

REPORT TO: COMMUNITIES COMMITTEE ON 25 OCTOBER 2011

SUBJECT: MORAY LOCAL HOUSING STRATEGY 2013 - 2018

BY: CORPORATE DIRECTOR (ENVIRONMENTAL SERVICES)

1. REASON FOR REPORT

- 1.1 This report advises the Committee of the status and findings of the Housing Need and Demand assessment. The report also advises the Committee of the progress made with the preparation of the LHS 2013 – 2018.
- 1.2 This report is submitted to Committee in terms of the Council's Administrative Scheme relating to the development and implementation of the Council's Strategic Housing Plans.

2. RECOMMENDATION

2.1 It is recommended that the Communities Committee:-

- (i) welcomes the “robust and credible” status of the Housing Need and Demand Assessment 2011, and its key findings;**
- (ii) agrees to adopt the Housing Need and Demand Assessment baseline scenario for implementation in the LHS 2013 - 2018;**
- (iii) agrees the draft LHS priorities and outcomes; and**
- (iv) notes that further reports on progress with the preparation of the LHS will be presented to the Committee.**

3. BACKGROUND

- 3.1 On 26 April 2011, the Communities Committee agreed the interim findings of the Council's draft Housing Need and Demand Assessment (HNDA) and agreed that the draft HNDA is submitted to the Scottish Government for assessment (paragraph 6 of the Minute refers). The HNDA will provide the evidence base on housing need and demand in Moray that will be a key consideration in the development of the LHS and the Local Development Plan.
- 3.2 On 30 August 2011, the Communities Committee agreed the timescales relating to the production of the Council's LHS 2013 – 2018 (paragraph 4 of the Minute refers).
- 3.3 On 12 September 2011, the Scottish Government's Centre for Housing Market Analysis (CHMA) formally appraised the HNDA as “robust and credible. The CHMA have also commented that the *“HNDA stands out as a particularly strong example, which we believe contains several examples of good practice that could be shared with other local authorities going forward”*. These examples of good practice include the approach taken on the triangulation of data sources, and the approach taken on measuring the housing need of households with particular housing needs.

- 3.4 A letter from the CHMA states that *“should the credulity of the HNDA process or methodology be challenged during consultation on the Development Plan it should be ensured that this appraisal is drawn to the attention of the Directorate for Planning and Environmental Appeals at the point that the Development Plan is submitted to Scottish Ministers for examination.”*

4. HNDA findings

- 4.1 The HNDA was published on the Council’s website following receipt of its “robust and credible” appraisal¹. A copy of the HNDA Executive Summary has been placed in the Members Library.
- 4.2 The HNDA has been developed by the Housing Market Partnership (HMP), an officer working group. Membership of the HMP was based on the membership of the Housing Strategy Group, and includes a range of public and private sector stakeholders.
- 4.3 The main HNDA observations on the housing system are:
- Moray has a low wage economy, which is heavily dependant on the presence of the RAF. There is a lower proportion of professional jobs than in neighbouring Local Authorities and the Scottish average.
 - Between 2002 and 2010, house prices have increased at a rate which far exceeds increases in earnings.
 - 60% of newly forming households cannot afford to meet their housing need from the market without assistance.
 - Post “credit crunch” reduced access to mortgage finance, and the need for large deposits, disadvantages first time buyers.
 - Private renting is the most expensive housing option, Council and RSL rents are affordable to lower quartile earners.
 - Affordable rented housing is generally in better condition, better maintained and more fuel efficient than private sector housing.
 - Intermediate tenures, e.g. mid-market rent and shared equity, are likely to be affordable to only a small number of households in housing need.

4.4 Scenarios and choices

- 4.4.1 The HNDA has quantified the need for affordable housing (Net Annual Housing Need), using a model which considers the relationships between current (backlog) housing need, based mainly on the Council’s Housing list; projected newly arising need; and supply of affordable housing relets.
- 4.4.2 The HNDA has also quantified the demand for lower quartile priced, market housing, using a similar model, which considers the relationships between current (backlog) housing need, projected newly arising need and the supply of lower quartile (entry level) priced housing on the open market.

¹ http://www.moray.gov.uk/moray_standard/page_1917.html

- 4.4.3 The key housing market indicators (inputs) affecting the results of these models are the affordability of housing relative to earnings, and the rate of gross household formation. Both models have produced a baseline scenario. Housing Market Partnership has agreed that the Baseline scenario best represents the current housing market in Moray.
- 4.4.4 However, the inputs used in these models can be subject to changes which are difficult to predict e.g. changes in house prices, changes in the economy or in earnings. The CHMA have suggested that it is good practice to present the HNDA findings using more than one scenario, as an attempt to future-proof the findings. Therefore the HNDA presents findings using Baseline, Minimum and Maximum scenarios. The scenarios are described below, and illustrated in Table 4.1:

Baseline scenario – assumes 60% of households are unable to meet their housing need from the market without assistance, and that 2.24% of all households are newly-forming households (Accessible Rural rate²).

