodology, but with the recommended change to the levels of existing need and consequent slight change to the minimum housing land requirement.
- 3.34 It is also recommended that the response caveats the Council’s position with a recommendation that an ‘infrastructure first’ approach to future levels of housing growth is pursued by the Scottish Government through NPF4.
- 3.35 In addition the alternative approaches promoted by HfS should be refuted as being unsubstantiated and in conflict with the national repopulation and regeneration aims of the Scottish Government.

## **4 POLICY IMPLICATIONS**

- 4.1 NPF4 will form part of the Development Plan and applications will, in most instances, have to be determined in accordance with its policies. Its content will be developed into an East Lothian context through LDP 2.

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not directly affect the wellbeing of the community or have a significant impact on equality, the environment or economy. Impact Assessments will be carried out by the Scottish Government as part of the NPF4 process.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – No direct financial implications arising from this report beyond staff time.
- 6.2 Personnel - the Council's Planning Service already undertakes strategic planning work and will continue to contribute towards the work of inputting into NPF 4.
- 6.3 Other – none

## **7 BACKGROUND PAPERS**

- 7.1 Appendix A – Response to Scottish Government Consultation on Minimum Housing Land Requirements.

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<b>DATE</b>	20 <sup>th</sup> May 2021



## **Appendix A – Response to Scottish Government Consultation on Minimum All Tenure Housing Land Requirements**

### **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.

#### **East Lothian Comments**

East Lothian Council agrees with the use of the NRS 2018-based principal household projections as a method to provide a consistent base across the country. This consistency will be vital for the Scottish Government in addressing its spatial growth priorities such as regeneration and repopulation.

The Council also supports the use of the mid-range migration variant. Given the 10 year timeframe for LDPs it would seem prudent to continue to use the mid-migration variant as over such a long period. There is no information that would point to a consistent trend that requires the use of the low or high variants. The probability is that over this period, migration will rise and fall and the use of a mid-range will reflect this, in a similar manner to the use of annual averages for housing land requirements.

## **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.

### **East Lothian Comments**

The default set out in the consultation documents only takes into account households in temporary accommodation on 31st March 2020. This does not include households who are recorded via HL1 as homeless but chose not go into temporary accommodation. It also does not include the current existing need of households who are not captured via the homelessness system. Examples of these households include those who are living in housing that does not meet their current needs, or who are living in institutional settings due to appropriate housing provision either not existing or not existing in sufficient supply. As a result of these gaps, the following methodology is recommended.

### **Homeless**

At 31st March 2021, 667 individuals had live homeless applications, this includes those in temporary accommodation and those who are otherwise homeless. Between 2015/16 and 2018/19 an average of around 5% of households whose cases were closed, were discharged to the private rented sector. This allows an assumed adjustment of a 5% reduction in numbers, as 5% of the need can be met within the existing housing stock. This takes the existing need for homeless households to 634 at 31st March 2021.

### **Overcrowded and Concealed**

The Council agrees to use the Scottish Government default for Overcrowded and Concealed.

### **Support Needs / Special Forms of Housing**

The Council recommends that the following household types are be counted, unless by moving they free up social rented provision (either Council or Housing Association);

1. Households whose housing needs cannot currently be met within existing provision i.e. where the housing type required does not exist in the local area, such as 'core and cluster'.

2. Households that require adaptations which cannot be met within their current housing and need to be moved.

Using the above criteria, the total for East Lothian is 74 households. These are from;

1. Housing Episode Forms – H&SCP complete where housing does not exist and the individual has complex needs i.e. learning disability, mental health, and physical disability. Within these, households who currently live in a Council tenancy where the entire household would be moving to a new Council tenancy have been discounted. These figures have been cross-referenced with the re-housing panel list to ensure that there is no double counting. The total number is 63.
2. Re-housing panel points – Households have been discounted who have an application that is; deferred, an offer is pending or recently been accepted, as well as all those who are transfer tenants (as they will be freeing an affordable home by moving), and all those who are also currently homeless (these will be captured in the Homeless figure). The total number is 11.

### **East Lothian Summary**

Homeless Live Cases, with a reduction of 5% – 634

Overcrowded and concealed – 57

Support Needs / Special Forms of Housing – 74

Total = 765 (The default tool in the Scottish Government figure suggests 478).

East Lothian Council recommends that the levels of existing need in the Housing Land Requirement calculation be amended to reflect the 765 households identified in the above calculation, as this more accurately reflects the need in East Lothian. This figure has been fed into the attached Excel calculator.

## **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.

### **East Lothian Council Response**

The Council agrees with the categorisation of East Lothian as urban and to the subsequent use of a 25% flexibility allowance in the calculation of the Council's Minimum Housing Land Requirement.

Although higher than the 10 – 20% figure set out in the current Scottish Planning Policy, the increase to 25% seems appropriate given the longer timeframe of LDPs.

