



the moray council

MORAY DEVELOPMENT PLAN

AFFORDABLE HOUSING



Supplementary Planning Guidance

AFFORDABLE HOUSING

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Introduction

- 1.1 The Moray Development Plan includes policies aimed at securing the provision of affordable housing. The need for affordable housing is set out in the Council's draft Housing Strategy.
- 1.2 The Council's Environmental Services and Community Services Departments have produced this Supplementary Planning Guidance. It sets out the Council's procedures for providing affordable housing and the mechanisms for securing such housing.
- 1.3 The Guidance will be used to guide negotiations with housing developers and other parties, and in the assessment of planning proposals. The overall aim is to provide detailed guidance that supplements the policies of the Moray Structure and Local Plans and the Housing Strategy.

Status of Supplementary Planning Guidance



- 2.1 This Guidance for Affordable Housing is non-statutory guidance that supplements the policies of the Moray Structure Plan and the Moray Local Plan 2000. The Moray Development Plan combines both the Structure Plan and the Local Plan and these documents should be referred to for the Council's policies and proposals for the use of land within the Council area.
- 2.2 The policies of the Development Plan have primary status in determining planning applications under section 25 of the Town and Country Planning (Scotland) Act 1997. However, supplementary planning guidance may be taken into account as a material consideration. The weight accorded to a material consideration is increased if it has been prepared in consultation with the public and if it has been the subject of a Council resolution.
- 2.3 The Guidance supplements the affordable housing policies in the Council's Development Plan and refers to other complementary Council strategies where appropriate. The Council will have regard to the provisions of this Supplementary Guidance in making decisions in relation to housing development proposals.

Policy Background



- 3.1 National Planning Policy Guidance is set out in Scottish Planning Policy 3 (SPP3) on 'Planning for Housing'. The Guidance acknowledges that "many parts of rural Scotland have experienced, and are likely to go on experiencing, significant shortages in the supply of the affordable housing". The SPP defines affordable housing as "housing of a reasonable quality that is affordable to people on modest incomes." The SPP recognises that "the planning system may make a contribution" (to the provision of affordable housing).
- 3.2 The SPP sees affordable housing being achieved through social rented accommodation, low cost housing for sale (including shared ownership) and lower cost private sector housing. As with market-led housing development, it is expected that the requirement for affordable housing be met within the housing market area where the need has been identified. In Moray the whole area constitutes a single self-contained Housing Market Area.
- 3.3 Local Housing Strategies identify any need and set out how the Council intends to address it. Where a housing needs assessment within a current LHS identifies a shortage of affordable housing, the SPP states that this will be a material consideration in the planning process.
- 3.4 The Council's Development Plan incorporates the Moray Structure Plan and the Moray Local Plan 2000. The Moray Structure Plan was approved by Scottish Ministers in November 1999 and includes the following policies:

Policy S/H5: Affordable and Special Needs Housing

The Council will seek to secure affordable and/or special needs housing within new housing developments by agreement with private developers and housing agencies in areas of need identified by the Community Services Department.

- 3.5 The Moray Local Plan 2000 (adopted by the Council in April 2000) provides the following supporting policies.

Policy L/H7: Affordable Housing Provision

Proposals submitted for housing (on designated or undesignated sites) which are above the threshold for consideration of developer contributions as described in Policy L/F1 (i.e. 10 houses or more) will be assessed for an 'affordable housing' element. The proportion of a site which the Council will expect to be used to satisfy local affordable housing needs will be commensurate with the site size and the specific extent and nature of the local needs for affordable housing.



Housing Need and Housing Affordability

The Council will endeavour to provide affordable housing so that the benefits are passed on to serve the community in future years. The range of mechanisms under which this will be achieved may include but not be limited to:-

- i) that part of the site or development proposed for affordable housing use being transferred to the Council, Scottish Homes or a similar management body;
- ii) through the use of planning agreements and conditions; and
- iii) a partnership, joint venture and or other innovative arrangement between developers and the Housing Authority.

The Council's Community Services Department, is to produce detailed guidance on the implementation of these mechanisms.

Policy L/H8: Special Needs Housing

Sites which are particularly convenient to appropriate community facilities, will be promoted for special needs housing. Permission for general needs housing will only be granted on such sites following assessment for specialist needs by Community Services and Scottish Homes. Elsewhere specialist housing uses (for the disabled, elderly, single persons etc.) will generally be acceptable on designated sites, where a mix of tenure will often be encouraged.

- 3.6 There is therefore a clear policy planning context for the delivery of affordable housing associated with housing development proposals and for the preparation of a supporting policy guidance note.
- 3.7 The Moray Council is currently developing its Local Housing Strategy (LHS). The draft document was published for consultation in March 2002. The LHS seeks to establish a framework within which to plan the priorities for housing over the next five years. Whilst embracing the Council's statutory duties it also emphasises the importance of other organisations in housing provision and care, and recognises that through successful partnership both resources and opportunities can be maximised.
- 3.8 The LHS incorporates the following strategic objectives relating to affordable housing-
 - Work in partnership with RSLs in delivering affordable housing within Moray.
 - Investigate the potential of delivery affordable housing and sustaining rural communities in very rural areas with Scottish Landowners Federation and National Farmers Union.
 - Prepare a guidance note to improve the implementation of Development Plan policies on affordable housing and developer contributions.
- 3.9 The preparation of this guidance to deliver affordable housing throughout Moray is therefore seen as a priority objective by the Council.

