



Scottish Government
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Housing Need and Demand Assessment (HNDA)

A Manager's Guide (2020)

Version 4.0, published November 2020

What's Refreshed in 2020?

- The HNDA Tool and all three HNDA guides been refreshed based on the latest available data that feeds into the HNDA Tool. However, the approach and process remains largely the same.
- The main changes include:
 - > Updated data inputted to the HNDA Tool for household projections, existing need (HoTOC), house prices, rent prices and incomes.
 - > All income and house price scenarios and economic assumptions have been updated based on the latest economic outlook. More details about the evidence used and defaults setting are set out in the [HNDA Tool Instructions 2020](#). The number of scenarios have been slightly increased to provide HNDA Practitioners with more options for scenario planning and scenarios have been renamed.
 - > For simplification, fewer results sheets are shown in the HNDA Tool.
 - > In the previous HNDA (2018) the HNDA Tool and guidance referred to four Strategic Development Planning Authorities (SDPAs). The Planning (Scotland) Act 2019 removed the requirement for strategic development plans and the associated authorities. Local Authorities may now choose to work together in regional groupings. Not all regional groupings have, as yet, adopted formal titles and for the time being they are referred to as 'regional partnerships' in the guidance. In the Tool four regional partnerships have been inputted based on the previous SDPAs. These are referred to as 'city regions'. This will be kept under review.

Comparability with previous HNDAs

- For unitary Local Authorities (LAs) the outputs of the previous HNDA will be comparable with a future unitary HNDA. Where groups of LAs work together as regional partnerships to produce an HNDA these will be comparable with previous SDPA HNDAs, where the regional partnerships and SDPA members are the same.

- The 2018 version of the guidance and the last version of the HNDA (v3.3) remain for reference on the Scottish Government Centre for Housing Market Analysis (CHMA) [website](#). Those authorities who are part way through and HNDA can continue to use these should they wish to or they can choose to use the refreshed version of the HNDA Tool (v4.0). Authorities who are in this position may wish to contact the [CHMA](#) for advice.

Scottish Government Planning Reform

- The Scottish Government (SG) is in the process of taking forward Planning Reform and implementation of Planning (Scotland) 2019 Act. We have consulted on a methodology that could be used for setting 'targets for the use of land for housing in different areas of Scotland' as required in National Planning Framework (NPF) 4 by the 2019 Act.
- This will not impact on the requirement for an HNDA to support the Local Housing Strategy as set out in the 2001 Housing (Scotland) Act or to inform Local Development Plans. The SG will seek to align its work in support of NPF as closely as possible to existing systems and processes. Whilst the SG is looking to use HNDA to support NPF, local authorities undertaking an HNDA should continue to follow this guidance.

COVID-19

- In order to align with the latest 2018-based household projections, the data used for the HNDA Refresh pre-date the first known cases of COVID-19 in Scotland. As such, the HNDA scenarios and projections take no account of the pandemic.
- Whilst there remains uncertainty surrounding the impact of COVID-19 on the economy and society, it is important to highlight that the HNDA Tool is a long run (20 year) model that is not designed to model short-term spikes in the housing market or economy. Local authorities should continue to augment the HNDA with local information and data where it exists including the impacts for particular groups and to consider appropriate policy responses through the development of its LHS and Local Development Plan.

1. Introduction

- 1.1 This guide explains the purpose of a Housing Need and Demand Assessment (HNDA). It is for senior managers engaged in planning for housing. It sets out the HNDA process, requirements for achieving robust and credible status and how the HNDA is used for housing policy (LHS) and land use (Development Plan).
- 1.2 [The Housing \(Scotland\) Act 2001](#) places a responsibility on Local Authorities to prepare an LHS supported by an assessment of housing current and future housing requirements including housing and related services. The [Town and Country Planning \(Scotland\) Act 1997 \(as amended\)](#), requires local authorities or groups of local authorities to plan for land use in their area, including the allocation of land for housing. The HNDA evidence-base supports both these processes.
- 1.3 To support local authorities undertake the estimates within the HNDA the Scottish Government has developed the [HNDA Tool](#). The tool aims to reduce the cost and complexity of the process and to bring together sources of national data together in a way which supports consistency in approach to estimating housing need and demand.
- 1.4 The way which HNDA's feed into the development of Housing Supply Targets (HSTs) and the wider housing planning framework is set out in [Figure 1](#) and in [Figure 2](#).
- 1.5 More detailed, technical guidance for HNDA Practitioners can be found on the CHMA [website](#).

