MORAY DEVELOPMENT PLAN

AFFORDABLE HOUSING

DRAFT SUPPLEMENTARY PLANNING GUIDANCE

JANUARY 2009

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1. 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 Local Housing Strategy.

1.2 The Moray Council approved Supplementary Planning Guidance on Affordable Housing in February 2004. It sets out the Council procedures for providing affordable housing and the mechanisms for securing such housing. The Guidance stated that the Council will monitor the implementation of the Supplementary Guidance and will review the contents, if required, in consultation with key stakeholders.

1.3 As a result of a number of factors including the new Housing Needs Study in 2007, the introduction of the new Structure and Local Plans, and increasing demand for affordable housing it is appropriate to update the Supplementary Guidance on Affordable Housing. This draft revision of that Guidance has been approved by the Planning and Regulatory Services and Communities Committees for consultation. Comments are welcomed by 31 March 2009 and should be sent to

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1.4 The outcome of the consultation will be reported to the Planning and Regulatory Services and Communities Committees to enable them to decide on the content of the new Supplementary Planning Guidance on Affordable Housing.

2. Status of Supplementary Planning Guidance

2.1 The Affordable Housing Supplementary Guidance has been prepared in support of policy H9 of the Moray Local Plan 2008. (The Moray Structure Plan 2007 and the Moray Local Plan 2008 together comprise the Moray Development Plan, and both documents should be referred to for information on policies and proposals for the use of land within the Council Area).

2.2 Supplementary Guidance, which has been subject to stakeholder consultation, can be adopted by a Local Authority and form part of the Development Plan. This process allows supplementary guidance to contain much of the policy detail and leave the Plan itself to focus on spatial strategy and key policies and proposals.

2.3 As this Guidance will be subject to consultation, with a statement submitted to Scottish Ministers on how comments received were taken into account, it will have an enhanced status (not just a material consideration) and become part of the Development Plan.

3. Policy Background

3.1 National Planning Policy Guidance is set out in Scottish Planning Policy 3 (SPP3) on Planning for Homes. This was revised in July 2008. The affordable housing guidance is expanded in Planning and Advice Note 74 Affordable Housing (PAN 74). The main points of Government Guidance influencing this guidance are

- The preferred method of delivery of new housing is in mixed tenure developments. This encourages mixed communities and promotes social inclusion.
- Policies in development plans may seek a percentage affordable housing contribution from all new housing developments where this is justified by the Housing Needs and Demand Assessments and included in the local housing strategy. The national benchmark figure is that each site should contribute 25% of the total number of housing units as affordable housing.
- Local authorities are required to prepare detailed SPG on how the affordable housing requirement for their area is expected to be delivered, including an indication of the different approaches needed for urban and rural areas.
- In circumstances where it is considered that housing built to meet identified affordability needs should remain available to meet such needs in perpetuity, guidance should set out the measures which will be used to achieve this.
- Planning authorities should also consider allocating sites specifically for affordable housing to meet requirements identified by the Housing Needs Assessment and Local Housing Strategy

3.2 The New Moray Local Plan was adopted on 19 December 2008. The Policy on affordable housing is Policy H9. It states

"Proposals for new housing developments of 10 houses or more on designated or undesignated sites, will be expected to provide an "affordable housing" element. The specific contribution will be assessed at the time of the planning application, and will be informed by Moray Council's Supplementary Guidance on Affordable Housing and the most recent Housing Needs Assessment. The preparation or revision of Supplementary Guidance will be subject of stakeholder consultation prior to adoption. There are various forms in which the affordable housing contribution can be provided (such as social rented; homestake; and others as listed in PAN74, para 11). Where the developer can demonstrate that there are exceptional site development costs, the requirement for affordable housing may be reduced, to ensure the cumulative burden on the overall development does not make the development unviable. Whilst the preference will be to locate affordable housing within the site of the related development, other options may include off site contributions, or through the provision of commuted payments."

3.3 This affordable housing policy will apply to all planning applications for 10 or more houses falling within the terms of Policy H9.

3.4 The key housing priority of The Moray Council is to work with the public and private sectors to increase the supply of affordable housing. This is reflected in the Council's Single Outcome Agreement with the Government and the Local Housing Strategy.

3.5 The Local Housing Strategy sets out the need for affordable housing. The Strategic Housing Investment Plan is produced by the Council annually and identifies details of the proposed delivery of the affordable housing.

4. Housing Need

4.1 The Moray Council previously had a Housing Needs Study completed by Fordham in 2002. To provide an up to date understanding of the operation of the housing market across Moray and to provide estimates of housing needs, the Council commissioned a further Housing Needs Study in 2006. This was produced by a Consortium of Newhaven Research, Craigforth Consultancy, Bill Edgar and Nick Williams and was published in April 2007.