- 4.1 The Council commissioned a housing needs survey in Moray in 2001. This is in line with the guidance set out in SPP3. The survey provides key estimates on the number and types of households in housing need. It also provides detail on certain crucial matters, such as incomes, the suitability of existing housing and identifies shortfalls in the numbers of new affordable housing requirement.
- 4.2 There is no Scottish definition of 'housing need'. However, the Department of Transport, Local Government and the Regions in England published 'Local Housing Needs Assessment - A Guide to Good Practice'. This document defines a household in housing need as one which is living in housing that is not suitable for its requirements, and which cannot afford to reduce this unsuitability in the housing market without some assistance.
- 4.3 The Housing Needs Survey in Moray was undertaken by Fordham Research. The assessment of need in terms of those requiring to move over a five year period is summarised below: -

Backlog of Existing Need Who Require to Move Home	140 households per annum
<ul style="list-style-type: none"> • Includes existing households that cannot afford market housing and are living in unsuitable housing; households who are concealed within current households but require separate accommodation; additional homeless households; and excluding those households currently in the social rented sector (where their needs will be met). 	
Newly Arising Need	625 households per annum
<ul style="list-style-type: none"> • Includes new household formation unable to buy or rent; existing households falling into need in the future; and in migrant households unable to afford market housing. 	
Supply of Affordable Homes	604 households per annum
<ul style="list-style-type: none"> • Includes the expected supply of social housing relets; and the anticipated provision of new affordable housing. 	
Overall Shortfall	161 households per annum
<ul style="list-style-type: none"> • Equates to the Backlog and Newly Arising Need subtracted from the anticipated supply of affordable homes. 	



Definition and Types of Affordable Housing

- 4.4 The Executive Summary of the Housing Needs Survey is attached in Annex 1.
- 4.5 Evidence on housing need is also provided by the Council's Waiting List information. In February 2002, the total waiting list was 2470, of which 2414 were for general housing, and 56 for sheltered housing.
- 4.6 Although it will not be possible to meet all the housing need identified by Fordham, the Council will wish to achieve the maximum amount that is reasonable and practicable.
- 4.7 The question of affordability and housing need was also assessed as part of the Study. The working definitions used in the Study were as follows: -

Mortgage affordability: A household is not eligible for a mortgage if it has a gross household income less than one-third its mortgage requirement.

Private Rental affordability: A household is unable to afford private rented housing if renting privately would take up more than 30% of its net income.

Combined Affordability: A household is unable to afford private sector housing if it has a gross income less than one third its mortgage requirement and renting privately would take up more than 30% of its net household income.

- 4.8 Schemes incorporating affordable housing should reflect local income levels and have regard to the demographic characteristics of the local area.

- 5.1 The Development Plan defines affordable housing as "A segment of the housing market where a proportion of housing is targeted at or reserved for those people who are unable to compete effectively in the existing market for housing in the area. It covers a spectrum of providers and tenures including the private sector, housing association, joint ventures, and owner occupation. Affordable housing is not necessarily low cost housing".
- 5.2 The Council's definition of affordable housing is tenure neutral. However, it is clear that the only significant providers of affordable housing in the social rented sector are Registered Social Landlords. This is the Council's preferred type of affordable housing and is the one that can meet the priority need within Moray.
- 5.3 The developer may work in partnership with a Registered Social Landlord (RSL), usually known as Housing Associations, to achieve houses for rent and future management. The developer and landowner will have to provide the subsidy to make the scheme viable, which may be in the form of discounted land or otherwise.
- 5.4 Shared ownership involves purchasing a percentage of the equity of a dwelling on a long lease with rent paid on the equity not bought. These schemes could be developed in conjunction with a RSL.
- 5.5 Low cost market properties are for sale at a lower price than equivalent market properties. Whilst it could make a contribution to the Council's affordable housing needs it will not meet priority housing needs.
- 5.6 The needs survey indicates that only a small minority of non-owners in housing need can afford shared ownership or low cost discounted housing. In addition, families and individuals in receipt of housing benefit are precluded from shared ownership.

Negotiating Affordable Housing



- 6.1 Developers are expected to provide the land to enable an element of affordable housing on any sizeable site proposed for housing including sites designated in the Local Plan, windfall sites or redevelopment. Targets and thresholds are not set out within Scottish Planning Policy on Planning for Housing (SPP3). However, Circular 6/98 in England and Wales identifies thresholds of 25 dwellings or 1 hectare in settlements of 3,000 population or more, and provides discretion in rural settlements below 3,000.
- 6.2 Fordham, in the Housing Needs Study for Moray (which equates to the Moray Housing Market Area as required by SPP3), concludes that a target of 40% affordable homes would be perfectly justifiable, with thresholds of 15+ houses in settlements of 3,000 or more, and 5+ houses in settlements under 3,000. The Report does accept, however, that practical considerations such as public funding availability, staff-time requirements and acceptability by the private housing sector should all be taken into account.
- 6.3 In view of the above the Council will seek land for an affordable housing element from all residential schemes of 10 dwellings or more. In addition, the contribution will also apply to development sites which are part of the phasing of a development. The threshold recognises the nature of the housing market within Moray which tends to have smaller scale development sites, and the need to secure land for affordable housing to help meet the needs identified within the Housing Needs Study.
- 6.4 The proportion of affordable housing sought from targeted sites is 10 per cent of the total for sites of less than 20 units (rounded), and 20 per cent of total housing development on sites of 20 or more units. These targets reflect the requirement to provide the scope to deliver affordable housing across the whole of the housing market area. In addition, it recognises the need to encourage the development of small sites particularly in the more remote areas.
- 6.5 The thresholds and targets are therefore as follows-

