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Minister for Local Government, Housing and Planning
The Scottish Parliament
Edinburgh
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By Email to: scottish.ministers@gov.scot

19 October 2018

Dear Minister,

Proposed South East Scotland Strategic Development Plan (“SESplan 2”)

We write to appraise you of some inadvertent mistakes, made by SESplan 2 Reporters, that will prevent Scotland from realising significant numbers of affordable homes that could be delivered but-for these errors.

As you will be aware, on 20th July your Reporters submitted their Report on the Examination of SESplan 2 to you for your consideration. Whilst Homes for Scotland supports many of the Reporters’ intentions and recommendations, unfortunately there are some significant factual and interpretation errors in the Report that mean the Plan cannot be approved in the form recommended by the Reporters. To do so would, without necessity, cut off vital opportunities to meet the affordable housing need identified by SESplan. This would be in nobody’s interest.

This letter and enclosure set out the errors contained in the Report which, if not corrected, will have the effect of delivering significantly fewer homes than intended, and far fewer than are required to meet housing need and demand identified in SESplan 2’s Housing Need and Demand Assessment (HNDA). The inevitable consequence of not delivering these homes is that ordinary people on modest incomes in need of housing will be unable to afford to purchase a home from the limited supply available.

If SESplan 2 is approved by Scottish Ministers as recommended by the Reporters, it will create huge social injustice affecting the lowest earning 25% of the population because of a simple, but fundamental, error in the Reporters’ reasoning. In short, hardworking people will be further priced out of the market because the demand which SESplan 2 admits exists will not be met by an appropriate number of affordable homes.

We have enclosed a *Correction of Examination Report Errors Statement* which sets out factual and arithmetical errors contained within the SESplan 2 Examination Report which must be rectified before the approval of this SDP. These errors impact on the Reporter’s recommendations and proposed modifications and are summarised as follows:

- Identification of incorrect market housing demand to 2030 as set out in the HNDA;
- Consequential change to the market housing supply targets (modified Table 5.1 *Housing Supply Targets 2012-2030*); and
- Consequential change to the housing land requirement (modified Table 5.2 *Housing Land Requirements 2012-2030*).

The enclosed Statement fully explains these errors as well as setting out the required modifications to SESplan 2 prior to approval. We request that you use your powers to modify SESplan 2 to correct these factual and arithmetical errors made in the Reporters' conclusions.

In addition, there are two principal interpretation errors in the Reporters' recommendations. These are as follows:

1. A misunderstanding of the way in which affordable housing is defined in SESplan 2 and Scottish Planning Policy (SPP), leading to a very significant under-estimate of the amount of affordable housing that can be delivered.
2. Related to this, and because it appears that neither SESplan authors nor the Reporters were familiar with how the SESplan Councils record information on the completion of affordable housing, it is impossible to calculate the delivery of housing against the distinct targets for affordable and market housing. As we explain below, this is why it is essential to adopt a whole-system, "all-tenure" approach to establishing targets and calculating delivery, as is the case in all other SDPs in Scotland.

This letter sets out why correcting these errors whilst you have the opportunity means that the Housing Supply Target and Housing Land Requirement of SESplan 2 will be increased significantly (whilst remaining deliverable). In turn, this will require a modification to the Spatial Strategy.

Affordable Housing Supply Targets

The Reporter who examined the Housing Chapter of SESplan 2 concludes that the chosen HNDA wealth distribution scenario must be met in full for market housing to 2030. However, he takes a different approach in respect of "affordable" housing and does not recommend that enough homes are built to meet "affordable" need to 2018.

The Reporter sets out a justification for this approach in Paragraphs 124-127 of Issue 8 of the SESplan 2 Examination Report and states:

"I find that a different approach is appropriate in respect of affordable housing due to its reliance on public funding." (paragraph 124)

*"My support for increasing the proposed plan's affordable HSTs so that they reflect the HNDA-estimated housing need **was based upon predictions of funding availability going forward. If the backlog in affordable housing provision that has already arisen were also to be met, even more public funding would be required.** No evidence has been provided to suggest that there is **sufficient funding** to deliver the level of affordable housing **necessary** to meet both the need going forward and the backlog that has developed."* (our additions of bold and underline, paragraph 125).

