



**ARGYLL & BUTE COUNCIL**

**Housing Need & Demand Assessment Technical Supporting Paper 07**

**Core Output 2: HNDA Tool Methodology – estimating requirements for new build housing**

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## 1.0 INTRODUCTION

1.1 This paper explains how the council has estimated the additional new build housing units that are likely to be required over the next 5–10 years to meet local need and demand. Where possible this estimate is disaggregated by tenure, based primarily on a household's ability to afford:

- Owner occupation;
- Private rent;
- Below market rent (which is a short-hand "catch-all" category also incorporating other subsidised affordable, intermediate tenures such as shared equity or low cost home ownership); or
- Social rent.

However, in the context of the Argyll & Bute housing system the focus may on occasion be on estimates for affordable housing (combining social rent and below market rent) and private housing (covering both private rent and owner occupation).

1.2 These estimate(s) are based on the outputs of the HNDA Tool, which has been developed by the Scottish Government's Centre for Housing Market Analysis (CHMA) for this purpose. The tool is an Excel-based platform which is "intended to produce broad, long-term estimates of what future housing need might be". It generates these estimates based on two components –

- a) existing/backlog need; and
- b) future demand/newly arising need.

Underpinning this are the primary Tool inputs:

- Demographics;
- Economic trends;
- Existing need;
- House prices and market rents;
- Income and affordability.

1.3 Estimates are reported for each year of the projection, each five year period within the projection, and the cumulative total at the end of the projection. The projection period and geographies used reflect the requirements of the LHS and LDP i.e. estimates covering an initial 5 and 10 year period, and for each of the 9 Housing Market Areas as well as Argyll & Bute as a whole.

1.4 This paper focuses on an estimate of future additional housing units and does not concern existing needs that can be dealt with using in-situ solutions or housing management interventions. Those issues are dealt with in HNDA Technical Supporting Paper 06, on stock profile, and HNDA Technical Supporting Paper 08, on specialist provision. Nor does this paper consider future changes in stock e.g. demolitions, planned new build – which forms part of the Housing Supply Target (HST) considerations which are set out with the HNDA process.

1.5 The estimate of future additional housing units is purely a mechanistic, arithmetic calculation based mainly on assumptions about future household

formation, income and house prices. **This does not equate to the future number or type of housing that will actually be delivered.** That is determined in the HST as part of the policy decisions set out in the LHS.

- 1.6 In summary, the following process has been followed, informed by the evidence set out in preceding sections of the HNDA:

<b>Step 1</b>	Future <b>demographic</b> scenarios that best reflect what may occur in local HMAs.
<b>Step 2</b>	The number of households in <b>existing need</b> that will require a new home, and how many years it will take to clear this backlog.
<b>Step 3</b>	A select range of scenarios which best reflect what may happen to future local <b>house prices and incomes</b> .
<b>Step 4</b>	<b>Affordability</b> assumptions, to split total additional housing units by tenure.
<b>Step 5</b>	Considering how the Tool estimates will inform housing policy (LHS) and planning decisions (LDP) and a summary of <b>key issues</b> .

## 2.0 Step One: Future Demographic Scenarios

- 2.1 The basis of the future demographic projections is outlined in HNDA Technical Supporting Paper 02. A number of potential scenarios were considered for modelling within the HNDA Tool. There are 3 core scenarios which are based on actual recent trends of population decline and derive from official National Records of Scotland (NRS) projections, and can therefore be deemed “robust and credible”. In addition, the council and its partners were strongly of the view that aspirational growth scenarios should also be used when making policy decisions about Housing Supply Targets. While these aspirational scenarios and outputs may not be appraised as “robust and credible” within the HNDA framework itself, nevertheless these are considered to be absolutely fundamental to the strategic vision and planning objectives for Argyll & Bute moving forward. This strategic imperative is fully endorsed by the Scottish Government in its Housing to 2040 programme; the National Islands Plan; the Planning (Scotland) Act 2019 and rural repopulation agenda; and the emerging proposals for National Planning Framework 4; among a number of other legislative and policy directives. In addition, this paper summarises emerging trends and factors which are likely to impact on actual demographic trends in the future, and could supersede NRS projections.
- 2.2 In September 2020, the NRS published household projections for every local authority in Scotland, based on the 2018 population estimates. The projections include a principal scenario and variants based on alternative assumptions about migration trends (high and low). Full details of the methodology and assumptions are outlined on the NRS website (See <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/households/household-projections/2018-based-household-projections>)
- 2.3 The three key official projections for Argyll and Bute (principal, high and low migration) indicate a steady decline in the number of households. Over the life