Number of Housing Units Proposed	Affordable Housing Units Required
0-9 units	0 units
10-14 units	1 unit
15-19 units	2 units
20+ units	20 per cent of total units

6.6 In general, it will be expected that the provision of land for affordable housing will not prevent other planning benefits from being realised. Therefore, the target may be subject to discussion with the developer to take due account of other site development costs including planning gain requirements. In such circumstances the onus will be on the applicant to demonstrate that these are genuine out of the ordinary, unforeseen additional costs that can be viewed as a valid material consideration.

Delivery of Affordable Housing



- 7.1 The Council's strongly preferred way for ensuring that affordable housing is provided is by working in partnership with Communities Scotland and Registered Social Landlords (RSLs). These bodies have access to public sector housing funds and RSLs are able to set standards relating to occupancy, allocation and management. RSLs are subject to national codes and regulation.
- 7.2 Communities Scotland and the area's RSLs will be encouraged to develop a programme of affordable housing development. The Council will encourage and facilitate early discussions to ensure that a partnership approach is adopted early in the process. Negotiations with RSLs should, wherever possible, be conducted at the pre-application stage and should aim to be concluded and agreed prior to the issue of planning permission. This process should allow the timeous development of available land for affordable housing.
- 7.3 Where land for affordable housing is to be provided a condition will be applied setting out the amount. Detailed arrangements for delivery will be agreed between the applicant, the Chief Housing Officer and the relevant RSLs.
- 7.4 The Chief Housing Officer will prepare an affordable housing brief on sites coming forward for distribution to developers and RSLs. Early contact with the Council is therefore strongly advised.
- 7.5 The Housing Needs Survey carried out in 2001 identifies the area of greatest need as being rented affordable housing. Therefore, although a variety of types of affordable housing could be delivered through this Guidance, the preference will be for rented affordable housing.
- 7.6 In certain circumstances, and subject to the views of the Chief Housing Officer, a commuted sum towards affordable housing provision elsewhere may be acceptable. This will be based on an assessment of the required land costs for the provision of affordable housing. The Council will need to be assured that affordable homes on an alternative site are achievable and able to be provided within a reasonable time frame.
- 7.7 In the above exceptional circumstances the Council will base the calculation of the commuted sum on the land value of a social housing plot in the Elgin/Forres area. Consideration can be given to a lesser sum being acceptable for developments outwith this area depending on the circumstances of the local housing market. These calculations will provide a transparent means of calculating commuted sums, which will enable the provision of affordable housing off-site.
- 7.8 All commuted payments will be agreed through a Section 75 Agreement and deposited in a specific housing fund administered by the Director of Community Services and used within the Moray area. The payment should be paid on commencement of construction of any part of the approved development. If the payment is not used to provide affordable housing within 5 years of completion of the last private house within the development, it will be repaid to the developer.
- 7.9 All schemes for affordable housing must comply with normal development control criteria, as outlined in the Development Plan. Schemes should also refer to the Communities Scotland Design Guide on 'Housing for Varying Needs'.

Monitoring and Review



8.1 The Council will monitor the implementation of the Supplementary Guidance and will review its contents, if required, in consultation with key stakeholders.

Contacts

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ANNEX

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Introduction

The Housing Needs Survey commissioned by *Moray Council* and *Communities Scotland* is the first such survey carried out for the Moray Council by *Fordham Research*.

A detailed brief was issued by *Moray Council* and *Communities Scotland* in the Spring of 2001 which set out the aims and objectives of the survey. The key objective of the assessment is to obtain a range of high quality information to inform and support the following plans and processes:-

- The Moray Council Housing Plan
- The proposed Local Housing Strategy
- The identification of any pressurised areas where the Right-to-Buy may be suspended
- Bids for resources from special funding initiative e.g. Empty Homes Initiative, New Housing Partnerships, Social Inclusion Partnership, Rough Sleepers Initiative
- Appropriate targeting of Communities Scotland investment through housing associations and other developers
- Development plans (e.g. Structure and Local Plans)
- *Communities Scotland* Housing Market Context Statement
- The Community Planning process
- Planning Inquiries with particular regard to the provision of affordable housing
- The formulation of affordable housing policies
- The Community Care Plan
- The Children's Services Plan

Housing needs surveys have become, over the past decade, a standard requirement for local authorities across Britain. The survey follows the methodology published by the Department of Transport, Local Government and Regions (in England) of '*Local Housing Needs Assessment: A Guide to Good Practice*' in July 2000. Although written with English housing need surveys in mind, the lack of similar guidance for Scotland make this the most appropriate methodology to follow when assessing local housing needs.

The '*Basic Need Assessment Model*' suggested in the DTLR guidance sets out 18 stages of analysis to produce an estimate of the annual requirement for additional affordable housing. The model can be summarised as three main analytical stages with a fourth stage producing the final requirement figure. The stages are:

- Backlog of existing need
- Newly arising need
- Supply of affordable units
- Overall affordable housing requirement

The first two of these added together minus the third stage produce the fourth: an overall annual shortfall or surplus of affordable housing. A more detailed discussion of the model can be found in the main housing needs survey report.