2. What is an HNDA?

- 2.1 An HNDA estimates the number of additional housing units to meet existing and future housing need and demand. It also captures information on the operation of the housing system to assist local authorities to develop policies on new housing supply, management of existing stock and the provision of housing-related services.

2.2 Its purpose is to provide a robust, shared and agreed evidence-base for housing policy and land use planning and to ensure that both LHSs and Development Plans are based upon a common understanding of existing and future housing requirements.

2.3 Where the Scottish Government is satisfied that the HNDA is robust and credible, the approach used will not normally be considered further at a Development Plan examination.

3. Why is the HNDA important?

3.1 A robust and credible HNDA will inform policy development, decision-making and the use of resources by:

- enabling local authorities to develop long-term strategic views of housing need and demand to inform LHSs and Development Plans
- supporting local authorities develop a strategic approach to housing need and demand for all housing tenures
- enabling local authorities to reflect on any geographic implications of housing need and demand
- providing robust evidence to support decisions about new housing supply, wider investment and housing-related service.
- providing evidence to inform policies about the proportion of affordable housing required, including the need for different types and sizes of provision and
- providing evidence to inform policies related to the provision of specialist housing and housing-related services.

4. How should an HNDA be managed?

4.1 Local authorities should establish a Housing Market Partnership (HMP) to oversee the development, production and sign-off of the HNDA. The structure and membership of the HMP should be determined locally to reflect the circumstances and requirements of individual partnerships. As a minimum, however the HMP should comprise a core group consisting of housing and planning

officials within each of the constituent authorities. This might also include representation from health and social work departments and where relevant National Parks.

- 4.2 Further sub-group arrangements or virtual groups may be put in place to accommodate other interested stakeholders and support wider engagement and consultation. The structure and arrangements supporting the HMP should be fit-for-purpose to allow the HNDA to progress timeously and to support broad agreement and understanding of the process and outputs among councils and wider stakeholders. The membership and structure of each HMP should be set out clearly from the outset as well as the arrangements for wider consultation and engagement.

5. What geography should the HNDA cover?

- 5.1 The HNDA should be undertaken at a geography that reflects the local Housing Market and the spatial arrangements required to support LHSs and Development Planning.
- 5.2 The HNDA can be undertaken by individual local authorities or jointly by groups of local authorities working together as regional partnerships. In both cases the HNDA should be supported by both housing and planning officials. The HNDA should reflect the functional housing market geography within the area as well as presenting outputs at a local authority level. Some functional housing markets will cut across local authority boundaries, reflecting patterns of where people are buying and selling houses.
- 5.5 Where all or part of a National Park boundary is within the area of the HNDA, information relating to this area should be identified separately to enable it to be used by the National Park authority to help decide how much additional housing may be required within the park and how much land should be made available. Of particular significance will be information relating to the current housing supply as well as existing and future needs and demand.

6. What should an HNDA include?

6.1 An HNDA should set out:

- how the HNDA has been developed and progressed, including HMP arrangements
- how stakeholders have been engaged in the development and consultation of the HNDA
- the geography that the assessment relates to, including how functional Housing Market Areas have been defined
- the data inputs to the process
- the methodologies used, including assumptions, judgements and scenarios, data limitations and quality control mechanisms, and
- clearly defined key findings and outputs.