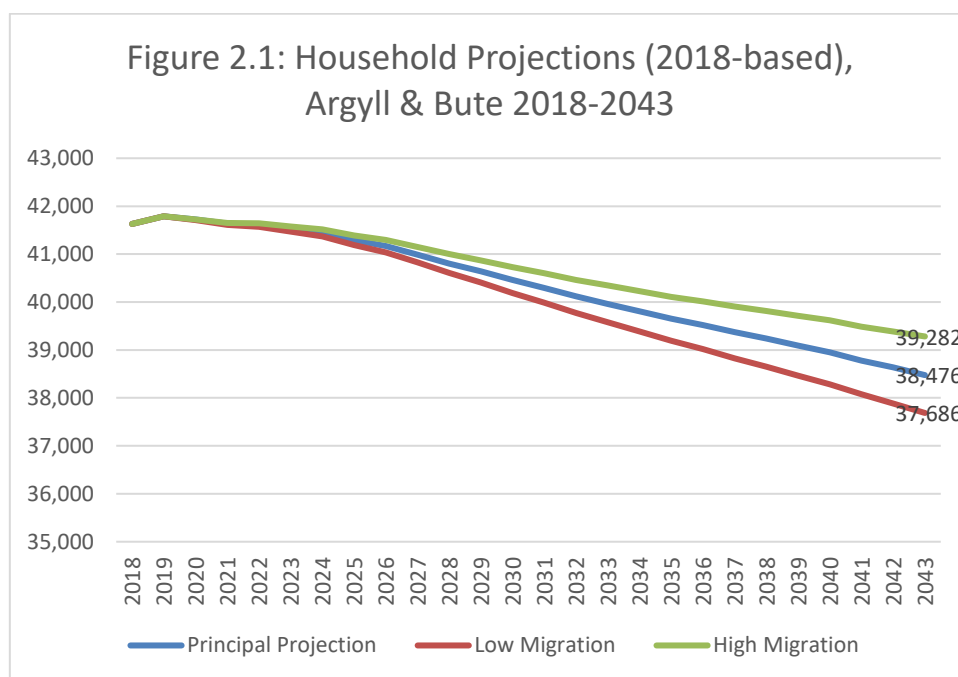
of the next LHS, 2021-2026, the number of households in Argyll and Bute is projected to fall by over 1% from 41,635 to 41,170; and over the decade from 2021-2031 the figure will fall by over 3% to 40,292 under the principal scenario.

**Table 2.1: Household Projections (2018-based), Argyll & Bute**

NRS Projections	2021	2026	% change 2021-26	2031	% change 2021-31	2043	% change 2021-43
Principal	41,635	41,170	-1.1%	40,292	-3.2%	38,476	-7.6%
Low Migration	41,613	41,036	-1.4%	39,986	-3.9%	37,686	-9.4%
High Migration	41,649	41,298	-0.8%	40,599	-2.5%	39,282	-5.7%

Source: Household Projections for Scotland (2018-based) Detailed Scottish Area Tables, NRS, 2020

2.3 The following graph illustrates the decreasing annual trend in households under all three official scenarios. Even under the most optimistic, high migration projection, the total number of households is expected to fall from 41,649 in 2021 to 41,298 in 2026 (-0.8%) and then to 40,599 by 2031 (-2.5%).



Source: Household Projections for Scotland (2018-based) Detailed Scottish Area Tables, NRS, 2020

2.4 Sub-area, HMA level, household projections are simply extrapolated in the default HNDA Tool scenarios, by applying the overall annual changes for the local authority area consistently and proportionately across each HMA. The official 'main, high and low migration' projections assume that past trends, both in terms of location and demographics, will continue into the future. If policies are enacted to encourage growth, and these policies are successful, then, with hindsight, the projections may prove to be inaccurate. The official demographic trends at HMA level, as used by the CHMA, are presented here as the default position and as baseline assumptions in the HNDA Tool.

- 2.5 It is proposed that the HNDA Tool will be run with the NRS’ official Principal, Low Migration and High Migration projections to provide a provisional range of baseline estimates for the new build housing requirement in Argyll and Bute over the LHS planning period and beyond. However, to take account of the council’s strategic objectives, additional aspirational projections have been produced for a stabilising and growing demographic and these will also be input to the HNDA Tool to provide alternative scenarios which will be preferred options when setting Housing Supply Targets. There are justifiable assumptions underpinning these alternative in-house projections, in terms of realistic economic aspirations and the potential impact of strategic interventions, however it is acknowledged that these may not fully satisfy the “robust and credible” criteria for the actual HNDA, which is based primarily on extrapolating historic trends. Nevertheless, the council and its partners have formally agreed that these alternative scenarios are a more appropriate reflection of the anticipated future trends in Argyll and Bute.
- 2.6 The **Stable scenario** assumes that net in-migration will be higher than has been the case historically, and is supported by research carried out by the Scottish Government’s Rural and Environment Science and Analytical Services division in 2018. The report “Demographic Projections for the Scottish Sparsely Populated Area (SPA) 2011-2046” was authored by Andrew Copus, and a key output was the annual net migration requirement to halt shrinkage in the SPA and sub-regions 2016-2046 (in terms of persons). In this context Argyll & Bute constitutes one of the six sub-regions in the SPA and figures were disaggregated to each of the sub-regions. The results for Argyll & Bute are tabulated below.