Background to the Survey

Location of Moray

The area for the study covers the unitary authority of Moray, located in the north east of Scotland. The authority provides a comprehensive range of services to its residents.

Moray covers 2,238km² and is the eight largest Council, geographically, in Scotland. To the west and south lie the Cairngorms and to the north is the Moray Firth. The neighbouring authorities are Aberdeenshire and Highland. Moray is predominantly rural comprising the rich farmlands of the lowlands, the large fishing communities of the north coast and the remote rural area comprising the Cairngorms to the south.

The survey employed a postal approach involving the dispatch of 12,500 forms with 4,366 completed postal surveys returned (allowing for non-effective addresses, this produced a response rate of 35.2%). The survey covered all sub-areas of the Council-area and was stratified in such a way as to allow separate analysis of ten sub-areas of the Moray Council area.



Survey Study Area

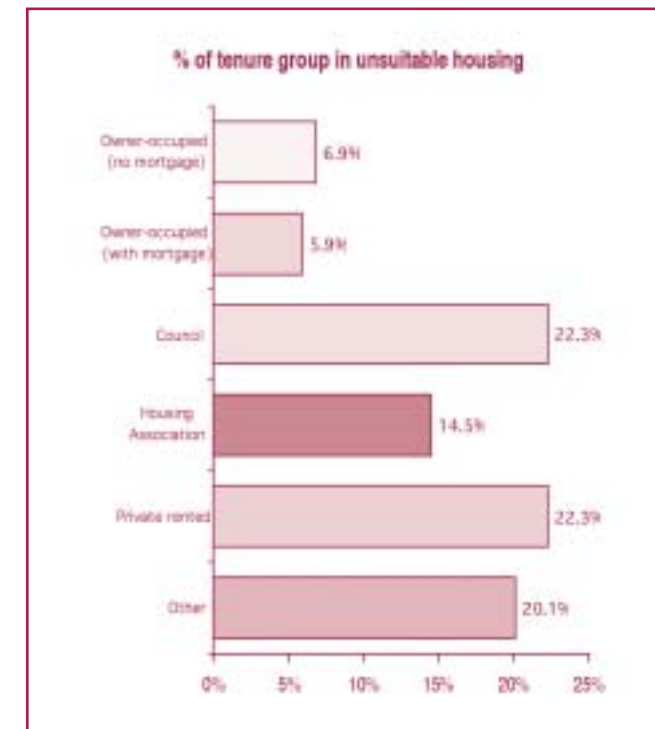
Before any analysis was carried out the survey results were weighted for any measurable bias by comparing the observed response with the expected response (from existing data sources) in terms of the number of households in each sub-area and within each main tenure groups.

It was estimated that there were 33,628 households in the Council area at the time of the survey (excluding those currently living in military housing); of these 65.6% are owner-occupiers, with 24.1% social housing tenants and 10.3% in private rented and other tenure groups.

Unsuitable Housing



Each survey household was assessed for housing suitability. This was done by a combination of questions (e.g. home in need of major repair) and objective judgements from other survey information (e.g. about overcrowding). It has been estimated that in Moray as a whole 3,881 households are living in unsuitable housing – representing 11.5% of all households in the Council area. The main problem highlighted was major disrepair or unfitness.



Households who rent accommodation are most likely to be in unsuitable housing. It can be seen that 22.3% of Council tenants are living in unsuitable housing. This compares with only 6.9% of owner-occupiers without a mortgage and 5.9% of those with.

In terms of the total number of households living in unsuitable housing, just over a third are owner-occupiers.

In addition, lone parent and special needs households are particularly likely to be living in unsuitable housing.

Not all households living in unsuitable housing require a move to affordable (or different affordable) housing. Some of the unsuitability can be met within households' current accommodation and this was assessed during the course of this survey. Consistent with DTLR advice the Housing Needs Survey asked households whether they needed or were likely to

move to a different home (within the next five years). Any household in unsuitable housing who also stated that they needed or were likely to move is considered not to have an appropriate 'in-situ' solution.

In total it is estimated that 44.9% of those households in unsuitable housing need to move home to solve their housing problems, this represents 1,741 households (or 5.2% of all households in the Council area). Of these households, 1,550 would be looking to remain living within the Council area.

Housing Market & Local Incomes



A crucial part of any housing needs survey is an assessment of households ability to afford private sector housing (for households living in unsuitable housing and needing to move home). There are several inputs for this including an appraisal of households' current financial situation and an assessment of local private sector housing costs for both purchase and rental.

