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HOUSING NEED AND DEMAND ASSESSMENT 3

Executive Summary

East Lothian Council · EDINBVRGH · THE CITY OF EDINBURGH COUNCIL · Fife Council · Midlothian · Scottish Borders Council · West Lothian Council

South East Scotland Housing Need and Demand Assessment (HNDA3)

Executive Summary

Chapter 1 - Introduction

- Local authorities are required through legislation to develop a HNDA on a five-yearly cycle, providing an evidence-base for housing policy decisions in Local Housing Strategies and land allocation decisions in Development Plans. 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.
- 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 (ESESCRD) Housing Partners, in consultation with the ESESCRD 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, ESESCRD 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 ESESCRD 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 production of HNDA3 closely followed the Scottish Government recommended methodology to meet the 'HNDA Core Outputs and Processes', relying on the use of robust national and local secondary data.
- A key first step was to analyse housing transactions across South East Scotland which shows that the city region is operating as a functional housing market area although the areas furthest from the city have a weaker relationship with Edinburgh, with fewer proportionate sales to Edinburgh purchasers than the areas closest to the city.

Chapter 2 - Key Housing Market Drivers

- South East Scotland's population is increasing, the highest percentage increases being in the City of Edinburgh, Midlothian and East Lothian, and the lowest in Scottish Borders and Fife (West & Central). Proportionately, there has been higher-level growth in older age groups and a reducing level of younger people.
- 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, with almost half of the total

increase projected to occur in City of Edinburgh. Household size is reducing across South East Scotland with projections for more single person and two-person households.

- 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.
- The HNDA3 is produced at a time of significant uncertainty around the future economy of South East Scotland. The highest earnings are in the City of Edinburgh and East Lothian. Earnings have grown above inflation in the City of Edinburgh, Fife, Midlothian and West Lothian, while income growth is strongest in East Lothian and the Scottish Borders.
- 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.

Chapter 3 - Housing Stock Profile

- South-East Scotland contains 623,386 dwellings, the area providing 23.7% of Scotland's housing. The City of Edinburgh contains the highest number of dwellings, followed by Fife (West & Central), West Lothian, Scottish Borders, East Lothian and Midlothian. There have been differing levels of stock growth across South East Scotland, the highest percentage growth has been in Midlothian, East Lothian, City of Edinburgh and West Lothian and the lowest in Fife (West & Central) and Scottish Borders. Tenure has been changing across South East Scotland evidenced through a shift from owner-occupation to private renting, particularly in the City of Edinburgh, with a net reduction in social housing.
- Up to 14,000 households are overcrowded in South East Scotland, the greatest concentration being in the City of Edinburgh. Around 189,000 dwellings are under-occupied, principally in owner occupied houses and in the City of Edinburgh and Fife (West & Central). South East Scotland contains almost 4,000 concealed households, the highest levels being in City of Edinburgh, Fife (West & Central) and West Lothian. Around 1,100 of these concealed households are also living in overcrowded conditions. Over 1,000 local authority dwellings are in low demand, particularly in Fife (West & Central) and to a lesser extent Midlothian. Over 10,000 dwellings are long-term empty, with particular focus in the City of Edinburgh, Fife (West & Central) and Scottish Borders. Over 5,000 dwellings are second homes with concentrations in the City of Edinburgh, East Lothian, Fife (West & Central) and Scottish Borders. A high percentage of short-term lets in Scotland are in South East Scotland primarily in the City of Edinburgh.
- The need for new housing could be minimised through improved stock management to make better use of current housing assets, including considering the scale and location of new housing, housing standards, tenure, type and size requirements. Future housing supply needs to be smaller and more specialist to meet changing demographics. New housing will need to have zero emissions with social landlords expected to be fully compliant by 2026. Significant work will be required to ensure existing properties across all tenures are retrofitted to improve energy efficiency and decarbonised heat to meet new zero emissions targets.

Chapter 4 - Estimating Existing and Future Housing Need and Demand

- The HNDA Tool provides the mechanism for calculating housing estimates. It is a complex Excel database 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 - 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.

- Apart from within the HNDA Tool default scenario, the existing need calculation was replaced by a local authority generated existing need figures, the view being that the default figures under-estimate increasing levels of homelessness arising from the Covid-19 pandemic, and other specialist housing requirements.

Local authority existing need							
Category	**City of Edinburgh**	**East Lothian**	**Fife (W&C)**	**Midlothian**	**Scottish Borders**	**West Lothian**	**South East Scotland**
Homelessness / temporary	4,825	710	1,246	762	248	1,246	9,037
Both overcrowded and concealed	274	57	171	64	22	139	727
Support needs / special forms of housing	200	74	263	288	103	0	928
Total	**5,299**	**841**	**1,679***	**1,114**	**373**	**1,385**	**10,691**

* Fife (W&C) total affected by rounding due to calculation for identifying only those parts in South East Scotland

- 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 are:

	South East Scotland	City of Edinburgh	East Lothian	Fife (West & Central)	Midlothian	Scottish Borders	West Lothian
Scenario 1 HNDA Tool Default	85,180	41,120	9,145	6,374	12,309	2,805	13,427
Scenario 2 HNDA Tool Default with LA Existing Need	91,481	44,279	9,506	7,443	12,493	3,078	14,232
Scenario 2a Midlothian Modelling	-	-	-	-	13,016	-	-
Scenario 3 Strong Growth	104,797	52,475	10,128	9,288	13,636	3,827	15,444
Scenario 4 Steady Growth	91,481	44,257	9,512	7,459	12,936	3,089	14,229
Scenario 5 Slow Growth	78,277	36,204	8,808	5,541	12,261	2,374	13,088
Scenario 6 Stalled Growth	91,843	44,435	9,507	7,551	12,953	3,113	14,284

- 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.

Chapter 5 - Specialist Provision

- There is an identified need for around 14,000 dwellings to be adapted to meet a range of mobility issues, this likely to be an under-estimate when considering projected household growth in South East Scotland. Using the methodology of the Still Minding the Step research, it is estimated that there are 5,645 households in South East Scotland requiring wheelchair housing and this is projected to increase in line with household growth and an ageing population profile.
- There are significant pressures on non-permanent housing in South East Scotland, with over 9,300 households and around half of these requiring temporary accommodation. Additional pressures arise from client groups such as young care leavers, people leaving prison, people needing respite care, women and children experiencing domestic abuse and asylum seekers / refugees. Over 520 additional units of temporary accommodation are required to meet homelessness and other non-permanent housing requirements.
- There are around 20,000 non-permanent student bedspaces in South East Scotland, with 95% of these being provided in the City of Edinburgh. The Council is taking a planned approach in the location of purpose-built student accommodation to ensure it is balanced with the needs of the wider housing market. Affordability is an issue for students in the city with rents significantly higher than the Scotland average.
- There is an existing need for 964 additional units of supported provision in South East Scotland, although changing demographics will lead to an increasing need for supported provision to meet future care requirements. As a minimum, 4,275 additional units of supported

accommodation are required for older people, although this figure is an under-estimate due to data issues in some local authorities.

- 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. Community alarms / telecare is the most common support service in South East Scotland, accounting for 31.9% of clients.
- National estimates would suggest that there could be around 3,300 Gypsy/Travellers in South East Scotland. Gypsy/Travellers are more likely to report long-term health problems or disability, despite their younger age profile, than the general population. An estimated 1,755 Gypsy/Travellers are likely to have a caring responsibility. Around 90 Gypsy/Travellers are waiting for a pitch on a public site in South East Scotland, although this is likely to be an under-estimate of need. An average of 108 roadside encampments occurs each year in South East Scotland. There are an estimated 2,000 Travelling Showpeople in Scotland. While data is unavailable to indicate the proportion of those in South East Scotland, there are known to be 4 sites accommodating Travelling Showpeople.
- Through consultation, stakeholders are generally found to be supportive of the specialist housing assessment across the range of client types. However, a key recommendation is for local authorities in South East Scotland to negotiate common definitions for specialist housing provision, thereby improving consistency, helping tackle data gaps, and creating data sharing processes on unmet need.