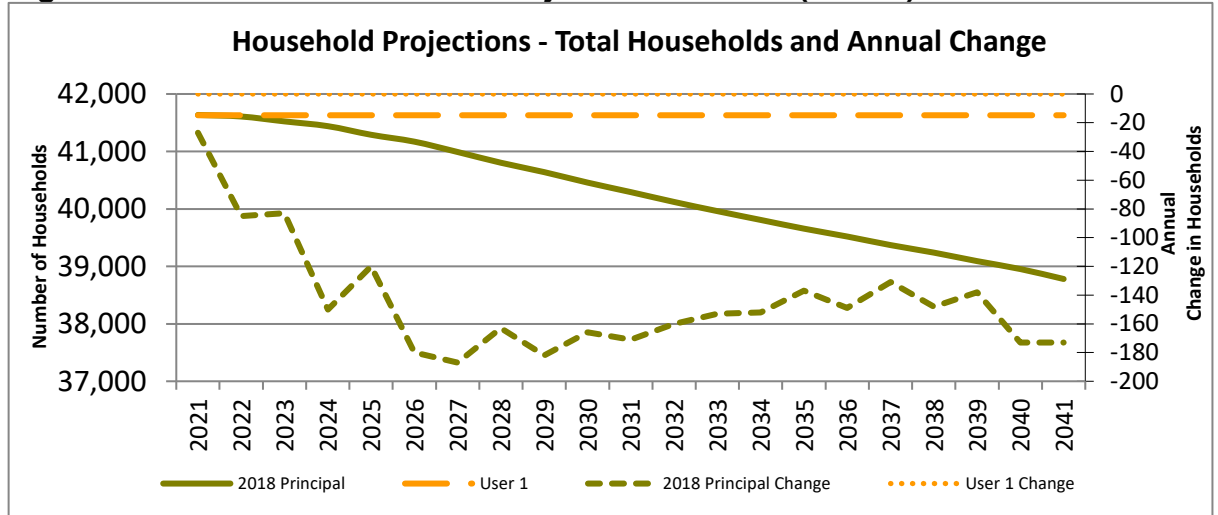
**Table 2.2: Annual net equilibrium migration requirement (persons)**

Area	2021-25	2026-30	2031-35	2036-40	2041-46
Argyll & Bute	445	357	308	308	276
Scottish SPA	1,348	1,137	1,005	1,058	1,021

Source: RESAS RD 3.4.1. Demographic change in remote areas, 2018

- 2.7 To achieve a stabilised equilibrium, and halt population decline, according to this analysis would require net in-migration of 445 over the next 5 years and 802 in total over the next 10 years. This supports local and national policy objectives.
- 2.8 In terms of “stabilising scenario” inputs to the HNDA Tool, the 2018-based NRS principle projection is initially selected and then the annual growth rate is simply set at 0% from 2021. The variation in projections between the official “principle” baseline and the in-house stable scenario are illustrated in the following graph, generated within the HNDA Tool. This suggests that over the first 5 year period for the next LHS, around 460 new households would form to counteract the predicted default decline up to 2026.

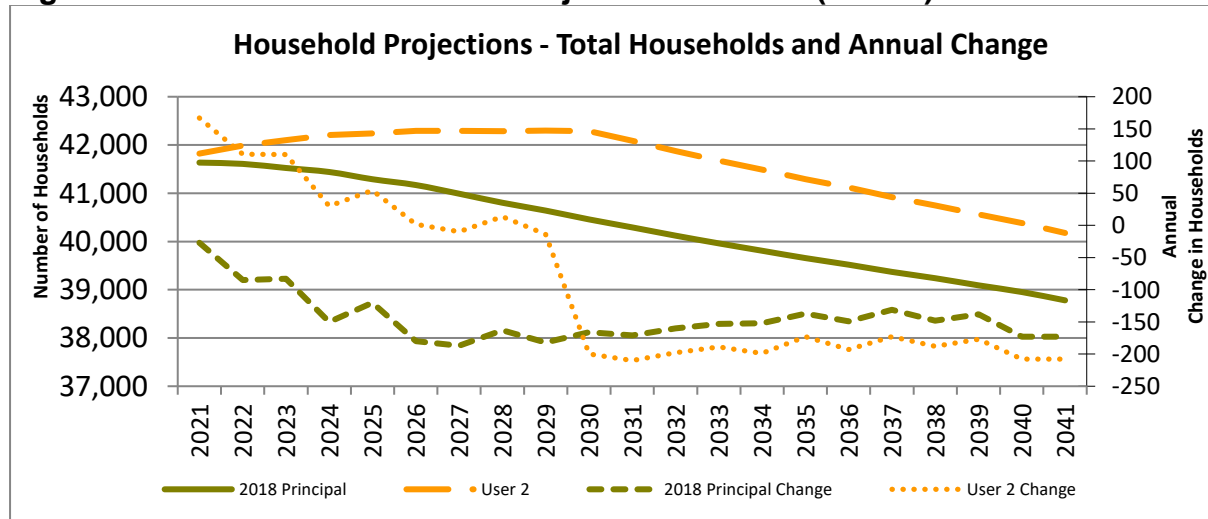
**Figure 2.1: “Stable” Household Projection Scenario (User 1) –2021-41**



Source: CHMA HNDAs Tool, council input, April 2021

2.9 The proposed **Growth scenario** is based on assumptions that Argyll and Bute could experience a degree of consistent population growth and is a reflection of the range of current policy interventions designed to reverse population decline, plus the evolving impacts of wider cultural and societal shifts in behaviour anticipated as a consequence of the coronavirus pandemic. This scenario projects a basic 0.5% increase in population numbers annually for 10 years from 2021-2031. While the council and its partners are confident in principle that this assumption is reasonably credible and justifiable, quantifying a specific rate of growth in this context is admittedly less robust in practice.

**Figure 2.2: “Growth” Household Projection Scenario (User 2) –2021-41**



Source: CHMA HNDAs Tool, council input, April 2021

Additional growth scenarios were tested, over 5 and 15 year period and the outcomes are summarised in the appendix to this paper. The Council and housing market partners agreed to use the 15 year growth projections when setting Housing Supply Targets and to inform the Housing Land Supply Target for the LDP.