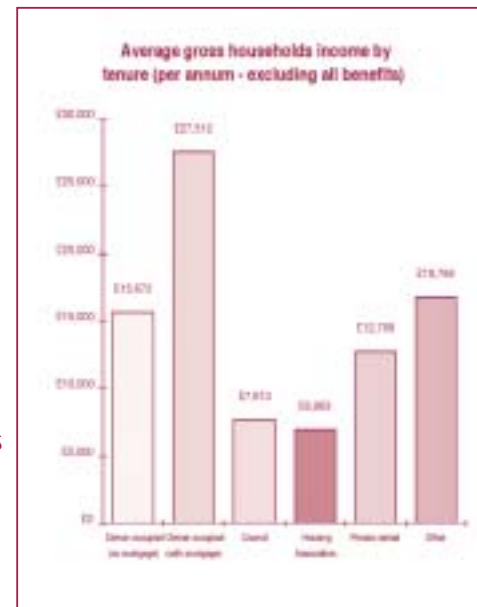
The Local Housing Market study was carried out by means of a series of interviews with local estate and letting agents. The main purpose of the exercise was to estimate the minimum prices of housing in the area. This is the minimum price at which there is a reasonable supply of dwellings in fair condition. In other words it excludes dwellings at unusually low prices where significant extra improvement costs might be necessary. The assessment of the minimum price is crucial when assessing whether or not a household can afford to access private sector housing.

Property size	Minimum price	Minimum rent (£/week)
1 bedroom	£26,500	£47
2 bedrooms	£38,000	£62
3 bedrooms	£51,500	£75
4 bedrooms	£71,500	£87

The survey estimated that entry-level prices ranged from approximately £26,500 for a one bedroom home to £71,500 for four bedrooms. Minimum rents were estimated to be from £47 to £87 per week. The minimum purchase prices were between 10% and 15% less than average prices in the Council area. Within Moray, advertised prices are higher in a coastal area centred on Elgin than in the inland areas to the south or the eastern coastal belt.

The survey estimated that average earned household income was £17,733 per annum. The data excludes benefits; it is important in assessing housing need to exclude benefits, as they are ignored for mortgage lending purposes (and, in many cases, by prospective private landlords).

The survey data showed considerable differences in income levels between tenure groups. The lowest average incomes are those who rent from the Council or a Housing Association. Owner-occupiers with no mortgage have an average household income considerably lower than those with a mortgage. The survey also showed that lone parent households had incomes significantly below the Council area average.



Affordability & Housing Need



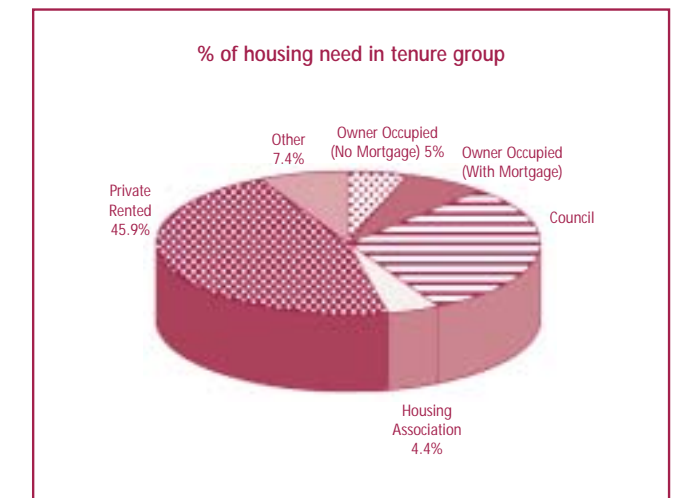
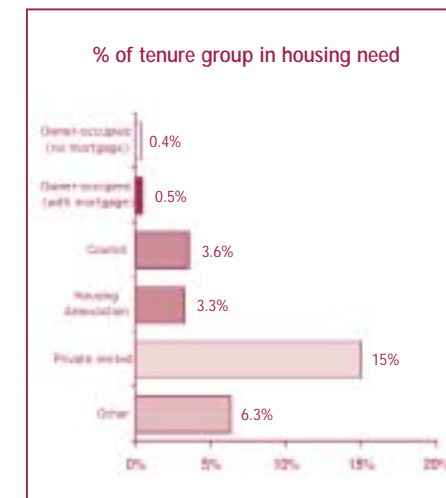
Bringing together the local housing market data and the financial information collected from each household (and including further information about size requirement) it has been possible to estimate the numbers of households living in unsuitable housing (and who need to move home within the Council area) who cannot afford to access the private sector housing market. This is done by assessing whether or not each household can afford either to buy or privately rent suitably sized housing in the Council area.

Mortgage affordability: A household is not eligible for a mortgage if it has a gross household income less than one third its mortgage requirement.

Private rental affordability: A household is unable to afford private rented housing if renting privately would take up more than 30% of its net household income.

The survey estimates that of the 1,550 households living in unsuitable housing (and who need to move home within the Council area) some 53.0% of these households cannot afford either private sector option, representing 821 households. An estimated 2.4% of all households currently living in Moray are therefore estimated to be in housing need.

The figures below show housing need and tenure. The results show that owner-occupiers are least likely to be in need, in total only 0.4% of all owner-occupiers were found to be in housing need, this compares with 3.6% of Council, 3.3% of Housing Association and 15.0% of private tenants.



When looking further forward to the additional affordable housing requirements of these households we remove households currently living in social rented housing to produce a final figure of 536.



Potential & Homeless Households



In addition to the existing households in housing need there will be potential and homeless households with a housing need. Potential households are persons who currently live as part of another household (typically with parents) but who state that they need or are likely to move to independent accommodation now. If a potential household is also unable to afford local private sector housing then they are considered to be in housing need. Homeless households in need are defined as those currently living in temporary accommodation.