4.2 The study and a summary are available on the Council website. Paper copies are available on request from the Housing Programmes Manager in the Council's Housing Service.

4.3 The methodology of the Housing Needs Study 2007 is consistent with the Housing Need and Demand Assessment Guidance produced by the Scottish Government in March 2008. This has been confirmed with the Consultants who worked on both projects.

4.4 The assessment of need concluded that there was a backlog of need of housing for 224 households per annum. In addition, the newly arising need is 618 households per annum. The amount of new social rented supply (relets and new houses) is 623. As a result, the study projects that additional 219 affordable units are required annually to eradicate housing need over a 5 year period.

4.5 The study also indicates that as a result of the nature of housing need in Moray the great majority of new affordable housing should be for rent.

4.6 The Housing Needs Model was updated by the Council October 2008 following Guidance supplied by the Consultant. This methodology provides for an up to date estimate of the number of affordable units required to meet housing need. This shows that the need for affordable housing has increased to 255 units per year for the next five years. This increase is primarily because the number of relets is decreasing.

4.7 The Council will continue to update the model on an annual basis until a new study is in place.

5. Definition of and Types of Affordable Housing

5.1 Affordable housing is defined broadly in SPP3 as “housing of a reasonable quality that is affordable to people on modest incomes”. It later defines it as “housing made available at a cost below market value, to meet an identified need”.

5.2 SPP3 states that affordable housing may be in the form of:

- **Social rented accommodation** – Housing provided by an affordable rent and managed by a Registered Social Landlord such as a Housing Association or other housing body regulated by the Scottish Housing Regulator. The Moray Council also manages social rented stock.

- **Mid market rent accommodation –** This is housing with rents set at a level higher than purely social rent, but lower than market rent levels, and affordable by households in housing need.

- **Shared ownership –** This is a mixed tenure where the customer owns part of the house and pays rent on the rest.

- **Shared equity** – This is housing where the customer buys part of the house and the RSL or Private Developer retains a stake in the ownership of the housing.

- **Discounted low cost housing for sale, including plots for self build** – Housing sold at a percentage discount to its open market value to households in the priority need group.

- **Housing without subsidy** – Non -subsidised affordable housing is likely to take the form of entry level housing for sale. It can be considered to meet the needs of, and be affordable to, groups of households identified in housing need.

6. Agreeing Affordable Housing

6.1 SPP3 provides a benchmark figure that each site should contribute 25% of the total number of housing units as affordable. Although housing need in Moray is high, the Council has taken into consideration local market conditions.

6.2 As a result, the Council expects that all proposals for 10 units or more will provide a minimum of 25% of housing as affordable housing. Due to the structure of the economy and low average wage levels, the need for affordable housing in Moray is likely to continue to be high in the longer term. Therefore any proposals for provision of affordable housing need to ensure that the housing will remain affordable. Otherwise they will merely alleviate the problem rather than provide a long-term solution. As a result, discounted purchase schemes need to consider how the houses should remain affordable for perpetuity.

6.3 SSP3 states that a broader objective of development plans is the creation of sustainable mixed communities. The Council supports this aim and resultantly the preferred method of delivery of affordable housing will be within the site of the related development as an integral part of wider housing provision. Given the acute shortage of affordable housing there may be benefits in promoting some sites purely for affordable housing. This will normally only be acceptable where the wider community is mixed, and the provision of only affordable housing on a site leads to an increased provision of affordable housing beyond the 25% of new developments.

6.4 The preference will be to locate affordable housing on site. There may be practical reasons, which will result in the provision of the affordable housing on another site being acceptable. Examples could be economies of scale or timing of delivery.

6.5 There are no significant land banks of Council or Housing Association land available for affordable housing in Moray. Therefore, a commuted payment instead of the direct provision of affordable housing will only be acceptable in exceptional circumstances.

6.6 Where a commuted payment is agreed, the Council will accept the guidance in PAN 74 that the commuted payment should be “a value equivalent to the cost of providing the percentage of serviced land required by the policy”.

6.7 Previous practice has been for the cost of a serviced house plot to be valued by the District Valuer for each individual development where a commuted payment is agreed. This has caused some concern to Developers who cannot be clear about costs during their initial discussions with the Council.

6.8 The cost of future commuted payments is based on an annual figure per plot obtained from an analysis of actual development costs of social housing schemes in Moray. The Housing Service will publish this figure on its website and it will be available from Officers.

6.9 Policy H9 states that "where the developer can demonstrate that there are exceptional site development costs, the requirement for affordable housing may be reduced, to ensure the cumulative burden on the overall development does not make the development unviable". However 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 valid material consideration.