6.2 The core outputs ([see Annex A, HNDA Practitioner's Guide 2020](#)) of an HNDA are expected to be:

- the key housing market drivers, past, present and future;
- existing housing stock profile and pressures;
- an estimate of additional housing units required over the period of the HNDA by tenure; and,
- the current and future requirement for Specialist Provision, including sites for Gypsy/Travellers.

6.3 The HNDA Tool will assist the estimation of additional housing units required and will provide four tenure outputs relating to the number of households that – based on local incomes, house prices and rents - are might be able to afford;

- owner occupation
- private rented sector
- below market rent
- social rent

6.4 Whilst below market rent does refer to the need for some form of subsidized private rent, it may also be viewed as an potential

indicator of demand for alternative shared equity products that are used to support home ownership. As such, the HNDA results may suggest that Authorities should potentially consider further analysis on this.

7. Is the HNDA a statement of policy?

- 7.1 The HNDA should be factual in scope and policy-neutral. It should bring together factual evidence upon which subsequent housing policy and planning policy decisions and interpretations are based.

8. What is the relationship between an HNDA and a Housing Supply Target?

- 8.1 The HNDA provides the factual evidence on which a HST(s) is based. While it is expected that there is a clear alignment between the HNDA and the HST the two **are not the same** and are therefore are **not expected to match**.
- 8.2 The HST will take the HNDA as its starting point, but will consider policy and practical considerations to reach a view on the level of housing that can actually be delivered over a defined period.
- 8.3 The HNDA gives a statistical estimate of how much additional housing would be required to meet all future housing need and demand, whereas the HST gives an estimate of how much additional housing can actually be delivered by authorities ([see figure 3](#)).
- 8.4 **The HST is NOT part of the HNDA process and must NOT be included in an HNDA.**

9. Resourcing

- 9.1 As an important element of both the housing and land use planning framework, local authorities should ensure that the HNDA process is adequately resourced.
- 9.2 The refreshed [HNDA guidance](#) has been designed to reduce the time required to source and manage data and to afford more time for consideration and consultation on the HNDA outputs and the choice of scenarios/ alternative futures used to produce those outputs.
- 9.3 HNDA's are expected to be resourced appropriately to ensure that they are completed and agreed in good time to allow them to form part of the evidence-base for the Development Plan and LHS. The timing and sequencing of the HNDA, LHS and Development Plan is crucial. The correct alignment in terms of Scottish Planning Policy is shown in [diagram 2](#).
- 9.4 To assist local authorities and regional partnerships to take forward their HNDA's in a proportionate and meaningful way, the Scottish Government has developed an HNDA Tool. The Tool estimates the amount and likely tenure of additional future housing. It uses national data as a starting point but authorities may use local data if they wish. The tool allows partnerships to run their own scenarios based on a range of assumptions (demographic and economic).
- 9.5 A key aim of the tool is to save local resources and time, affording local authorities more time to discuss, agree and understand the implications resulting from the analysis.
- 9.6 Local authorities and regional partnerships have been closely involved in the development of the tool which has been pre-populated with the relevant geographies to allow outputs at the appropriate spatial level. These geographies have been provided by authorities.

10. Timing and alignment

10.1 HNDAs should be undertaken every 5 years to support Local Housing Strategies and Development Plans be capable of looking forward 20 years from the year of plan approval. Once considered robust and credible by the Scottish Government CHMA there is no requirement to revisit the assessment within the 5 year period.

10.2 HMPs may, however, want to consider how data required to feed into the HNDA are routinely maintained and kept up-to-date in the intervening years to support future HNDA requirements. HNDAs should be completed in good time to ensure that they inform the MIR and LHS.

11. How should an HNDA be taken forward?

Agreeing assumptions and findings

11.1 HMPs will need to make a number of key decisions about the assumptions underpinning their HNDA and how the findings should be interpreted in terms of housing strategy and planning. The HMP should take these decisions jointly and involve other key stakeholders as appropriate. In writing-up the HNDA, HMPs should clearly explain their reasoning and justification for all assumptions and how stakeholders have been engaged in and influenced the process.