This conclusion does not properly reflect SESplan2's definition of affordable housing, which is: *"housing of reasonable quality that is affordable to people on modest incomes."*

This definition is the same as contained in paragraph 126 of SPP 2014 which then goes to explain that *"affordable housing may be provided in the form of social rented accommodation, mid-market rented accommodation, shared ownership housing, shared equity housing, housing sold at a discount (including plots for self-build), and low cost housing without subsidy"*.

It is therefore clear that the term "affordable housing" as used in SESplan 2 and SPP does not only refer to social rented accommodation (requiring public funding) for its delivery. It anticipates and allows for un-subsidised affordable delivered by the private sector.

Regrettably therefore, in reaching his conclusions on whether to address “affordable” need to 2018, the Reporter makes a fundamental error.

He states (in paragraphs 125 and 126 of Issue 8 of the Examination Report) that *“if the backlog in affordable housing provision that has already arisen were also to be met, even more public funding would be required... My view is that delivering the annual levels of affordable housing delivery that the HNDA estimates will be required over the period 2018 – 2030 is the absolute limit of what could reasonably be considered achievable and that, having regard to all that is known of current and short term funding and the most optimistic assumptions of its medium to longer term availability, it would not be reasonable also to seek to address the backlog that has developed since 2012.”*

This is clearly not the case as it is possible to deliver significant amounts of affordable housing (as defined by SESplan 2) without public subsidy. The Reporter’s reasoning refers only to the availability of public funding to deliver affordable homes. His error means that a very significant number of homes which could be delivered without any public subsidy would not be planned or accounted for through SESplan 2. This would be a huge opportunity lost for everyone concerned. You are uniquely placed to resolve this.

The fact that this is a backlog of unmet housing need does not diminish the importance of accommodating that need in the future. The failure to account for these homes in the past contributes to the affordability issues faced by an increasing number of people today and into the future. This unmet housing need will continue to exist and will remain in future iterations of the HNDA evidence base. These are real homes needed by real people who earn the least money in the SESplan region. If SESplan 2 is approved based on the Reporters’ recommendations, these people will remain excluded from the housing market, and unnecessarily so. This is not about numbers on paper – it is about real homes that can only be delivered if they are planned for.

The All-Tenure Approach

The Proposed SESplan 2, and the Reporters’ conclusions, support a split tenure approach and provide two different housing supply targets – both market and affordable. Homes for Scotland considers that an all-tenure, whole-system approach continues to be the most appropriate way to ensure that the considerable contribution that the delivery of market homes makes to the delivery of affordable housing is taken into consideration.

Further, given the definition of affordable housing in SESplan 2 (and SPP), the split-tenure approach makes it impossible to calculate delivery of housing against the housing supply targets when set out as proposed by the Reporter. Consequently, SESplan 2 (either as proposed by the SDPA or by the Reporter) cannot be implemented and is unworkable.

Based on the SESplan 2 (and SPP) definition of affordable housing, there are a number of different tenures which would constitute housing that is available to people on modest incomes. This is not limited to social rented accommodation or other housing covered by public subsidy.

SESplan 2 itself acknowledges that there are a number of types of housing delivery which can support affordable housing delivery (Section 7, paragraph 7.20 of the SESplan2 Housing Background Paper). Completions of any of these tenures set out below will be recorded as private sector delivery but are actually supporting the delivery of affordable housing supply targets.

- Private Rented Sector – *“private rented sector can help meet a proportion of affordable need that is not being met by recognised affordable tenures. Whilst there is no quantifiable level for how much affordable need this meets, Local Authorities do make use of private rented sector stock to house families in affordable need.”*
- Help to Buy – *“currently helping meeting the needs of some households who want to but could not raise the finance to own a home. It provides government backed deposit support.”*

Whilst households estimated by the HNDA who could afford a market home may be making use of the scheme, it could also be those identified as needing affordable need.”