7. Delivery of Affordable Housing

7.1 The type of affordable housing required will be determined on a site by site basis. Developers are requested to contact the Housing Programmes Manager or Housing Strategy and Policy Manager in the Housing Service as early in the Planning process as possible. The Housing Service can make arrangements for a social landlord to be identified to take forward proposals.

7.2 Although the Council will consider all six categories of affordable housing set out in SSP3 it will do so in the context of “identified need”. The Housing Needs Study clearly identifies the major need in Moray to be affordable rented accommodation provided by a registered social landlord and this will be the Council’s preferred method of delivery.

7.3 The Housing Needs Study does identify the need for some low cost home ownership housing and this will be located on appropriate sites. The Council will monitor the level of needs that Low Cost Home Ownership is meeting to help it determine the amount of future provision.

7.4 Any proposals to provide mid market rent, discounted low cost sale housing, and housing without subsidy, would need to demonstrate that the cost to the customers enabled needs to be met that could not be met through the open market. The information from the Housing Needs Study would suggest that the great majority of housing needs could not be met through these methods. Any such proposals would need to show that the housing would be affordable in longer term.

7.5 The final decision on the type of affordable housing to be provided on any particular site will be made by the Chief Housing Officer, in consultation with the Planning Service.

8. Monitoring and Reviewing

8.1 Once the new Supplementary Guidance is approved the Council will monitor its implementation. Any review of its contents will be in consultation with the key stakeholders. The annual Local Housing Strategy update, the Local Plan Monitoring Report and Housing Land Audit will include an assessment of affordable housing provided through the operation of the Supplementary Guidance.

9. Contacts

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APPENDIX

THE MORAY COUNCIL
AND
COMMUNITIES SCOTLAND

Moray Housing Needs and Market Study

Newhaven Research
Craigforth Consultancy
Bill Edgar and Nick Williams

FINAL REPORT – EXECUTIVE SUMMARY
April 2007

Executive Study

Introduction

The aim of this study was to provide an up to date understanding of the operation of the housing market across Moray and to produce estimates of housing need over a 5-10 year period for Moray as a whole. Where data permits, the study also examined housing market trends and housing need for the following sub-areas:

- North West Moray, which includes the towns of Elgin, Forres and Lossiemouth.
- South East Moray, which includes Buckie, Keith and a number if smaller settlements.
- The Cairngorms area, which includes the settlement of Tomintoul and forms part of the Cairngorms National Park Area.

The study updates the 2001 housing needs survey and is intended to inform the further development of the Moray Local Housing Strategy as well as affordable housing and local planning policies.

The study drew on a wide variety of data sources. A major component of the study was a postal survey that was completed by 1,698 residents across Moray and a small number of follow-up telephone interviews with potential and concealed households. The study also involved extensive analysis of national statistics and local administrative data as well as a review of strategy and planning documents and consultations with stakeholders.

The estimate of current and projected housing need and the shortfall in the supply of affordable housing was based on 'Local Housing Needs Assessment: A Guide to Good Practice' (DTLR 2000), commonly referred to as the ODPM guidance. The study also drew on Communities Scotland's Good Guide to Local Housing system Analysis (2005).

Economic and Demographic Drivers

In 2006 there were an estimated 37,770 households living in Moray, of which 64% lived in the North West sub-area, 35% lived in the South East and the remaining 1% lived in the Cairngorms area.

General Register Office for Scotland (GROS) project that that if underlying economic and social conditions remain the same, the number of households in Moray could increase to 38,590 by 2010 and 39,780 by 2015, with the largest increase projected to be in households headed by people aged 60 years or above. Continued growth in the number of households will increase the overall requirement for housing whilst the growth in older person households will influence the pattern of housing related services required.

Since 2001, Moray has experienced a rapid increase in the rate of in-migration, especially for individuals relocating from European countries such as Poland, and Portugal. If this trend were to continue, the number of households living in Moray by 2010 and 2015 could be higher than GROS project. As there is little evidence as to the long term plans of overseas migrants to Moray or the rest of the UK, any assumptions regarding future migration trends and therefore household numbers remain somewhat uncertain.

Moray enjoys economic, social and environmental conditions that compare positively with many other areas of Scotland. Growth in the local economy has contributed to Moray having a lower rate of unemployment that Scotland as whole. There are features if the local economy however, that constrain effective housing demand. In particular Moray has a disproportionately high number of low paid jobs. In 2006 the gross median full-time weekly wage for Moray was £383, which was amongst the lowest in Scotland. Moreover 25% of employees earned £275 or less. The economic development strategy 'Moray 2020' therefore contains a number of objectives to strengthen and diversify the local economy in the medium to long term.