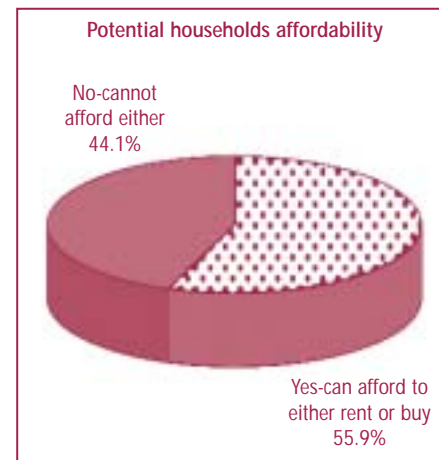
The survey estimates that there are 549 potential households who need or are likely to move now. When we take account of those joining up with other persons and those who would be looking to remain within the Council area, this number is reduced to 319 households.

Not all of the potential households are in need. Some will be able to afford suitable private sector accommodation. Using information about whether or not potential households could afford market housing, it has been estimated that a total of 141 potential households are in housing need. This represents 44.1% of potential households who need to move now (within the Council area).

Information about households currently living in temporary accommodation is taken from the Scottish Executive: Statistical Bulletins about households living in temporary accommodation. Data compiled for three recent quarters is shown in the table below.

Households living in temporary accommodation	
Quarter ending	Number of households in temporary accommodation
30th June 2000	25
30th September 2000	25
31st December 2000	26
AVERAGE	25

The data seems to show little change in the numbers of households living in temporary accommodation over the period. For the 'snapshot' purpose of this survey we have taken an average figure from the three available quarters as our guide to the amount of additional households in need – this is 25 households.



Newly Arising Need



In addition to the Backlog of existing need there will be newly arising need. This is split, as per DTLR guidance into four main categories - each of these based on annual estimates of additional need. The four categories are as follows:

1. New households formation (• proportion unable to buy or rent in market)
2. Ex-institutional population moving into the community
3. Existing households falling into need
4. In-migrant households unable to afford market housing

It is estimated that there will be an additional 460 households forming per year in Moray. Of these households it is estimated that 52.5% cannot afford private sector housing (without housing benefit). This makes for 242 additional households in housing need per year.

In terms of the ex-institutional population moving into the community, this is a difficult group to analyse. It is most probable that all of this element would be picked up in each of stages 3 & 4 of newly arising need. In addition, the numbers in this group are most likely to be very small in comparison with other elements of housing need. Therefore to avoid any possible double-counting and because this group is relatively small a value of zero is assumed for this element of newly arising need.

The estimate of the numbers of existing households falling into need within Moray (i.e. existing households currently living in Moray who will fall into housing need over the next three years) is based on information about previous household moves. The groups excluded from potentially being in need are those who will move to owner-occupation (as they are able to afford market housing), those who previously lived with parents, relatives, or friends (included in the household formation element) and households moving within social rented tenure groups (additional needs arising from within the social rented stock will be net zero). Our estimate of the number of households falling into need within Moray is 279 per annum.

The final element of newly arising need is in-migrant households falling into need (i.e. households currently living outside Moray but who are expected to move into Moray but cannot afford suitable private sector housing). This is based on households moving into the area who cannot afford private sector housing. We estimate that a total of 104 households per annum fall into this category.

Newly arising need	
Element	Total
New household formation	242
<i>plus</i> ex-institutional population	0
<i>plus</i> existing h'holds falling into need	279
<i>plus</i> in-migrant h'holds unable to afford	104
equals Newly arising need	625

Combining the various elements of the newly arising need together, the survey reveals a requirement for 625 units per annum.



Supply of Affordable Units



Having made estimates of the numbers of households both currently and projected to be in housing need it is important to assess the likely future supply of affordable housing to meet this need. Affordable housing is taken to be relets available from both the Council and Housing Associations but not including any transfers within the social rented stock.

The Moray Council Housing Plan states *'The Council... has an ongoing major role as a social landlord, providing most of the available affordable rented housing in Moray, with over 500 properties being relet each year'*. In addition, information provided by the Council suggests that a figure in the region of 560 relets would be appropriate as the estimate of the availability of affordable housing in the area.

However this figure included relets to households transferring within the social housing stock – it is important to remove these from subsequent calculations as the methods for estimating newly arising needs excludes any additional needs from this group. Further information supplied by the Council indicate that around 450 of these relets were available to non-transfer applicants.

The figure of 450 lettings per annum represents a turnover of 6.4% per annum. In the absence of detailed data it is assumed that Housing Association stock turns over at a similar rate. This would make for an estimated annual supply of Housing Association new lettings (based on the current number of Housing Association properties of 1,094) of about 75 per annum.

The estimated supply of affordable housing from relets is therefore 525 dwellings per annum (450 + 75).

Supply of affordable housing	
Source of supply (per annum)	Total
Council relets	450
Housing Association relets	75
New provision	79
TOTAL	604

The committed supply of new provision by Housing Associations is estimated at 79 dwellings per year, although actual provision will depend on investment levels and the mix of general and special needs. This new provision will also produce relets, but these will be broadly balanced by the loss of relets resulting from RTB sales.