2.10 In support of the proposed in-house stabilising and growth scenarios, the council has considered the following factors:

**Confirmed:**

- The MoD have implemented the Future Accommodation Model (FAM) for the increased service personnel relocated to the Naval Base at Faslane in the Helensburgh & Lomond HMA of Argyll and Bute. The armed forces population will continue to increase over the life of the next LHS and beyond, and over time it is very probable that families and dependents will re-locate to the area too. In addition, the enhanced capacity of the naval base is likely to impact on civilian infrastructure and supply chains, leading indirectly to even more population growth.
- The council has secured a £30m Rural Growth Deal (RGD) for Argyll and Bute, which will support business expansion and economic regeneration across the area, with a primary focus on attracting and retaining economically active households. Housing projects will form a key component of the RGD outcome plan, and will include new build and refurbishment activity in key rural and island communities.

**Anticipated:**

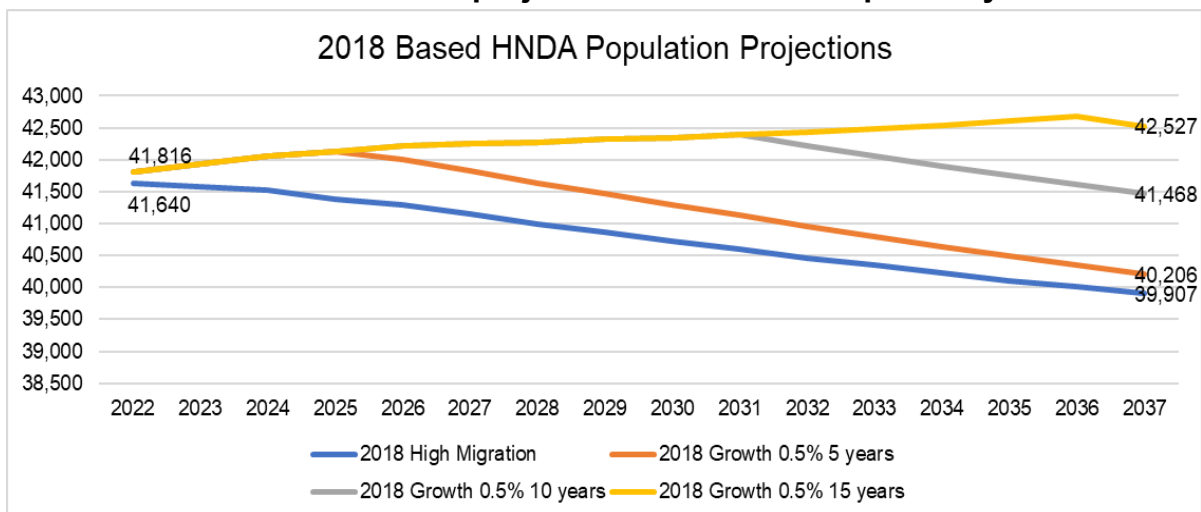
- The impact of Covid-19 is widely predicted to influence both short and longer term shifts in behaviour, attitude and expectation amongst the general population. Positive experiences of home working during lockdown and consequent reduction in long distance commuting; combined with the enhanced appeal of rural and island communities which are perceived to be healthier and safer environments for permanent, periodic or transitional living; are all likely to stimulate inward migration and generate positive growth in local populations.
- This view has been supported to some extent by anecdotal evidence of increased housing market activity in 2020/21 in many areas across Argyll and Bute which have previously experienced stagnant or depressed housing markets. While it is too early to assess whether this increased activity will be sustained over time or simply constitute an anomalous blip in the immediate aftermath of lockdown, nevertheless taken together with other factors and indicators of behavioural change, it does bolster the argument for considering more positive demographic projections and anticipating a clear break with historic trends.
- In addition to the above unforeseen outcomes of the pandemic, there are also potential positive impacts that could arise as a consequence of

the so-called “staycation” phenomenon. As people welcome the easing of lockdown restrictions and embrace the renewed freedom to travel locally, it is highly likely that there will still be a degree of caution and constraint around wider, international travel; and consequently it is anticipated that the geographic and natural attractions of areas such as Argyll and Bute will generate substantial inward tourism. The hospitality, travel and holiday sectors are crucial for the local economy and once fully open again for business, the level of demand should support a healthy and thriving employment base which will underpin population growth and community sustainability. This will be supported with a range of policy incentives such as rural resettlement grants and financial aid for business.

### 2.11 ADDITIONAL LOCAL ADJUSTMENT TO NEWLY ARISING NEED

In 2021, the Scottish Government consulted on the fourth National Planning Framework (NPF4) with particular reference to Housing Land Supply Requirements which are derived from local authorities’ HNDA estimates. In response to this, Argyll & Bute Council developed additional demographic adjustments to the calculation of Newly Arising Need further enhancing the assumptions set out in this paper. As noted above, the official demographic projections (i.e. NRS principle, low and high migration scenarios) all produce net household growth of zero over the next 15 years, and consequently a range of alternative household growth projections have been prepared. It has been assumed that the household population in Argyll & Bute will grow by 0.5% each year for (a) 5 years; (b) 10 years; and (c) 15 years. The latter growth scenario is the only version which sees a growth in household numbers between Year 1 and Year 15; with positive increases evident every year across the 15 year projection period

**FIGURE 2.3: Household projections: 2022 to 2037 plus 15 year total**





In summary, the variant changes in the official default (high migration i.e. least bad decline) and key growth scenarios over 15 years are highlighted in the following table.

**TABLE 2.2: Argyll & Bute Household Projections, Changes 2022-2037.**

Scenarios	2022	2037	15 Year Change
2018 High Migration	41,640	39,907	-1,733
2018 Growth 0.5% 5 years	41,816	40,206	-1,610
2018 Growth 0,5% 10 years	41,816	41,468	-348
2018 Growth 0.5% 15 years	41,816	42,527	710

The Scottish Government NPF4 calculation for Minimum All-Tenure Housing Land Requirement (MATHLR) tracks population change over a 15 year period, zeroing out any negative annual projections and totalling any remaining annual positive increases. This total figure is then divided by 15 to give an annual estimate and then multiplied by 10 to give a 10 year estimate.

As the 2018-based principle, low and high migration scenarios result in a consistent decline in household numbers across the 15 year projection period, net 10 year newly forming household estimates also total zero.

- Household growth scenario (a) projects a 200 increase in the number of newly forming households in Argyll and Bute over a 10 year period (which is derived from positive growth in Years 1-5 only).
- Household growth scenario (b) projects a 400 increase in the number of newly forming households in Argyll and Bute over a 10 year period (which is derived from positive growth in Years 1-10).
- Household growth scenario (c) projects a 550 increase in the number of newly forming households in Argyll and Bute over a 10 year period (which is derived from positive growth in Years 1-15).

To validate the reasonableness of household increases associated with Scenario (c), this 10-year estimate is compared to the number of completions achieved in Argyll & Bute over the last 10 year period (2,025). On this basis, the estimate is extremely conservative accounting for just 27% of the housing output delivered over the last 10 years. The estimate is also benchmarked against Demographic Projections for the Scottish Sparsely Populated Area (SPA) 2011-2046 produced by the James Hutton Institute (2018). This analysis estimates that to hold the population in SPAs and avoid a decline in household numbers, an increase of roughly 800 households will be required between 2021 and 2030. Given the growth ambitions of the Council, this estimate aimed at holding the household population at **current** levels, is considered prudent and a more realistic proxy for a 10-year estimate of newly forming households. This will inform the council's Housing Supply Targets and Housing Land Supply Requirement.

### 3.0 Step Two: Estimate of existing/ backlog need

- 3.1 Existing need is driven by several factors such as homelessness; insecurity of tenure; overcrowding; concealed or latent households unable to move out of a primary household; poor quality housing; lack of amenities and access to services or facilities; particular care and support needs; and fuel poverty, among many other needs. Most existing need is met using in-situ solutions e.g. through aids and adaptations to existing properties, transfers or mutual exchanges within existing homes, property repairs and improvements, timeous support and advice, as well as regular turnover within existing stock. However, a proportion of need must be met through **additional housing units** where an in-situ solution cannot be found e.g. for homeless households.
- 3.2 Interpretation of existing need may differ between local authorities, and the HNDA guidance does allow for alternative approaches. For the sake of consistency, however, the CHMA set out their default methodology for this calculation, known as the “HoTOC model” which utilises national datasets to determine the level of need in each local authority which would generate a requirement for a new build home.
- 3.3 The “**HoTOC**” **model** is the default model used for the core results within the CHMA Tool. Based on nationally available data this quantifies the number of homeless households in temporary accommodation plus households who are *both* overcrowded AND concealed. These households are deemed to be in need of a new unit of housing. The default HoTOC count is based on Scottish Government homeless statistics (a count of homeless households in temporary accommodation at a particular point in time) and a combination of the Scottish Household Survey (2016-2018) and the 2011 Census (a count of households both overcrowded and concealed).
- 3.4 There are formal definitions for “overcrowding” and “concealed households” in the 2011 Census, the Scottish Household Survey and Scottish House Condition Survey and other national sources, as well as legal definitions in the relevant Scottish Government legislation. The CHMA have produced a useful guidance document, setting out their methodology for applying the HoTOC model in the paper “Estimating concealed family rates with overcrowding using Scottish survey data (2016-2018)”, CHMA, November, 2020.
- 3.5 Essentially, a household contains a concealed family when one or more families in addition to the primary family are present in the dwelling. Such households can indicate a growing pressure on housing need i.e. the concealed family may need a home of their own if they are also experiencing overcrowding. The relationship between occupants of a single dwelling to the Highest Income Householder is the determining factor and these relationships are set out clearly in the CHMA paper. It should be noted that unrelated occupants of Houses in Multiple Occupation (HMOs) do not constitute concealed households in this context.

- 3.6 Overcrowding is determined by the number of people who should live in a home in relation to the number of rooms, the size of the rooms and the ages, gender or relationship of the people who live there. Rooms that are counted include living rooms and bedrooms (but not the kitchen or bathroom). There are also 3 situations where overcrowding is allowed - natural growth, temporary overcrowding and licensed overcrowding. There are rules about which people can share a bedroom and how much bedroom space is required per person. Housing Associations will set out clear definitions of overcrowding in their allocation policies and award waiting list points to applicants accordingly.
- 3.7 The CHMA's default estimate for existing need in Argyll and Bute which requires a new build solution is summarised as follows:

**Table 2.3: Default HoTOC calculation of existing need**

HoTOC (Existing Need) Components	Concealed and Overcrowded HH From the Census (2011) Upated to the (SHS 2016-2018) Estimates	Total Households In Temporary Accommodation at 31 March 2020 (HLN1)	HoTOC Total
Scotland	4,000	11,665	15,665
Argyll & Bute	31	117	148

Source: HNDA Tool, CHMA, 2020

- 3.8 The CHMA however clearly acknowledges that this estimate is merely a starting point for discussion and there is an explicit expectation in the HNDA guidance that most local authorities will wish to adjust the estimate based on local knowledge, professional judgement and a credible local evidence base. The council and the local housing market partnership in Argyll and Bute (the Argyll and Bute Strategic Housing Forum) do not consider the default estimate to be realistic or a true reflection of the level of existing need in the area. Consultation with partners in March and April 2021 (following a programme of stakeholder engagement in previous years) confirmed this consensus view that the CHMA assessment was not a credible estimate of local need, and this was formally agreed and minuted at a meeting on 1<sup>st</sup> June 2021.
- 3.9 The council therefore triangulated a range of local datasets including the HNDA Household Surveys carried out in 2018 and 2019 by independent consultants Research Resource, with a robust and credible sample of 3,498 households across Argyll and Bute, giving an extremely high confidence rate of 1.8%; the HOMEArgyll Common Housing Register, with 2,469 active waiting list applicants in 2020; and council homeless statistics (referred to as HL1 data returns). The following tables summarise the in-house approach to calculating the components of existing need.

## 1. Homeless households & those in temporary accommodation

### a) Those in Temporary Accommodation

Snapshot of households in temporary accommodation	<i>HL1 statistics: end of year 2019/2020</i>	<b>86</b>
<b>Temporary Accommodation Stock List</b>	<i>TA Stock list October2020</i>	<b>132</b>
'Currently in temporary accommodation'	<i>HNADA Survey: Q10 (All Other)</i>	<b>2</b>
Figure used	<i>TA Stock list October2020 Representative - covid impact/ occupied stock list ( this was increasing over Covid period so a reasonable estimate)</i>	<b>132</b>

### b) Those with Insecure Tenure

<b>Households who have become homeless as a result of insecure tenure</b>	<i>HL1 statistics end of year 2019/2020 : Reasons for homelessness: Insecure Tenure</i>	<b>142</b>
<b>Households with waiting list points: insecure tenure</b>	<i>No points on CHR April 2020 : unsuitable and insecure housing circumstances</i>	<b>328</b>
<b>Households who have moved in past 5 years as a result of insecure tenure</b>	<i>HNADA Survey: Q30E (H&amp;L) Q33E (Others) options included 'evicted by landlord' and 'thrown out by relatives/friends', 'previous home temporary'</i>	<b>295</b>
<b>Household under notice of eviction/ repossession, real threat of notice or your lease is coming to an end</b>	<i>HNADA Survey: Q71B (other areas)</i>	<b>126</b>
Figure Used: Average	<i>An average across all four evidence base provides a reasonable and prudent estimate of need</i>	<b>223</b>

<b>2. Concealed households</b>		
1. Currently sharing amenities with another household but not sharing meals	<i>HNADA Survey: Q18 (H&amp;L) and Q15 (all other) sharing kitchen/bathroom/WC but not meals with another household</i>	<b>2,608</b>
<b>2. Sharing amenities is a serious problem for the household</b>	<i>HNADA Survey: Q71g (3) (all other)</i>	<b>64</b>
<b>3. Households with waiting list points: sharing amenities</b>	<i>RSL waiting list data. Update to analysis: duplication between insecure tenure and sharing amenities category eliminated. Previous count = 841</i>	<b>533</b>
<b>4. Friends/family no longer willing/able to accommodate</b>	<i>HL1 statistics 2019/20: Reasons for homelessness: Asked to Leave</i>	<b>78</b>
Figure used : Average of 2,3 & 4	<i>An average across three categories of the evidence base provides a reasonable and prudent estimate of need - captures all population but discounts anomalous high variation in need</i>	<b>225</b>

<b>3. Overcrowding</b>		
1. Households with 1 or bedrooms fewer than needed	<i>HNDA Survey: Q21 (H&amp;L) Q18 (All Other)</i>	<b>805</b>
2. Households with 1 or bedrooms fewer than needed EXCLUDING single people	<i>HNDA Survey: Q18 filtered by Q3 (all other) and Q21 filtered by Q6 (H&amp;L)</i>	<b>763</b>
<b>3. Main Like or need to move to bigger home</b>	<i>HNDA Survey Q43:10 (H&amp;L) Q47 (All Other Areas) (1,329 LAST YEAR)</i>	<b>726</b>
4. Households with 1 or bedrooms fewer than needed AND who would need or like to move	<i>HNDA Survey: Same Questions as above but filtered down by Q43 (All Others) and Q40 (H&amp;L)</i>	<b>282</b>
5. Households with waiting list points: overcrowding	<i>CHR/WL April 2020</i>	<b>573</b>
Figure used : Option 3	<i>Captures the whole population, approximates to an average for 4 options but not dissimilar to the WL</i>	<b>726</b>