To facilitate the delivery of the Moray 2020 objectives, the updated draft Moray Structure Plan seeks to promote population growth and facilitate the growth and diversification of the local economy. It projects that in the period from 2005 to 2017 between 4,560 and 4,569 new homes will be required in Moray. Most of these new homes are planned to be located in Elgin and to a lesser extent the secondary centres of Forres, Buckie, Lossiemouth and Keith in order to sustain and enhance their local role in retail, commercial and leisure provision.

Housing Market Trends

Owner occupation

Since the 2001 housing needs study was completed, Moray's housing market has become very buoyant, as evidenced by the sharp rise in the number of new build and second-hand property transactions. In 2005, over 1,800 mainstream properties were sold, 51% more transactions than in 2000. Over the same period the median house price increased by 74% from £53,053 to £92,145.

New build properties remain appreciably more expensive than resale properties, but account for only around one in ten sales. From a housing needs perspective therefore, movements in resale (or second-hand) prices are what are critical.

	Table ES1: Resale house prices at 25th, 50th and 75th percentile 2000-2006 (£)								
	2000			2005			2006 (Jan to June)		
	25	50	75	25	50	75	25	50	75
North West	40,300	55,000	78,000	68,500	89,000	135,000	76,000	95,475	148,225
South East	36,000	48,000	66,625	60,000	85,000	127,875	65,996	90,000	125,000
Cairngorms	39,563	61,500	89,250	60,000	155,500	165,625	42,000	141,500	396,250
Moray	39,000	52,500	74,300	65,000	88,000	134,000	73,089	94,000	144,615

Table ES1 shows there has been strong demand for housing at the lower, middle and upper end of the resale housing market, although house price inflation has been greatest at top end of the market. Table ES1 also shows that house prices in the North West remain higher than those in the South East. Nonetheless, both areas have experienced fairly similar rates of growth in house prices since 2000. House prices in the Cairngorms area have also increased sharply, but prices have fluctuated from year to year, reflecting the small number of sales in this sub-area.

Whilst local housing professionals suggest that that house price inflation is starting to slow, sasines house price data confirms that demand remained strong in the first 6 months of 2006. In particular, the lower quartile resale price for the first six months of 2006 was £73,089, over £8,000 more than in 2005.

Moray remains a self-contained housing market. In the period from January 2003 to December 2005, 72% of households that bought a mainstream property in Moray were already residents of Moray. The new build market also caters primarily for local residents. The proportion of local purchasers in the North West is very similar to the local authority wide picture but the South East and Cairngorms are much more open and attract a large proportion of purchasers relocating from elsewhere in Scotland and the rest of the UK.

There is little conclusive evidence that in-migration is fuelling house prices as has occurred elsewhere in rural Britain, with the possible exception of the Cairngorms sub-area. Incoming purchasers pay a somewhat higher price for resale properties than local purchasers. In the period from 2003 to 2006 the difference in the median resale price paid by incoming and local purchasers varied by around £5,000 to £12,000 per annum. However, this divergence may largely reflect differences in the types and size of properties purchased by these two groups of purchasers

Over 95% of owner occupiers are households with one or two adults in employment or retired households. Owners are generally satisfied with their homes and the area in which they live and most (86%) have no plans to move. Most moves in the sector result from people seeking to obtain higher quality and in particular larger housing.

Very few existing owner occupiers experience difficulties in meeting their housing costs. By contrast, there is evidence that aspiring homeowners, especially single earner households, are finding it increasingly difficult to purchase a property. Bramley etal (2003 and 2006) report that 58% of newly forming households in Moray could afford to buy in 2005 compared to 67% in 2001. Moreover, house price to earning ratios suggest that in 2006 single earner households earning the lower quartile gross weekly wage of £275, would have to borrow 5.1 times their earnings in order to buy a property at the lower end of the resale housing market. In 2001 the comparable multiplier was 2.9.

Private renting

The private rented sector performs a range of diverse roles in the Moray housing system. It provides flexible and easy to access accommodation for households relocating to Moray and other households in employment that wish to avoid the transactions costs of buying a property, at least in the short to medium term.

Around 1,300 of the estimated 4,730 (27%) households renting from a private landlord have relocated to Moray in the past 5 years. This is equivalent to 43% of all households that have relocated to Moray over the past 5 years. In response to buoyant demand from RAF personnel and other incoming households, much of the ‘buy to let’ market that has developed since 2001 is targeted at this segment. Private renting also accommodates households with more limited housing options. Although landlords that rent out only one or two properties tend to be reluctant to let to households in receipt of housing benefit, the rural estates, whisky distillers and a number of farmers and retired farmers let former tied cottages to households in receipt of housing benefit and other local residents, often at below full market rents. Private renting therefore plays a valuable role in providing housing opportunities for low to modest income households in rural areas where there is little social rented housing provision.

We estimate that around 1,600 private renters (34%) occupy tied accommodation or rent from family and friends. Around three out of five households in this segment of the private rented sector pay either no rent or a nominal rent.

The important role that private renting plays in providing a quick and easy to access sector is reflected in the fact that around a quarter of private renters have lived at their current address for less than 2 years and over a quarter plan to move in the next year. Most moves in the sector are connected with employment and to a lesser extent a desire to live independently.

Open market PRS rents have increased substantially in the past year or so, which housing professionals believe reflects excess demand for private rents relative to supply. As a result, ‘open market’ private rent levels are now broadly comparable to the cost of buying at the lower end of the resale housing market. In 2006 the weekly local reference rent (which is the typical maximum rent level used for Housing Benefit calculation purposes) for a one bedroom property was £80, rising to £95 for a two bedroom property and £106 for a three-bedroom property. In comparison, in summer 2006 the typical weekly mortgage cost of purchasing a resale property of the value of £73,089 (the threshold cost of owner occupation) was £102 for a repayment mortgage and £73 per week for an interest only mortgage.

Social renting

In spring 2006 there were 7,706 social rented properties, of which 80% were owned by the Council and the remaining 20% were owned by housing associations. After netting of voids, the current relet rate for council and housing association stock combined is around 7.6% (around 580 lets per annum), which is significantly lower than in most other local authority areas in Scotland. This low level of turnover together with rising house prices and other factors has contributed to high levels of unmet expressed demand for social housing.

In spring 2006 there were 3,080 applicants recorded on the council’s housing register, of which 2,362 applicants had an active application and had been assessed to fall into one or more of the needs categories recognised by the council’s allocation policy. Thus, there was an average of 4.1 active applicants with needs points for each available council and RSL relet. Once newly constructed social rented properties to be let for the first time during 2006 is taken into account, the ratio falls to 3.6 active applicants with needs points per let. Both ratios are above the Centre for Urban and Regional Studies (2003) benchmark that a ratio of more than 3 applicants to 1 let (regardless of the status of their application) is evidence of need for additional social rented accommodation.

As part of this study we developed annual social stock projections to 2015. These projections take account of projected RTB sales and the provision of 257 new housing association rented units to be completed between 2006 and 2009. No demolitions are planned over this projection period. As table ES2 shows, the total social rented stock is expected to fall from 7,706 units in 2006 to 7,261 by the start of 2010 and 6,343 by the end of 2015.

We also projected the annual number of properties likely to become available for occupation either as a result of relets of existing social rented properties or as a result of first lets of the 257 planned new housing association rented properties. These projections are also summarised in table ES2. It shows that that the number of lettings will average around 623 each year for the 5 period to 2010 and will average 575 each year over the 10 year period to 2015.

Table ES2: Projected Social Rented Stock , Relets and First					
	Social Rented Stock			**Number of Lettings** (relets plus first lets arising from new build)	
	2006	**2010***	**2015**	**Ave lets to 2010**	**Ave lets to 2015**
North West	4,764	4,549	3,988	400	369
South East	2,895	2,670	2,315	220	202
Cairngorms	47	44	40	3 - 4	3 - 4
Moray	7,706	7,261	6,343	623	575
Note: sub-area figures for 2010 add up to 7263 rather than 7,261 due to rounding up of the total stock numbers for North West and Cairngorms.					

Few existing social renters could afford to move to the private sector. In 2006 the only 15% of households in the social rented sector had a gross weekly income of £350 compared to over 50% of households living in private sector housing.

Adults with particular needs

An estimated 5,400 households contain one or more members with some form of physical disability. Approximately a quarter of these households require one or more adaptations to their home, around a third experience some difficulty maintaining their home, and over half experience some difficulty maintaining their garden. This suggests there is scope to expand the care and repair service.

Available evidence supports local perceptions that there is a shortfall in suitable housing provision and housing related support for adults with mental health problems, adults with mild to moderate learning difficulties, and young vulnerable people aged 16-24 years. However, the analysis of local administrative data also highlighted the inadequacies of the existing information systems as planning tools for assessing the number and needs of vulnerable adults.

Core Housing Need Estimates

To estimate housing need, as recommended in the ODPM guidance, we:

- Calculated backlog need, which refers to the number of existing, potential and concealed households whose current housing circumstances are deemed unsuitable and who cannot afford to meet their needs in the housing market.