The Council sees a risk of double counting of the flexibility allowance and requests that the development plan regulations acknowledge this risk and thus do not require that additional flexibility be added at the LDP stage. This would result in an unnecessarily large degree of flexibility and make the implementation of an infrastructure-led approach significantly harder.

## **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.

### **East Lothian Council Response**

Initial Default Estimate = 6,050

**Adjusted Estimate = 6,400**

The Council substantially agrees with the methodology and subsequent outputs of the Minimum Housing Land Requirement calculation. The exception are the revisions to the existing need figures set out under question 2. When these revised figures are put in the Excel Calculator, this results in an increase in the Minimum Housing Land Requirement by 350 to 6,400.

This revised figure is higher than the annual average number of homes completed within East Lothian over the last 10 years. Thus the proposed minimum number will result in housing growth across East Lothian. The delivery of the proposed level of growth will put pressure on the infrastructure and environmental capacity of the area and it is essential that NPF4 puts policy in place that ensures this development will progress in a sustainable manner.

It is vital that any housing land requirement figures are accompanied with a strong 'infrastructure first' policy which is backed up through a wider consideration of how infrastructure is funded, so that the infrastructure needs of new communities are addressed before housing development is implemented. The wider infrastructure needs of new development cannot be met entirely through the S75 process and an alternative funding method must be brought forward. Adopting an 'infrastructure first' approach is one of the key methods through which the place making agenda, which will feature so prominently in NPF4, can be delivered.

A copy of the adjusted Excel Calculator showing the revised figures is attached.

## **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.

### **East Lothian Response**

The Council undertook a short consultation through the Housing Market Partnership (HMP). This was undertaken through the context of SESplan and related to all the South East Scotland local authorities.

There were a limited number of responses to the consultation but one of the responses, from Homes for Scotland (HfS), covered a multitude of interested parties. This also reflected that the HNDA is currently being progressed and consulted on across South East Scotland and many of the affordable housing providers and those involved in the social housing sector are engaging through that process.

### List of HMP members

The consultation was sent out to over 50 organisations including Homes for Scotland, housebuilders, planning consultants, community groups and local authority representatives.

### Summary of HMP views

The Community groups responded making no specific comment on the methodology or the outputs but highlighting the large amount of recent and planned levels of house building across the region. They highlighted the strain that these levels of growth were putting on the infrastructure of the region and the need to address fully these, often-longstanding, issues when developing future planning policy.

Campion Homes responded stating that the minimum housing land requirements were too low, did not represent the needs of the area, were unambitious and needed to be altered to a higher figure. HfS did not agree with the methodology or the outputs in the Scottish Government consultation. HfS recommends an alternative approach which is not based on the household projections but which extrapolates the 2019 completion figures across the following ten years to give an alternative housing land requirement. This alternative requirement also uses an aspirational national housebuilding figure of 25,000 houses per year derived by HfS.

East Lothian Council does not agree with this alternative approach, as it is concerned about the basis of the numbers and the methodology. There is no justification for choosing one particular year as the base year for the delivery of

housing for the next decade, beyond choosing the year that offers the highest post-recession completion figures.

HfS use the proportions of the overall national housing delivery completed in each local authority area in 2019 to determine the levels going into the future. This means that the authorities that have experienced high levels of housing development in 2019 will continue to do so for the next 10 years. This approach does not allow for the development of a wider national planning strategy as it serves to reinforce existing patterns of development, encourages future growth in the areas that for example are either the most marketable, or where there has been a high level of housing growth following the adoption of a new plan.

As the figure is not linked to any household projections or any other indications of future housing related trends, there is no relationship between these figures and a demonstrated need for housing. HfS highlights shortcomings in using household projections as predictors of what is likely to (or desired to) happen in practice. ELC's view is that the alternative approach suggested does not properly address the issues they highlight.

In the case of East Lothian, the figures represent a doubling of average housing completions over the last 10 years and could not be accommodated within the environmental or infrastructure capacity of the Council area. It is also doubtful that the development industry could practically deliver this level of housing either within the Council area or across Scotland.

As a minimum or even a maximum figure the 12,000 houses presented by HfS for East Lothian is undeliverable and both these outputs and their methodology should be dismissed.

The Council does agree with HfS that more local assessment of existing housing need should be undertaken to feed into the methodology and this exercise has been reflected in the calculations above and through the ongoing work of the HNDA.

The Council does concur with the responses from the community groups which highlight the need for any housing growth over the next ten years to be accompanied by an 'infrastructure first' approach to ensure that high quality environments can be delivered that encompass the objectives of the place making and climate change agendas.

HMP agreement

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

N/A

Due to the timescales involved we consulted the HMP on the basis of the Scottish Government's draft minimum figures. The revised existing needs figures have subsequently been arrived at through the continued development of the HNDA process. Local groups are fully engaged in the HNDA process.

List of Additional Stakeholders

N/A

Summary of Stakeholders Views

N/A



## 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)*

### Head of Housing

Full Name:

Full Title:

Email:

Date:

Signature:

### Head of Planning

Full Name:

Full Title:

Email:

Date:

Signature: