

DATA LABEL: PUBLIC



COUNCIL EXECUTIVE

HOUSING NEEDS AND DEMAND ASSESSMENT 3

**REPORT BY HEAD OF PLANNING, ECONOMIC DEVELOPMENT & REGENERATION
AND THE INTERIM HEAD OF HOUSING, CUSTOMER AND BUILDING SERVICES**

A. PURPOSE OF REPORT

The purpose of this report is to advise Council Executive on the full report of the Housing Needs and Demand Assessment 3 (HNDA3) and to seek approval to submit the HNDA3 report to the Scottish Government's Centre for Housing Market Analysis (CHMA) for assessment with a view of achieving a 'robust and credible' status.

B. RECOMMENDATION

It is recommended that Council Executive,

1. Notes the progress of the third South East Scotland HNDA, designed to inform Local Housing Strategies and Local Development Plans in the City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian.;
2. Agrees to the submission of HNDA3 to the Scottish Government's CHMA for formal assessment.

C. SUMMARY OF IMPLICATIONS

I Council Values Focusing on our customers' needs; being honest, open and accountable; making best use of our resources; providing equality of opportunity; working in partnership.

II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment) The Housing (Scotland) Act 2001 places a responsibility on Local Authorities to prepare a Local Housing Strategy (LHS) supported by an assessment of housing need and demand and the provision of related services. An HNDA serves to provide this assessment.

The Town and Country Planning (Scotland) Act 1997 (as amended) requires local authorities to plan for land use in their area, including the allocation of land for housing. This will be undertaken in the form of preparing a Local Development Plan (LDP). The HNDA supports both these processes.

		No environmental, equality, health or risk assessments have been carried out. It is envisaged the LDP will be informed by a number of assessments and supporting documents.
III	Implications for Scheme of Delegations to Officers	None.
IV	Impact on performance and performance Indicators	None.
V	Relevance to Single Outcome Agreement	Outcome 4 - We live in resilient, cohesive and safe communities. Outcome 5 – Older people are able to live independently in the community with an improved quality of life. Outcome 8 - We make the most efficient and effective use of resources by minimising our impact on the built and natural environment.
VI	Resources - (Financial, Staffing and Property)	The Housing Needs and Demand Assessment forms part of the evidence base for the formulation of Housing Supply Targets for the Local Development Plan and for the Local Housing Strategy. Future affordable housing delivery will have a resource implications.
VII	Consideration at PDSP	A report was presented at the Development & Transport PDSP on 1 February 2022 with members of the Services for the Community PDSP also invited. The panel noted the terms of the report and agreed that the report should be forwarded to a future meeting of the Council Executive for approval.
VIII	Other consultations	A HNDA consultation and participation statement was consulted on and published online. Key documents and project meeting minutes have been published to the Edinburgh and South East Scotland City Region Deal webpages. Three engagement workshops were held in October 2021 which Local Members, Community Councils and council officers were invited to participate.

D. TERMS OF REPORT

D1 Background

Local authorities are required through legislation to develop a Housing Needs and Demand Assessment (HNDA) on a five-yearly cycle, providing an evidence-base for housing policy decisions in Local Housing Strategies. Until recently the HNDA also informed housing allocations in local development plans but the Scottish Government has signalled that it is taking a different approach to calculating housing land requirements in LDPs.

To achieve 'robust and credible' status, the Scottish Government requires HNDA3 to be signed off by the Heads of Housing and Planning, or the designated senior official in each local authority. This is the third HNDA undertaken, with 'robust and credible' status achieved for HNDA1 and HNDA 2 in 2011 and 2015 respectively.

The purpose of the HNDA is to estimate the future number of additional housing units to meet existing and future housing need and demand by housing market area, based on a range of scenarios rather than precise estimates. The HNDA captures contextual information on the operation of the housing system to develop policies on new housing supply, the management of existing stock and the provision of housing related services.

Six local authorities came together to produce the South East Scotland HNDA3 covering the City of Edinburgh, East Lothian, Fife (West & Central), Midlothian, Scottish Borders and West Lothian. A project team was established with progress reported to the Edinburgh & South East Scotland City Region Deal (ESES CRD) Housing Partners, in consultation with the ESES CRD Regional Housing Board and the SESplan Board.

A wider housing market partnership has been established, allowing the project team to draw on the expertise of other housing, planning, economic development, health and regeneration partners, linking to specialist housing providers, lettings agents, tenant organisations, house builders, etc. This partnership has been a focal point for consultation and engagement at all key stages of the project with feedback informing the production of HNDA3.

The project was divided into individual workstreams which were subject to 3-4 stages of consultation involving the Project Team, ESES CRD Housing Partners and the wider Housing Market Partnership. Due to Covid-19 risks, consultations were primarily held online with methods including publication of all materials on the ESES CRD website, briefings, emails, dedicated meetings and the commissioning of external consultants to provide 3 x stakeholder engagement events focusing on the HNDA Tool results and specialist housing requirements.

The methodology for undertaking a HNDA is heavily prescribed by the Scottish Government's HNDA Practitioner's Guide published in November 2020. The guidance requires a HNDA to produce four core outputs and to follow six core processes. HNDA3 has been undertaken in accordance with the guidance, relying on the use of robust national and local secondary data.

D2 Chapter 2 – Key Housing Market Drivers

The number of households in the South East Scotland area is projected to increase by 18% to 2043, which is above the 10% increase projected for Scotland. This is likely to be a consequence of a greater number of people migrating into the area to live, compared to the number leaving during the same period and the number of births exceeding the number of deaths, however it is recognised that there is a downward trend in birth rates.

Proportionately, there has been higher-level growth in older age groups and a reducing level of younger people. West Lothian in particular has a significant ageing population. Over the period 2008 to 2018 there was a 32.1% increase in people aged 65-79 years and a 46.7% increase in people aged 80+ years. The ageing population has a consequence on the number of homes needed as it impacts on the average household size.

South East Scotland represents over a quarter of all house sales nationally, with the highest level of sales in the City of Edinburgh. On average, households must spend 7.37 x the lower quartile income to afford lower quartile house prices, well in excess of the typical 3.9 x multiplier. Private rental growth has been much stronger in South East Scotland compared to Scotland, particularly in the Lothian Broad Rental Market Area where private renting is unaffordable for almost 80% of households. Affordability issues in the private housing sector add significantly to the need for social housing. In most areas house price increases are increasing at a faster rate than incomes.

For West Lothian, the assessment found that 48% of households are unable to afford to buy whilst 55% are unable to afford a private let, with 38% deemed in need of social rent.

Young people have been impacted by reducing employment levels and decreasing levels of economic activity, particularly during the Covid-19 pandemic. Poverty levels in South East Scotland have increased for households with children, pensioners, larger families, single people, people with a disability, people unemployed and living in social rented housing.

D3 Chapter 3 – Housing Stock Profile

Chapter 3 of the HNDA report provides an in-depth analysis into the stock profile, pressures, management issues and existing need.

In terms of the existing need that is identified and then fed into the overall HNDA calculation of additional number of housing units, the requirements for West Lothian is 1,385 households. This has been derived from identifying the number of homeless households and those in temporary accommodation (Scottish Government Homelessness HL1 'live' applications as at 31 March 2021 (1,246) and the number of concealed households that have more than one family and overcrowded by showing 'not enough rooms' according to the bedroom standard (139) (see table 1 below).

Table One: Local Authority Existing Need

Local authority existing need						
Category	City of Edinburgh	East Lothian	Fife (W&C)	Midlothian	Scottish Borders	West Lothian
Homelessness / temporary	4,825	710	1,246	762	248	1,246
Both overcrowded and concealed	274	57	171	64	22	139
Support needs / special forms of housing	200	74	263	288	103	0
Total	5,299	841	1,679*	1,114	373	1,385

D4 Chapter 4 – Estimating Existing and Future Housing Needs and Demands.

The HNDA Tool provides the mechanism for calculating housing estimates. It is a complex Excel spreadsheet pre-populated with data, although the system can be adjusted to account for scenarios around future growth. The Project Team agreed six main scenarios (plus a bespoke scenario for Midlothian), providing a range of options for growth

Scenario 1: HNDA Tool - default position.

Scenario 2: HNDA Tool with LA Existing Need – an additional scenario was produced to test the HNDA Tool default position but replacing the default existing need calculation with the local authority-generated existing need figures.

Scenario 2a: HNDA Tool with LA Existing Need / Midlothian Modelling was requested by Midlothian Council based on Scenario 2 but with a 10-year backlog clearance for Midlothian only.

Scenario 3: Strong Growth - reflecting a very positive outlook with movement towards high real terms income growth, high inward migration, greater equality, high/moderately high house price and rental growth across all local authorities.

Scenario 4: Steady Growth – providing moderate real terms income growth, principal household projections, ‘creeping’ equality, moderate/trend house price and rental growth. The outputs of this scenario most closely reflect past trends.

Scenario 5: Slow Growth - low inward migration reflecting below real terms income growth, greater inequality, moderately low / low house price and rental growth.

Scenario 6: Stalled Growth - delay in recovery from Covid-19 pandemic to 2024 followed by moderate real terms income growth, principal projection, ‘creeping’ equality, moderate/trend house price and rental growth.

The HNDA3 scenarios were processed through the HNDA Tool providing housing estimates for each local authority and South East Scotland as a whole. The 20-year results can be found in Appendix one. For West Lothian, the various scenario’s reveal a range of projected need and demand from 13,088 (slow growth scenario) to 15,312 (strong growth scenario) over a 20 year period. This equates to 654 to 766 houses per annum. This is comparable to the figure set out in the draft National Planning Framework 4 (NPF4) which outlines a Minimum All Tenure Housing Land Requirement of 9,600 homes over a ten year period. This is comprised of an estimated housing need of 768 homes per annum with a 25% flexibility allowance applied.

In terms of consultation around the HNDA Tool results, stakeholders consider that South East Scotland partners have applied the prescribed HNDA methodology well, but some consider that there are limitations in the HNDA tool which needed to be recognised in policy decisions around housing supply and land allocation.

D5 Chapter 5 – Specialist Housing

HNDA3 examines a number of areas of specialist housing provision.

- Non-permanent housing (including temporary housing and intermediate care housing)
- Supported provision
- Site Provision for gypsy/travellers and travelling show people
- Accessible, adapted and wheelchair housing

For West Lothian, the number of households in temporary accommodation increased from 355 in 2016 to 665 in 2021. The percentage increase between 2019 and 2021 for West Lothian is 49%, which was the highest percentage increase of all the South East Scotland councils.

There has been an increase in all social care client types in South East Scotland, with significant growth in the number of clients with a physical & sensory disability, mental health or learning disability which impacting on demand for services. Predominantly, older age groups (75+ years) present greater demand for care across all local authority areas.

West Lothian currently has a wheelchair housing target of 30 homes per annum for affordable housing. Research was undertaken for HNDA3 using Horizon's Still Minding the Step methodology. This identified the need for wheelchair homes in West Lothian across all tenures as 750 over the next 20 years.

E1 CONCLUSION

It is concluded that the full HNDA3 meets the prescribed methodology set out by Scottish Government guidance and as such it is recommended that the assessment is submitted to the Scottish Government's Centre for Housing Market Analysis (CHMA) for formal assessment with the view of achieving a 'robust and credible' status. Once this status has been achieved the HNDA can then be used as a credible evidence base to support the production of the next Local Development Plan and the Local Housing Strategy.

For West Lothian, the various scenario's reveal a range of projected need and demand from 13,088 (slow growth scenario) to 15,312 (strong growth scenario) over a 20 year period. This equates to 654 to 766 houses per annum. This is comparable to the figure set out in the draft National Planning Framework 4 (NPF4) which outlines a Minimum All Tenure Housing Land Requirement of 9,600 homes over a ten year period. This is comprised of an estimated housing need of 768 homes per annum with a 25% flexibility allowance applied.

The housing market is primarily driven by net in migration; births exceeding the number of deaths; an ageing population and a reduction in the average household size. The assessment also details an increasing issue surrounding affordability.

F. BACKGROUND REFERENCES

<https://esescityregiondeal.org.uk/sesregionalplanning>

The full HNDA calculations have not been presented as part of this report but are available from Planning Services.

Appendices/Attachments: Appendix 1: South East Scotland HNDA3 Results

Contact Person: Margaret Stone, Planning Officer, 01506 282425, email margaret.stone@westlothian.gov.uk

Gillian Edwards, Planning and Coordination Officer; email gillian.edwards@westlothian.gov.uk

Craig McCorrison
Head of Planning, Economic Development and Regeneration.

Julie Whitelaw
Interim Head of Housing Customer and Building Services

8 February 2022

Appendix One: South East Scotland HNDA3 Results

Table One: SES HNDA3 Results for West Lothian. Annual housing requirements in 5-year bands.

Scenario 1. HNDA Tool Default Annual Housing Requirement in 5-Year Bands / Constrained Results

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	300	137	126	112	3,376	169
Below market	135	111	105	90	2,204	110
PRS	163	138	139	141	2,907	145
Buyers	277	236	242	234	4,939	247
Total p.a.	875	621	613	576	13,427	671
Affordable p.a.	435	247	232	202	5,580	279
Market p.a.	440	374	382	374	7,847	392

Scenario 2. HNDA Tool Default With LA Existing Need in 5-Year Bands / Constrained Results

(Only change is to replace HOTO* with LA own existing need)

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	461	137	126	112	4,181	209
Below market	135	111	105	90	2,204	110
PRS	163	138	139	141	2,907	145
Buyers	277	236	242	234	4,939	247
Total p.a.	1,036	621	613	576	14,232	712
Affordable p.a.	596	247	232	202	6,385	319
Market p.a.	440	374	382	374	7,847	392

Scenario 3. Strong Growth Annual Housing Requirement in 5-Year Bands / Constrained Results

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	324	284	151	145	4,517	226
Below market	145	116	116	111	2,439	122
PRS	172	139	137	123	2,860	143
Buyers	300	265	280	280	5,627	281
Total p.a.	1,077	643	685	658	15,444	772
Affordable p.a.	469	400	267	256	6,956	348
Market p.a.	472	405	418	403	8,488	424

Scenario 4. Steady Growth Annual Housing Requirement in 5-Year Bands / Constrained Results

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	314	266	123	111	4,068	203
Below market	140	105	98	83	2,131	107
PRS	165	130	131	127	2,771	139
Buyers	289	247	261	255	5,259	263
Total p.a.	908	748	613	576	14,229	711
Affordable p.a.	454	371	221	194	6,199	310
Market p.a.	454	377	393	382	8,030	401

Scenario 5. Slow Growth Annual Housing Requirement in 5-Year Bands / Constrained Results

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	319	272	111	97	3,994	200
Below market	131	101	88	77	1,986	99
PRS	151	117	101	99	2,343	117
Buyers	275	233	223	222	4,765	238
Total p.a.	876	723	523	496	13,088	654
Affordable p.a.	450	373	199	175	5,981	299
Market p.a.	426	350	324	321	7,108	355

Scenario 6. Stalled Growth Annual Housing Requirement in 5-Year Bands / Constrained Results

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	329	289	116	112	4,225	211
Below market	141	113	94	86	2,173	109
PRS	162	130	111	117	2,605	130
Buyers	293	261	241	260	5,281	264
Total p.a.	925	793	562	576	14,284	714
Affordable p.a.	470	402	210	198	6,398	320
Market p.a.	456	392	352	378	7,886	394

Table Two: SES HNDA3 Results for South East Scotland. Annual housing requirements in 5-year bands.

Scenario 1. HNDA Tool Default Annual Housing Requirement in 5-Year Bands / Constrained Results

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	2,445	1,250	1,145	949	28,950	1,448
Below market	1,015	823	809	716	16,814	841
PRS	785	656	678	651	13,849	692
Buyers	1,445	1,228	1,263	1,178	25,567	1,278
Total p.a.	5,690	3,957	3,895	3,493	85,180	4,259
Affordable p.a.	3,460	2,074	1,954	1,664	45,764	2,288
Market p.a.	2,230	1,884	1,941	1,829	39,417	1,971

Scenario 2. HNDA Tool Default With LA Existing Need in 5-Year Bands / Constrained Results

(Only change is to replace HOTO* with LA own existing need)

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	3,706	1,250	1,145	949	35,251	1,763
Below market	1,015	823	809	716	16,814	841
PRS	785	656	678	651	13,849	692
Buyers	1,445	1,228	1,263	1,178	25,567	1,278
Total p.a.	6,951	3,957	3,895	3,493	91,481	4,574
Affordable p.a.	4,721	2,074	1,954	1,664	52,065	2,603
Market p.a.	2,230	1,884	1,941	1,829	39,417	1,971

Scenario 3. Strong Growth Annual Housing Requirement in 5-Year Bands / Constrained Results

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	3,043	2,479	1,708	1,623	44,263	2,213
Below market	1,120	959	948	870	19,482	974
PRS	834	551	457	321	10,814	541
Buyers	1,642	1,439	1,517	1,450	30,238	1,512
Total p.a.	6,638	5,427	4,630	4,263	104,797	5,240
Affordable p.a.	4,163	3,437	2,656	2,493	63,745	3,187
Market p.a.	2,475	1,990	1,974	1,771	41,052	2,053

Scenario 4. Steady Growth Annual Housing Requirement in 5-Year Bands / Constrained Results

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	2,880	2,248	1,461	1,357	39,732	1,987
Below market	1,023	830	806	712	16,855	843
PRS	746	436	326	209	8,586	429
Buyers	1,500	1,245	1,302	1,215	26,308	1,315
Total p.a.	6,149	4,759	3,895	3,493	91,481	4,574
Affordable p.a.	3,903	3,078	2,266	2,069	56,587	2,829
Market p.a.	2,245	1,681	1,629	1,424	34,894	1,745

Scenario 5. Slow Growth Annual Housing Requirement in 5-Year Bands / Constrained Results

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	2,370	2,055	1,353	898	33,382	1,669
Below market	931	698	620	552	14,004	700
PRS	689	473	421	359	9,711	486
Buyers	1,325	1,038	971	903	21,181	1,059
Total p.a.	5,315	4,264	3,365	2,711	78,277	3,914
Affordable p.a.	3,302	2,753	1,973	1,450	47,386	2,369
Market p.a.	2,014	1,511	1,392	1,262	30,891	1,545

Scenario 6. Stalled Growth Annual Housing Requirement in 5-Year Bands / Constrained Results

	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040	20 Yr Total	20 Yr p.a.
Social rent	2,676	2,431	1,699	1,406	41,062	2,053
Below market	1,052	866	746	724	16,949	847
PRS	711	422	257	142	7,660	383
Buyers	1,514	1,307	1,192	1,221	26,172	1,309
Total p.a.	5,954	5,027	3,895	3,493	91,843	4,592
Affordable p.a.	3,729	3,297	2,446	2,131	58,011	2,901
Market p.a.	2,225	1,729	1,450	1,362	33,832	1,692

*The HoTOC count is based on Scottish Government HL1 homelessness statistics (households in temporary accommodation) and a combination of the Scottish Household Survey (2016-18) and the 2011 Census (households both overcrowded and concealed).