- Calculated newly arising need, which refers to the annual number of households that will fall into need in the future. This figure, combined with the number of households in backlog need to be assisted each year, equals the total number of households in need for each year of the projection period.

- Subtracted the projected number of lets likely to be available each year (as summarised in table ES2) from the projected annual number of households in need to produce an estimate of the shortfall in affordable housing supply.

Backlog need

In consultation with the steering group, 15 indicators of backlog housing need were used to quantify the number of existing households at risk of homelessness, living in unsuitable housing, and/or required to move for social reasons (such as to give or receive care and support). Where possible, the survey findings for each indicator were cross-checked with evidence from other data sources, including the housing register.

Based on available evidence we estimate that 4,308 households are living in unsuitable housing, including 4,232 existing households and 76 potential or concealed households living with parents or other relatives and therefore subsumed into a larger household.

The ODPM guidance recommends discounting households where it would be possible to address their need in their current home through the provision of repairs, adaptations or some other in-situ solution. We therefore discounted:

- Households that require no more than 3 major adaptations and have no other need.
- Social renters who report serious disrepair and have no other need.
- Private owners and renters who report serious disrepair but do not plan to move within 12 months and have no other need.
- Households who experience harassment and do not plan or wish to move in the next 12 months and have no other need.

We estimate that 1,886 out of the 4,308 households in gross need could have their need resolved by some form of in-situ solution. The remaining 2,422 households in gross need require a move in order to resolve their housing needs.

In line with the ODPM guidance we also discounted households judged to be able to afford to buy suitable alternative accommodation. New guidance from the Department of Communities and Local Government (2007) suggests that a single earner household can afford a home that costs up to 3.5 times their gross income and a dual earner household can afford one that costs up to 2.9 times their gross income. Using these ratios and the lower quartile resale price of £73,089 we assumed that:

- A single earner household requires a minimum gross weekly income of £402 in order to access the private housing market.
- A dual earner household requires a minimum gross weekly income of £485 in order to access the private housing market.

Where survey respondents choose not to state their gross income, we assumed that:

- Couples where both partners are in employment could afford to buy.
- Existing owners with equity of at least £50,000 could afford to buy.
- Households in receipt of income related state benefits could not afford to buy.

Using the above assumptions we estimate that just over 46% of the 2,422 households are unable to buy. Thus, we estimate that 1,118 households are in housing need and require to move to a suitable property but are not in a position to afford to purchase an unsubsidised owner occupied property.

An essential feature of the ODPM model is to establish the period of time over which net backlog need should be addressed. Following discussion with the steering group, two alternative assumptions were made in this regard. The first assumption was that backlog need should be addressed over a 5 year period. As table ES3 shows, this suggests that 20% or 224 of the 1,118 households in net backlog need should be assisted in each of the five years. The second assumption was that backlog need should be addressed over a 10 year period. This suggests that 10% or 112 households in net need should be assisted in each of the ten years.

Table ES3: Summary of core backlog housing need - 5 and 10 year estimates		
	5 year	**10 year**
Households in unsuitable housing	4,308	4,308
Minus cases where in-situ solution	-1,886	-1,886
Times proportion unable to afford to buy	46% of 2,422	46% of 2,422
Equals total net backlog need	1,118	1,118
Times quota to reduce backlog progressively	20%	10%
Annualised backlog need count	224	112

Newly arising need

The ODPM guidance uses the term newly arising need to refer to:

- New households expected to form over time and who are unable to afford private housing.
- Existing households who fall into need as a result of a change of circumstances such as threat of eviction or relationship breakdown.
- In-migrant households unable to afford private housing.
- Ex-institutional population moving into the community.

To calculate the annual number of newly formed households that cannot afford to access the private housing market, we first of all estimated the number of new households likely to form each year. Looking at recent household formation trends, we estimate that Moray has an annual gross household formation rate of 1.8%. As table ES4 illustrates, this suggests that in the 5 years to 2010 an average of 687 new households will form each year. In the 10 years to 2015 an average of 697 new households will form each year. The higher annual average number of new households likely to form over the 10 year period reflects the projected growth in the total number of households in Moray over the decade noted earlier.

Based on the gross income and current tenure of recently formed households under the age of 35, we estimate that 47% of newly forming households will not be in a position to purchase a property of the value of £73,089. As table ES4 shows, in the 5 years to 2010 an average of 323 newly forming households each year will be in need, rising to an average of 328 newly forming households per annum in the 10 years to 2015.

We estimate that 220 existing households will fall into need annually. This estimate was derived from an analysis of housing allocation and survey data in relation to the number of households that have moved from the private sector to the social rented sector or have moved within the social rented sector in recent years.

Based on the tenure preferences, current tenure and gross incomes of households that moved to Moray in the past 5 years, we estimate that no more than 60 in-migrant households each year will be in housing need. We suspect this estimate under-counts housing need amongst in-migrant workers from the European Union.

The Council's housing list suggests that 15 to 20 new applications each year are received from those leaving institutions. In the absence of more robust evidence we have therefore made an annual allowance for 15 households leaving institutions. Again we suspect this is a conservative estimate.

Table ES4: Newly arising need summary calculation- 5 and 10 year estimates		
	5 year	**10 year**
New gross household formation	687	697
Times proportion unable to afford to buy or rent in market	47%of 687 =323	47% of 697 = 328
Plus existing households falling into priority need	220	220
Plus in-migrant households unable to afford buy	60	60
Plus ex-institutional population moving into community	15	15
Equals newly arising need	618	623

The total annual flow of newly arising need for Moray is detailed in table ES4. Over the 5 year period to 2010 we project that an average of 618 households each year will be in newly arising need. Over the 10 years to 2015, we project that an average of 623 households will be in newly arising need.

Overall core estimate

As discussed earlier in relation to table ES2, we expect an average of 623 new and existing social rented properties to become available for let in the 5 years to 2010. Over the 10 year period to 2015 we project the annual average number of lets will fall to 575.

Table ES5 brings the various calculations together to provide needs estimates for Moray as a whole and by sub-area. It indicates a substantial shortfall in the supply of affordable housing to meet need for Moray as whole as well as at the sub-area level. More specifically:

- Our 5 year projection, which is based on addressing backlog need by 2010, indicates an annual undersupply of 219 affordable housing units.

- Our 10 year projection, which is based on addressing backlog need by 2015, indicates an undersupply of 160 affordable housing units per annum.

- The shortfall is most acute in the North West. The 10 year projection suggests that supply (369 lets each year) will be insufficient to meet newly arising need (424 households) let alone begin to reduce backlog need.

- The 10 year projected annual flow of available lets in the South East and Cairngorms area (206 lets) will be sufficient to meet each year's newly arising need (199 households) and make a modest inroad into addressing backlog need.

- No more than 10% of the excess housing need identified in the South East and Cairngorms area is likely to arise in the Cairngorms area.

Across Moray as a whole, the shortfall is most acute in respect of two to four bedroom properties.

Table ES5: Core 5 and 10 year housing needs projections broken down by sub area						
	Moray		**North West**		**South East & Cairngorms**	
	5 year	**10 year**	**5 year**	**10 year**	**5 year**	**10 year**
Annual backlog quota	224	112	140	70	84	42
Plus newly arising and emerging need	618	623	420	424	198	199
Total net need	842	735	560	494	282	241
Minus affordable social rented supply	623	575	400	369	223	206
Overall shortfall in affordable supply	***- 219***	***- 160***	***160***	***125***	***59***	***35***
Supply as a % of newly arising need	***74%***	***78%***	***71%***	***76%***	***79%***	***85%***

Comparison of results with other studies

Table ES6 provides a comparison of the results generated in this study with those generated by earlier studies. Although the findings from these studies are not directly comparable, all 5 separate studies confirm that there is a shortfall of affordable housing supply in Moray. Moreover, if we disregard the Bramely (2003) findings for 2001, which clearly under-reported supply, it is clear that the level of affordability related housing need in Moray has increased since 2001. This is consistent with the tightening of the housing market and the steep rise in prices in the period since 2001.

Table ES6: Alterative housing need estimates for Moray: annual estimates					
Study	**Year**	**Planning period**	**Need**	**Supply**	**Shortfall**
Fordham 2002	2001	5 year	765	615	150
Bramley 2003	2001	10 year	495	180	315
Bramley 2005	2003	10 year	665	540	125
Bramley 2006	2005	10 year	665	420	245
Newhaven 2006	2006	5 year	842	623	219
Newhaven 2006	2006	10 year	735	575	160

Sensitivity Analysis and Alternative Scenarios

An important objective of the study was to explore the extent to which the core housing need projections for Moray as a whole are sensitive to changes in assumptions about future trends in local housing market conditions built into the model. We therefore undertook a number of sensitivity tests designed to examine the potential impact of:

- A change in the social rented sector letting rate
- A change in household formation rates
- A change in house prices
- An increase in in-migrants
- A reduction in households falling into need

These sensitivity tests suggest that our 10-year central estimate of an undersupply of 160 affordable lettings per annum could vary by around 25% in either direction.