Overall Housing Need



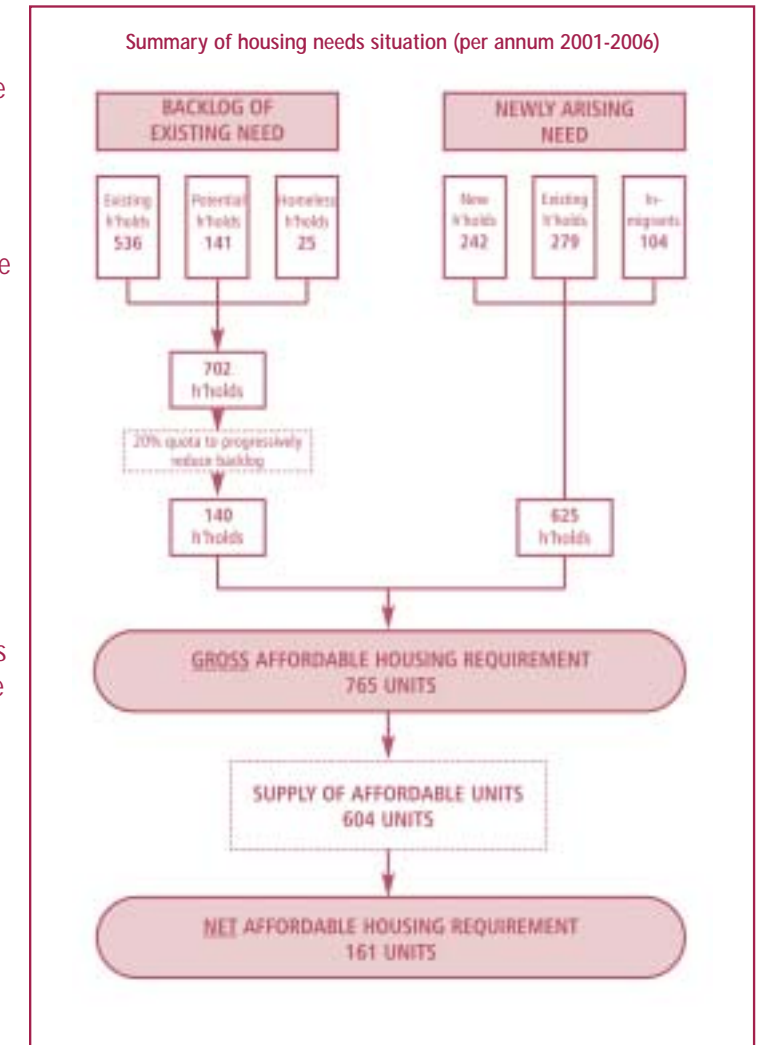
Having made estimates of the numbers of households currently in need and those projected to fall into housing need in the future along with projected supply it is possible to arrive at an estimate of the total requirement for additional affordable housing to meet housing need. In the basic needs assessment model presented below it is assumed that some of the needs will not materialise in the Council area (out-migration) whilst a significant proportion of the newly arising need will come from outside the Council area (in-migration).

The first element is the backlog of existing need. This is an estimated 702 households – made up of 536 existing households, 141 potential households and 25 homeless households. The final stage is to include a quota to progressively reduce this backlog. This is a somewhat novel concept introduced by the DTLR guidance. A reduction in the backlog of need of 20% per year has been assumed in Moray. The annual need to reduce the backlog is therefore 140 dwellings per annum.

The newly arising need is estimated to be 625 households per year – this is made up of 242 from household formation, 279 from existing households currently living in Moray and 104 in-migrant households.

In total it is estimated that there is an annual need over the next five years for 765 affordable homes (140 + 625). The supply to meet this need is expected to be 604 dwellings per annum. Therefore, there is an estimated annual shortfall of 161 affordable homes.

The survey also considered the size requirement for additional affordable housing. The main shortfall is for one bedroom accommodation (140 per annum). The shortfall relative to supply is also greatest for four bedroom accommodation, where the shortfall means that 62.5% of households needing this size would be able to secure suitable affordable housing.



Sub-Area Analysis



In addition to calculating housing need and various other important information at Council area level, the survey also showed the geographical distributions of all relevant data. Some of the main calculations revolve around local income levels and the geographical split of the need for additional affordable housing. Specifically, the estimated annual shortfall of 161 affordable homes identified in the previous section is shown for each of the 10 survey sub-areas of Moray.

The housing needs survey data clearly shows that there are significant differences in income levels between different parts of the Council area.

The highest average income was found in *Forres Rural* at £21,335 per annum, whilst the lowest was in *Keith* at £14,907.

In all cases the rural areas showed income levels noticeably above the figures for the relevant town areas. In all cases the rural areas showed incomes of between 9% (*Elgin*) and 19% (*Keith*) higher than the relevant town area.



Annual shortfall/(surplus) of Affordable Housing by Sub-Area	
Sub-area	Annual shortfall/(surplus)
Buckie	13
Buckie Rural	14
Elgin	(47)
Elgin Rural	24
Forres	17
Forres Rural	57
Keith	12
Keith Rural	53
Lossiemouth	7
Proposed National Park	10
TOTAL	161

Higher and lower income levels do not necessarily correspond with areas of high and low need for affordable housing. Housing need only affects a small number of households, whilst income information is collected for all households. The survey results for the need for affordable housing by sub-area show that, with the exception of *Elgin*, over the next five years all sub-areas are expected to face a shortage of affordable housing. *Elgin* reveals an annual surplus of 47 affordable homes. It should be noted however that the figures relate to where housing need arises – not necessarily where it should be met.