Minimum scenario – assumes that housing affordability is improved, either through house price reductions or earnings increases or some combination of the two. This scenario assumes that 40% of households are unable to meet their housing need from the market without assistance. This scenario also assumes that households are forming at a slower rate i.e. 2.14% of all households are newly-forming households (Deep Rural rate¹).

Maximum scenario – similar to the Baseline scenario, assumes 60% of households are unable to meet their housing need from the market without assistance, and that 2.24% of all households are newly-forming households (Accessible Rural rate¹). This scenario differs from the baseline scenario through the addition of a 10% uplift on households on the Council's housing list to allow for households who are on any or all RSL waiting list but not on the Council's. The Housing Market Partnership hopes that the accuracy of this 10% assumption will be clearer following implementation of the Common Housing Register.

² Urban Rural Classification 2009-2010, Scottish Government available at <http://www.scotland.gov.uk/Publications/2010/08/2010UR>

Table 4.1	Scenario		
Input	Baseline	Minimum	Maximum
% households unable to meet their housing need from the market without assistance	60%	40%	60%
Gross household formation rate	2.24%	2.14%	2.24%
% applicants on RSL waiting lists but not on Council Waiting List	0%	0%	10%

- 4.4.5 The HNDA provides the credible evidence base on housing need and demand intended to inform the Council's decisions on allocation of housing land in the new Local Development Plan, and also inform affordable housing supply targets in the LHS. Taken together the net annual housing need and net annual housing demand, provides the Total Land Requirement. The figures relating to the 3 scenarios are detailed in Table 4.2 below.

Table 4.2 Annual estimates for market and affordable housing (3 scenarios)						
Output	Baseline Scenario		Minimum Scenario		Maximum Scenario	
Total net annual housing need (units)	424	78.8%	203	40.9%	429	75.0%
Net annual housing demand (units)	114	21.2%	292	59.1%	143	25.0%
Total housing land requirement (units)	538	100.0%	495	100.0%	572	100.0%

Source: HNDA Table 12.1, Page 160

- 4.4.6 Within the HNDA, the Housing Market Partnership has agreed that the Baseline Scenario represents the estimate of housing need and demand that it has most confidence in because:
- It uses a measure of affordability which is based on the current housing market and current earnings
 - It uses a rate of household formation which applies to the more densely populated areas of Moray (Elgin/Forres/Buckie Housing Market Areas) i.e. the Accessible Rural Rate
- 4.4.7 The HNDA states that *“economic factors associated with the economic downturn, public sector funding cuts and closure and/or downsizing of RAF bases, may result in increased unemployment and out-migration both resulting in reductions in housing demand but, at the time of writing, it is not possible to quantify any effects.”*³ Therefore the Housing Market Partnership had no alternative but to assume the baseline scenario as the current housing market position. Members should note that key HNDA indicators will be

updated annually to maintain an accurate and up to date estimate of housing need and demand.

- 4.4.8 The Committee is invited to agree with the Housing Market Partnership's recommendation that the baseline scenario be adopted for implementation in the LHS 2013 - 2018. The agreed scenario would form the basis for the Local Development Plan housing land requirement, which will also take account of the effective land supply, land constrained only by programming and include an element of flexibility.
- 4.4.9 The Committee should also note that the Housing Market Partnership regard the total housing land requirement shown in Table 4.2 as a minimum requirement, because Scottish Planning Policy⁴ requires Council's to provide an "*allocation of a generous supply of land to meet identified housing requirements across all tenures, including affordable housing*".

5. LHS priorities and outcomes

- 5.1 The Scottish Government published new local housing strategy guidance in July 2008. The new Guidance sets out key changes to the format and detail of local housing strategies, and there is an expectation that LHS' will conform to that guidance. In line with the new relationship between central and local government established through the Concordat, the new-style local housing strategies will be aligned to local authorities' Single Outcome Agreements (SOA). Accordingly, the LHS will be expected to focus on a core set of housing and housing support outcomes and indicators that will contribute to the local priorities identified in the Council's SOA. These priorities will in turn contribute to the achievement of the Scottish Government's national outcomes.
- 5.2 The Scottish Government's housing policy document *Firm Foundations* sets out a clear expectation that local housing strategies should play a greater role in shaping local housing systems and should be central to local corporate planning activities. *Firm Foundations* also expects that local housing strategies will contribute to the Government's key policy objectives in relation to increasing the supply of housing across all tenures, promoting sustainable and mixed communities, improving housing quality and addressing climate change.
- 5.3 The LHS is required to demonstrate links to the Single Outcome Agreement, and in particular to the following Local Outcomes:
- Increase the proportion of people needing care or support who are able to sustain an independent quality of life as part of the community.
 - The volume and quality of housing throughout Moray will increase.
 - Increase the number of people assessed as homeless who are provided appropriate accommodation.