## 4. Specialist Housing & Housing Related Services

### a) Those who require Aids or Adaptations

Households who require installation of aids or adaptations in their current home	HNDA Survey Q60:2-19 (H&L) and Q64 A-P (All Other).	<b>484</b>
Dissatisfied with current home because it requires aids or adaptations	HNADA Survey Q23 (other areas) Q26 (H&L)	<b>56</b>
<b>ABC waiting list for adaptations</b>	Waiting List - Health & Housing Needs Adaptations to help	<b>247</b>
Figure used: Average 1 and 3	Captures the whole population and more representative of need	<b>366</b>

### b) Those who require special forms of housing

Households who require special forms of housing	HNADA Survey Q11 (other areas)	<b>225</b>
Difficulty using stairs is a serious problem for the household	HNADA Survey Q71i (other areas)	<b>73</b>
<b>Households with waiting list points: medical</b>	WL April 2020	<b>296</b>
Households who require 'special forms of housing' on housing list	WL April 2020	<b>825</b>
Figure Used: <i>Average 1 and 3</i>	<i>Avoids over-estimate/no needs/applicants for whom general needs housing would meet need</i>	<b>260</b>

### c) Those who require floating support services

Households with an unmet need for support	HNDA Survey Q62 (other areas) Q58 (H&L)	<b>306</b>
Number of respondents who require to move to receive support: is a serious problem	HNDA Survey Q47 (other areas) Q43 (H&L)	<b>60</b>
Figure Used	<i>Higher figure more realistic: avoids under-counting</i>	<b>306</b>

## 5. Poor Quality Housing

1. Quality of home is a serious problem for the household	HNADA Survey Q 71e (other areas)	145
2. Dissatisfied with current homes because of poor condition	HNADA Survey Q23 (other areas) Q26 (H&L)	130
3. Estimate of BTS (SCHS)	Sample is very small and unreliable and can't be disaggregated by tenure, age or HMA.	-
4. Estimate number of BTS properties in ABC	Atlantic Islands private sector house condition survey	93
5. Number of housing list applicants with points for 'property condition'	Updated WL analysis included categories of property condition 'significant' and 'severe'	133
Figure used : 1	Similar figures to CHR but HNDA Survey is more extensive than other sources	145

## 6. Baseline Calculation (from preceding inputs)

1a. Homeless Households in Temporary Accommodation		132
1b. Insecure tenure		223
2. Concealed Households		225
3. Overcrowding		726
4a. Aids & Adaptations		366
4b. Specialist Housing		260
4c. Floating Support Needs		306
5. Poor Quality Housing		145
<b>PROVISIONAL TOTAL</b>		<b>2,383</b>
<b>In Situ Adjustment</b>		
6. Households who require installation of aids or adaptations in their current home; and number of homes where aids & adaptations have been installed given current annual budget available (PSHG)		-690
7. Adjustment to reflect Overcrowding and concealed (from 2 & 3 above)		-951
8. Net Adjustment (steps 6+7)		-1,641
9. Adjusted baseline (2,383 – 1,641)		742
10. Add waiting list estimate for <b>OVERCROWDED PLUS CONCEALED</b> (minus insecure housing points to avoid duplication)		108
<b>FINAL BACKLOG NEED CALCULATION (steps 9 + 10)</b>		<b>850</b>

3.10 The local Housing Market Partnership agreed that of these models, the in-house calculation set out above provides the most appropriate estimate. This level of backlog need equates to just over a third of the total expressed need as registered on the RSL waiting list (34%), or to only 2% of the population of Argyll and Bute as a whole. This maximises the input for the overall HNDA calculation while avoiding either an under or over-estimation of existing need. It is derived from triangulation of robust evidence bases and the output is credible, indeed conservative, in the view of local housing professionals. In particular, it is noted that the HNDA guidance assumption that all unmet need for aids and adaptations or arising from poor condition properties can be addressed in situ is not valid or realistic in an area such as Argyll and Bute where a significant proportion of existing stock is just not suitable for improvement or fit for adaptation; nor can it be re-provisioned, re-configured or adequately refurbished to meet certain specialist and particular needs. Nevertheless, the proposed estimate of backlog need is deliberately moderate and significantly reduced from the initial potential calculation. It is therefore still in full accordance with the CHMA assumption that the majority of housing need and demand in an area will not require a new build solution.

3.11 The following table shows how the backlog of need for this in-house calculation is provisionally split across the HMAs, based on the proportionate distribution of expressed need recorded in the HOMEArgyll CHR.

<b>Table 3.4: Estimated Backlog Need by HMA, 2020</b>								
<b>Bute</b>	<b>Coll and Tiree</b>	<b>Cowal</b>	<b>H&amp;L</b>	<b>Islay, Jura and Colonsay</b>	<b>Kintyre</b>	<b>Lorn</b>	<b>Mid Argyll</b>	<b>Mull and Iona</b>
58	20	259	135	55	53	179	58	33
7%	2%	30%	16%	7%	6%	21%	7%	4%

Source: Council Calculation 2021.

3.12 We believe these categories of need are in accordance with the general principles of the CHMA's revised HNDA Guidance and have excluded all other categories of need on the waiting list, or identified in the HNDA Household Surveys, which are dealt with under Core Output 4. The needs outlined in the tables above could therefore all result in a net requirement for a new, permanent home and would not generate an effective vacancy within existing dwelling stock if the applicant was rehoused. Moreover, we believe these categories of need should inform a policy decision when setting Housing Supply Targets (which are not necessarily equivalent to the HNDA calculation).