- Other Tenures Recognised as Affordable – The background paper acknowledges that New Build Shared Equity would be counted as market delivery, but that it “*can assist to meet a limited level of need recognised as affordable in the HNDA estimates*”. In addition, Open Market Shared Equity is not formally recognised as an affordable tenure in the HNDA, but the Housing Background Paper suggests that “*using existing owner occupier homes this way to help meet affordable need can be replaced with new build owner occupier homes*”, thus contributing towards affordable need.

All other SDPs in Scotland adopt an all-tenure approach, with SESplan 2 being the only exception. In the case of the recent Clydeplan examination, the Reporter concluded that “*the identification of an all-tenure housing supply target recognises the potential role of the private sector in providing a range of affordable housing types, not just through the application of quota policies to otherwise wholly private developments. New housing provided in any tenure will contribute to meeting the overall housing supply targets which have been identified across Clydeplan. Assumptions regarding the likely tenure of the provider should not impose artificial or unnecessary restrictions on new housing provision*” (Issue 10, modification 6).

You accepted that conclusion when you approved Clydeplan in July 2017, and we believe your decision on SESplan 2 must be made consistent with this approach, and the approach taken nationally across Scotland .

It is vital that the housing supply targets for SESplan 2 are set on an all-tenure basis to ensure that a range and choice of market and affordable homes can be delivered across the city region reflecting the full housing need and demand identified by the HNDA to 2030.

Calculating Affordable Housing Delivery

It is impossible to calculate the delivery of affordable housing separate to that of market housing when using the current SESplan 2 definition of affordable housing.

No SESplan member authority has evidence of completions on a split-tenure basis as set out in SESplan 2. Whilst some authorities have data related to private and public sector housing (for example City of Edinburgh Council), the majority do not.

In addition, those authorities which have attempted to calculate completions on a split tenure basis (market and affordable) have done so on the basis of private or public sector funding only and not on the basis of affordability as defined in SESplan 2. That data simply does not exist.

On that basis, SESplan 2, as recommended by your Reporters, is unworkable and cannot be approved. The only means by which progress of housing delivery against need can be measured is by adopting the all-tenure approach which you approved in Clydeplan.

Spatial Strategy

Given that the Proposed SESplan 2 was prepared on the basis of *not* meeting the housing need and demand in full, in our view its spatial strategy is not currently flexible enough to accommodate this objective. This is reflected in the terms of the modified paragraph 3.2 recommended by the Reporters:

“For the next 12 years, some of the need for strategic growth will be met by land already identified in existing and proposed Local Development Plans. The broad location of any additional sites that require to be identified will be within the areas identified as ‘Strategic Growth 2018-2030’. Most of this will occur in and around Edinburgh and along transport corridors.”

Although this paragraph may have been recommended by the Reporters with the intent of increasing flexibility, the wording, in our view, is far from clear in respect to where strategic growth from 2018 – 2030 will be permitted.

In this regard, it is important to note that the strategic growth areas shown in Figure 3.1 are already identified for development in existing LDPs and do not contain any significant flexibility unless changes of future use to housing are being considered.

The approved Spatial Strategy is defined by the SDPA as *Growth Corridors*. This is described by the SDPA in its Strategic Environmental Assessment: Environmental Report as:

“This option is more focused on the city and its hinterland than Distributed Growth. Green Belt release may be required and would likely be focused on the west and south-east of the city. Up to 400 additional hectares of land may be required in Edinburgh to accommodate this strategy. Additional distribution would be directed to settlements within surrounding areas close to Edinburgh’s urban area along growth corridors with good public transport provision” (paragraph 5.6)

The SDPA recognised that significant additional new land may be required beyond that already allocated in the adopted LDPs.

It is important that flexibility is built in to the spatial strategy of the Plan to ensure that it is able to accommodate the scale of growth required.

Recommended Amendments

We recommend and request that you make reasonable use of your powers to modify SESplan 2 in the following ways, as well as correcting the factual and arithmetical errors set out in the attached statement. These changes would disadvantage no-one and benefit many.