We then combined a number of these sensitity tests to create two 10-year scenarios. The first scenario looked at the possible impact of a continued tightening of the housing market. The second scenario looked at the possible impact of a slow down in the housing market but without a corresponding economic recession. These two scenarios suggest that the core 10-year projection of an annual undersupply of 160 affordable housing units could:

- Rise to 202 each year if house price inflation continues to outstrip inflation and wage increases for a sustained period of time.

- Fall to 99 each year if the housing market was to cool and house price inflation returned to rates akin to inflation.

Although the scenarios are not forecasts, alongside the core projections summarised in table ES5, they provide a plausible range for the overall level of housing need that could emerge over the period to 2015. In all three instances, the numbers, point to a need to increase the level of affordable housing supply in order to tackle net backlog and newly arising housing need.

Conclusions and Recommendations

Addressing the undersupply of social rented housing

To address the shortfall in affordable housing supply an increase in the provision of new affordable housing, especially in the North West would be an appropriate response. Concerted and joined up action however, will be required to bring about a substantial increase in the supply of new affordable housing provision over the next decade.

Communities Scotland's affordable housing programme for Moray has increased substantially since 2002/3 but there remains a requirement to achieve greater certainty regarding long term levels of public subsidy to be made available to fund the provision of new affordable housing. We therefore believe it would be appropriate for the Council and Communities Scotland, in consultation with housing associations, to agree a forward investment programme for new affordable housing supply, preferably in line with recent levels of investment.

In recent years more attention has been paid to identifying and securing land for new affordable housing provision. However, there is a continuing requirement for the Council and housing associations to negotiate with private landowners and private developers to identify a pipeline of land and sites suitable for the development of affordable housing provision in the medium to long term.

As housing need has increased significantly since 2001 it would be appropriate to review Moray Council's affordable housing policy. More specifically, the Council should explore whether the current target that 20% of new provision on sites of 20 or more units should be for affordable housing should be brought into line with the PAN74 benchmark figure that 25% of new developments should be for affordable housing.

If prices in the range from £50,000 to £75,000 can be achieved, we estimate that LCHO could be an option for up to 50 households likely to fall into newly arising need each year. Nonetheless, upwards of 70% of the annual requirement for 160 units (or 219 units if the Council opts to address backlog need over a 5 year period) will have to be for social renting.

Rates of take-up of LCHO will depend not only on whether a household in need can afford LCHO but also their preferences in relation to the range of LCHO and other housing options available. Moreover, there is a narrow cost differential between the typical entry level price for owner occupation and the indicative LCHO price range. The risks associated with an aggressive policy of LCHO provision may therefore be quite high. We therefore recommend the Council and its partners undertake further market research into local consumer preferences before adopting any such a strategy.

To supplement new affordable housing provision, we recommend that the Council and its partners explore other ways to reduce pressure for social rented housing. Possible options might be to:

- Create new opportunities and incentives for existing social renters with modest to reasonable incomes to purchase an alternative property and therefore facilitate higher turnover in the social rented sector. Around 15% social renters have a gross weekly income of £350 and some of these households may aspire to owner occupation but cannot afford to buy full home ownership.

- Review the potential for the council or local housing associations to purchase existing properties with the aim of providing these as affordable housing. In localities where under-supply is less acute this may be with the intention of selling on these properties in a few years time as demand pressures ease.

- Work more closely with private sector landlords to develop policies to maintain an adequate supply of good quality private rented housing and to improve the accessibility of private sector tenancies for low to modest income households who choose to rent privately or are not catered for in other tenures.

- Consider further restrictions on RTB. This could include the extension of RTB pressured area status to Forres and well as the extension of the current pressured area status beyond 2011 to ensure retention of affordable social rented housing.

- Explore measures that could be undertaken to encourage second homes in rural areas to be brought back into permanent use.

Households with support needs

A high proportion of those living in unsuitable housing are households with a frail person or other adult with a physical disability. As the population ages, the number of such households will increase. It would therefore be advisable for the Council to consider introducing further measures to assist older people remain in their own home, including greater use of SMART technology, further expansion of care and repair, and an increase in the number of private properties built to barrier free standards. Such measures could help reduce the number of older owner occupiers applying for social rented housing.

Updating the housing needs and improving administrative data sources

The inherent uncertainties of economic, policy and housing market trends which drive in-migration, housing demand and housing need mean that housing planning must have regard to and be responsive to market signals such changes in house price inflation. Our core housing needs projections should therefore be regularly updated to ensure that any changes in the housing market as well as improvements in the quality or timeliness of secondary data sources are reflected in the bottom line numbers.

To assist the Council in this task, we have constructed an Excel based housing needs model to enable council staff to use secondary data sources to update the core housing need projections. The value of this model would be enhanced over time by improvements in the collection and management of housing register and own stock data.