⁴ Scottish Planning Policy available at: <http://www.scotland.gov.uk/Topics/Built-Environment/planning/National-Planning-Policy/newSPP>

- The influence which the people in Moray will have over decisions which affect their communities and lives and their active participation within communities will increase.
- Energy usage/carbon emissions will reduce.

5.4 Developing the LHS

5.4.1 The Housing Strategy Group is an officer working group, chaired by the Head of Housing and Property. This group steered the development and implementation of the LHS 2004-2009 and the current Interim LHS 2010-2013. Its membership includes representatives of interested Council services, such as Planning and Community Care, as well as representatives from local RSLs, and stakeholders from the private housing sector.

5.4.2 The Housing Strategy Group was reconvened on 15 September 2011 to begin development of the LHS 2013-2018. The Group has discussed draft priorities and outcomes for inclusion in the next LHS, as well as consultation arrangements. The draft outcomes are based on a combination of:

- the findings of the HNDA 2011
- the priorities of the Single Outcome Agreement
- statutory requirements relating to housing
- Scottish Government policy relating to housing

It is intended that these outcomes will be developed further as part of consultation with stakeholders and our communities.

5.4.3 The draft LHS priorities are presented below for the Committee's agreement. A full list of draft priorities and draft outcomes is at **APPENDIX I**:

- Priority 1: To improve access to housing
- Priority 2: To meet our statutory obligations to homeless households
- Priority 3: To address housing need
- Priority 4: To assist people with particular housing needs
- Priority 5: To improve the energy efficiency of housing and contribute to addressing climate change
- Priority 6: To improve the condition of Moray's housing stock
- Priority 7: To promote successful, safe, sustainable communities and social inclusion

5.4.4 The Housing Strategy Group has agreed to further develop the required outcomes, and associated indicators and actions, through LHS Priority working groups. These Priority Groups will allow stakeholders to focus their participation on their area of expertise. Where stakeholder membership permits, the LHS Priority Group agenda will be taken forward through existing officer working groups.

5.5 Next steps

- 5.5.1 Officers will establish each LHS Priority working group, with the aim of bringing an outline draft LHS 2013-2018 before Committee in March 2012.

6. SUMMARY OF IMPLICATIONS

(a) Single Outcome Agreement/ Service Improvement Plan

The Moray Council's priorities for National Outcome 10 of the Single Outcome agreement include:

- The volume and quality of housing throughout Moray will increase
- People assessed as homeless will be provided appropriate accommodation.

The Local Housing Strategy will focus on a set of outcomes that contribute to the achievement of Single Outcome Agreement priorities.

(b) Policy and Legal

It is a requirement of the 2001 Housing (Scotland) Act that local authorities have a Local Housing Strategy.

(c) Financial implications

There are no direct resourcing implications associated with this report.

(d) Risk Implications

There are no risk implications arising directly from this report.

(e) Staffing Implications

There are no staffing implications arising directly from this report.

(f) Property

There are no property requirements/implications arising directly from this report.

(g) Equalities

It is a statutory requirement that equality issues should be addressed in the LHS. Data and evidence about the particular housing and support needs of equalities groups has been gathered as part of the Council's HNDA. The LHS will set out how the Council intends to address these needs. The LHS Guidance expects equality issues to be mainstreamed through its contents. The HNDA gives a comprehensive assessment of various potential impacts, including those relating to equalities. The Equalities Officer has commented that the HNDA is effectively a very comprehensive EIA. Equality groups will be consulted as part of the preparation of the LHS.

(h) Consultations

Consultation on this report has taken place with the Corporate Director (Environmental Services), the Head of Housing and Property, Principal Planning Officers (Gary Templeton and Mark Cross), the Community Planning and Development Manager and the Housing Strategy and Development Manager. The Housing Market Partnership has contributed to the development of the HNDA. The Housing Strategy Group has contributed to the development of the draft LHS Priorities and Outcomes.

7. CONCLUSION

- 7.1 This report advises the Communities Committee of the status and findings of the Housing Need and Demand Assessment 2011. The report invites the Committee to agree the preferred scenario for implementation through the LHS 2013 – 2018.**
- 7.2 This report also advises the Communities Committee of activity in the development of the Local Housing Strategy 2013-2018. Further progress reports will be presented to the Communities Committee.**

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Background Papers:	Held by author
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