Using the data

11.2 HNDAs provide a breadth and depth of information on the operation of local housing systems which should inform both the LHS and Development Plan.

11.3 While the main interest for Development Plans is likely to be on the amount of new housing land required and the spatial implications of that future requirement, the HNDA should also provide insights into the requirement for specific types of housing, including Specialist Provision such as sites for Gypsy/Travellers as well as broader trends on affordability and tenure balance.

11.4 Similarly, while the LHS will have a significant interest in the amount, type and tenure of future housing requirements, the HNDA will also provide the broad evidence-base which will inform its development. Particular areas of interest may include:

- the condition of, and demand, for existing housing supply
- any under-supply or over-supply of certain types of stock
- the need for affordable housing supply by, type, location
- existing supply and future need for Specialist Provision
- the current provision and likely future need for sites for Gypsy/Travellers and Travelling Showpeople.

11.5 The HNDA should also provide a sound evidence-base for the housing needs of equality groups locally and be capable of informing appropriate policies and investment priorities to meet these requirements. This evidence should also inform the Equality Impact Assessments (EQIAs) undertaken for both the LHS and Development Plan.

Signing-off an HNDA

11.6 Once an HNDA has been finalised within the partnership it should be signed-off by a senior official(s) from each Council's housing and planning departments prior to being forwarded to the CHMA for robust and credible appraisal.

CHMA support and assessment

11.7 The criteria against which the CHMA will assess an HNDA can be found here in the [Practitioner's Guide \(2020\)](#). The CHMA will provide support to HMPs throughout the development of the HNDA and to work with them to ensure it achieves robust and credible status.

12. Beyond the HNDA - Housing Supply Targets

- 12.1 **The HST is NOT part of the HNDA process**, it is the next stage of the housing planning process **AFTER** the HNDA. The HST feeds into both LHSs and Development Plans. It sets out the estimated level of additional housing that can actually be delivered, on the ground, over the period of the plan. **In Development Plans the supply of land for housing is based on the HST NOT the HNDA figure.**
- 12.2 The HST is a policy interpretation of the HNDA and **should not be considered in the HNDA**. Authorities should consider setting the HST, following the HNDA. It may be helpful to do this in a short, standalone HST paper (see [diagram 2 & figure 3](#)), which sets out all the factors that have been used to translate the HNDA housing estimate into the HST. This would then feed into the LHS and inform the Development Plan Housing Land Requirement (HLR).
- 12.3 For regional partnerships it will be particularly important to ensure that HST figures have been developed and agreed jointly by planning and housing interests in all authorities.
- 12.4 Where Local Authorities are working together it will be important to ensure that HSTs are developed and agreed jointly by planning and housing interests and those HSTs should be reflected in LHSs and Development plans.
- 12.5 In setting and agreeing the HST, authorities should give full consideration to those factors which may have a material impact on the pace and scale of housing delivery such as:
- **economic factors which may impact on demand and supply**
 - **capacity within the construction sector**
 - **the potential inter-dependency between delivery of market and affordable housing at the local level**
 - **availability of resources**
 - **likely pace and scale of delivery based on completion rates**

- **recent development levels**
- **planned demolitions**
- **planned new and replacement housing or housing brought back into effective use.**

12.6 Consideration of these factors could result in a HST figure which may be lower or higher than the housing estimate in the HNDA.

12.7 The HST should be expressed at local authority level and HMA level where these cross local authority boundaries. Those local authorities covering large geographic areas or those with distinct sub-market areas may wish to set HST's at sub-local authority level.

12.8 The **HST should cover all tenures** and set out the expected broad split between market and affordable housing. In reaching a view about this tenure split, partnerships will want to consider the outputs from the HNDA tool alongside other practical and delivery considerations including pressure on existing stock.

12.9 The HST should normally be expressed over a period of 5, 10 and 20 years in line with the planning timeframes associated with LHS and Local Development Plans.

12.10 Local authorities will want to monitor delivery against HST to ensure that the pace and timing of delivery remains on track.