Market Housing Requirements



In addition to setting out the affordable housing requirements in Moray the survey briefly considered the likely future housing requirements in the private sector. This information is of use to the Council as it may wish to influence the types and sizes of new private sector homes (particularly for owner-occupation) in order to more closely match the requirements of local households. Often developers will seek to maximise profits by building larger (executive) homes, when the local population actually requires additional smaller homes. The impact of this can be to increase in-migration of more wealthy households and out-migration of local households (particularly those looking for their first home).

In Moray, the survey estimated that there is no shortage of housing to privately rent. The survey did however suggest a shortage of housing for owner-occupation of 1,410 dwellings over the next five years – this is in addition to an estimated shortfall of 810 affordable homes over the same period. As with the affordable housing sector the majority of shortfall in the owner-occupied sector appears to be for smaller (1 and 2 bedroom) dwellings.

It is interesting to note that of the overall shortage of housing (2,220), 36.5% is for affordable housing. The scale of new provision required (as suggested in this survey) is large and it is likely that not all of this provision will be achieved. This may lead to increases in homelessness, households living in over-crowded or otherwise unsuitable homes (e.g. poor quality basic facilities). There could be further impact on local businesses who cannot employ staff due to the lack of affordable housing, household formation rates may be lower than suggested by the survey (as households are unable to access independent housing) which may lead to larger households in the social rented sector or households might simply leave the area. It is also possible that a shortfall will fuel additional demand for private rented housing (probably with housing benefit).



Affordable Housing



Affordable housing negotiated under the relevant Government guidance has become, in many parts of the country, the main source of new housing to address housing need. An analysis of affordable housing need is a prerequisite to obtaining it. The housing needs survey therefore provides guidance to the Council on Local Plan policies and the scope for obtaining affordable housing subsidy through negotiation under NPPG3.

There have in the past been four major shortcomings in the Government guidance:

- No definition of housing need
- No coherent definition of affordable housing
- No indication of how targets relate to need
- No indication of the nature or level of subsidy involved

The first of these (a definition of housing need) has been addressed in recent guidance. However, the other three have not been addressed, and so it is very difficult for councils to achieve both consistency with Government guidance and a result that addresses the problem.

The housing needs survey studied the scope for various affordable housing options to help directly to reduce the need level. It was found that in Moray low-cost market housing cannot help any households in housing need in this way, whilst shared ownership can only be reasonably be expected to help a fraction of households in need (around 6.0%). It is possible that shared ownership can help indirectly, where it is taken up by households who live in a social rented home. However, the vast majority of new affordable housing should be social rented.

Annual requirement for each type of affordable housing				
Dwelling size	Type of housing			
	Low cost market	Shared o'ship	Social rented	TOTAL
1 bedroom	0	8	132	140
2 bedrooms	0	1	4	5
3 bedrooms	0	1	13	14
4+ bedrooms	0	0	3	3
TOTAL	0	10	152	161

The housing needs survey provides a wealth of data about exactly how much housing should cost to be affordable to households in housing need. Some of the main points to come out of the data are that no households in need are able to afford housing costing more than £40, £57, £77 and £107 per week respectively for 1, 2, 3 and 4 bedroom dwellings (without the assistance of housing benefit). For housing to be affordable to significant numbers of households in need housing costs will need to be considerably below these maximum levels.

There is a particular issue for the Council to consider concerning the interplay of site thresholds and affordable housing targets. The analysis supports the Council applying a threshold of 15+ dwellings or 5+ in rural areas. It also suggests that an affordable housing target of 40% on suitable sites could be justified in securing a relevant overall contribution to meeting needs.

Implications for the Council



The housing needs survey for Moray provides a detailed analysis of housing needs issues concerning both the need for affordable housing and broader (market) housing requirements.

The survey suggests that there is a significant requirement for additional affordable housing in the Council area. To meet all housing need, the survey estimates that the Council will need to provide an additional 161 affordable dwellings per year for the next five years. It should be remembered that this is only indicative, even if the Council were able to provide this number of affordable homes this would not necessarily remove all housing need; the ready availability of affordable housing would be likely to generate substantial additional needs (e.g. from in-migrants), it is also possible that some households in need would not accept affordable housing even if it were available.

In terms of the broader requirements for housing (i.e. other than affordable housing) the Council should pay attention to the locally arising demand of both current and future households. The data for these suggests that additional owner-occupied housing should be mainly one and two bedroom. There does not appear to be a lack of larger (4 bedroom) homes for owner-occupation.

In terms of Planning Policy the survey gives the Council a significant amount of evidence to allow them to negotiate with developers for a proportion of affordable housing on all qualifying sites. Given the levels of need found it is suggested that a target level of 40% affordable housing on all sites of 15 or more dwellings could be justified (5 dwellings in rural areas). Within affordable housing, the Council should note that low-cost market housing has no role to play in solving the needs of households in housing need, whilst shared ownership can only have a limited role.

There is no reason why the Council should treat any sub-areas of Moray differently to each other. All sub-areas show a shortage of affordable housing. It should be remembered that the Council is responsible for the whole of the Council area and so housing needs arising in one area may be best met within another part of the Council area.

In conclusion, the level of housing need shown in Moray would suggest that the Council will need to maximise the availability of affordable housing through all sources, particularly in negotiation with developers. The Council must pay particular attention to the cost (and types) of affordable housing to ensure that it can actually help households with a housing need.