As a result of the evidence set out above, the housing supply target set out in Table 5.1 and housing land requirements set out in Table 5.2 require to be modified to address the full housing need and demand set out in the HNDA to 2030.

Table 5.1: Housing Supply Targets based on HNDA Wealth Distribution Estimate 2012-2030 (2011/12 to 2029/30) [extract of updated table]

Area	Number of Homes			Number of Homes		
	Annual Average			Period Total		
	Market	Affordable	All Tenure	Market	Affordable	All Tenure
SESplan	2,507	4,108	6,615	47,635	78,051	125,686

Table 5.2: Housing Land Requirements based on HNDA Wealth Distribution Estimate 2012-2030 (2011/12 to 2029/30) plus 10% generosity [extract of updated table]

Area	Number of Homes	Number of Homes
	Annual Average	Period Total
SESplan	7,277	138,255

In addition, further modification will be required to the text in Chapter 5. This will include a modification to Reporter's recommendation and is set out below (the tracked changes illustrate what we think you may wish you do):

***“5.11 A step change in the level of home building is needed for the ~~all-tenure~~ Housing Supply Targets to be achieved. SESplan member authorities will monitor the availability of effective housing land in relation to the SESplan Housing Market Area and by Local Authority Area. This will be monitored and updated annually through the housing land audit. They will maintain a five-year effective housing land supply at all times, ~~within each Council area,~~ measured against the five-year housing supply targets. These are calculated by multiplying the annual average housing supply targets (Table 5.1) by five, and fully accounting for any deficit or surplus in completions against the housing supply target in previous years. Any deficits arising must be added to the 5-year all-tenure housing supply target to ensure that the whole target is achieved by the end of the plan period.*”**

- ***The scale of the proposal's contribution to the five year land supply must not exceed the scale of the shortfall identified ~~and the proportion of affordable to market housing must have regard to the proportion of affordable and market housing in the identified shortfall~~”***
[bullet 2]

We also request the following amended text for paragraph 3.2 to reflect our concerns about the spatial strategy going forward:

“For the next 12 years, some of the need for strategic growth will be met by land already identified in existing and proposed Local Development Plans. The broad location of any additional sites that require to be identified will be within the areas identified as ‘Strategic Growth 2018-2030’ ~~or around Edinburgh or along good transport corridors. Most of this will occur in and around Edinburgh and along transport corridors.~~”

Conclusions

We know how determined you are to follow the principle of subsidiarity wherever possible, and allow planning authorities to make unfettered decisions about their area. We do not think the scale and consequence of the issues here are of consequence to South East Scotland alone.

For the reasons set out above it is clear to us, and we hope, to you, that SESplan 2 cannot be approved in the form recommended by your Reporters. To do so would, without any need, cut off vital opportunities to meet the affordable housing need identified by SESplan 2.

The Plan is currently unworkable because of the split-tenure approach which uses housing categories which are not measurable and have not ever been measured by any of the SESplan authorities.

There are arithmetic errors in the Reporters' recommendations related to the period over which the housing supply target and housing land requirement are set which would have to be addressed in any event.

However, the most fundamental issue with SESplan2 is that it wrongly ignores the housing needs of thousands of ordinary people on modest incomes because of a mistaken assumption that public subsidy is required to meet their needs.

Homes for Scotland's members consistently build houses without subsidy for these very people but would be prevented from doing so if you accepted the Reporters' recommendations. *Approving the Plan in its recommended form would therefore be a social injustice to the thousands of people in need of a home in the SESplan region which are not adequately planned for.*

We therefore ask that you use the powers available to you to address these issues to deliver a Plan that is workable, accurate and fair in the interests of those who need it most.

The changes which we have respectfully suggested are in the best interests of all concerned, and actioning them would be a wholly reasonable use of your powers. Those powers surely exist to enable action to be taken, where it is fundamentally necessary to do so.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nikola Miller', with a long, sweeping horizontal stroke extending to the right.

Nikola Miller
Head of Planning Practice

CC
John McNairney – Chief Planner, Scottish Government