### 3.13 Use of Affordability Model for Existing Need

The HNDA Tool provides a function that distributes existing need across tenures, e.g. social rented sector, private renting and home ownership, based on an affordability calculation. However, given that the existing need figure is contrived mainly from households experiencing homelessness, as well as general waiting list applicants for RSL housing, it is likely that they would require their housing needs to be met mainly within the social rented sector. The Argyll & Bute HNDA Working Group agreed upon a core assumption that these households identified as in existing need would be unable to meet their needs within the current housing market. Therefore, it was concluded that the default affordability model would **not be** applied to existing need and that all existing need would be allocated to the social rented sector in the HNDA Tool.

### 3.14 Time Period to Clear Existing Need

The HNDA Tool default time period to clear existing need is five years. This can be varied in the tool as required. It is considered that even for the “higher” assessment of existing need, i.e. 850, five years is a realistic and appropriate time period to clear this backlog. This equates to 170 completions per annum, which is above the previous LHS target and average historic rate of new build in recent years. However, given the approved commitments and potential for additional projects within the current SHIP programme, of more than 900 units, this figure and timescale while certainly ambitious and challenging are not undeliverable.

It should be noted that this figure refers solely to the *backlog* need and future or newly arising demand still has to be factored into the final calculation for the overall HNDA figure. Therefore, the Working Group agreed that in terms of scenario testing, existing need should be cleared overall in 5 years and this has been incorporated into the HNDA Tool.

#### 4.0 Step Three: Future market trends – house price and income scenarios

A lot of detailed data and analysis has informed HNDA Technical Supporting Papers 3a and 3b, which provide an overview and summary of the key economic drivers and house price and income trends that are influencing the local housing market. Further detailed analysis of affordability trends in the housing market and local rental markets is also available in HNDA Technical Supporting Papers 04 and 05. These factors will feed into the calculation for new build housing. Based on the analysis of the available data and drawing on the work of colleagues in economic development, it is proposed that the following inputs should form the basis of the economic/income component of the HNDA.

#### 4.1 Income Growth and Distribution

In making decisions on local income data the council has considered the advantages of commercially available datasets produced by CACI Paycheck, which can be sourced at specific geographies and are current, and are also now available in a format suitable for inputting directly to the HNDA Tool; however on balance it was agreed to utilise the default data inputs produced on behalf of the Scottish Government by Heriot-Watt University and modelled from a number of national surveys, including the Scottish Household Survey, the Family Resource Survey, and the Census. Methodology and data estimates are available at the following link

<https://www.gov.scot/publications/centre-for-housing-market-analysis-list-of-guidance/>

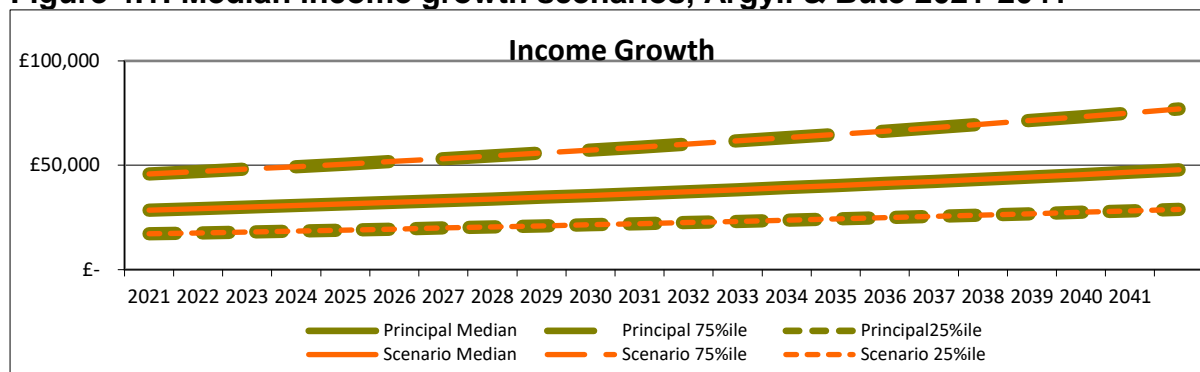
4.2 The HNDA Tool is pre-programmed with five income scenarios that provide a range of income growth projections for average (median) household income. These are based on the economic outlook produced by Scottish Government Economists in 2020. At this stage it is too early to make robust and credible predictions about the full, long-term impacts of the Covid-19 pandemic, although the council has made provisional assessments based on available information in its economic supporting papers for the HNDA. In summary, the default Tool scenarios are:-

**Table 4.1: Average (median) income growth scenarios**

Income Scenarios	Annual rate of growth
High Real Terms Growth	3.5%
No Real Terms Growth	2.0%
Moderate Real Terms Growth (CoreDefault)	2.5%
Moderately Below Real Terms Growth	1.5%
Below Real Terms Growth	0.5%

"Median" scenarios deal with movements in average income - increases mean that average incomes rise. The default scenario is that incomes rise in line with inflation targets (2.5%). The following graph illustrates the variation in these growth scenarios, and the subsequent narrative explicates the individual scenarios in more detail.

**Figure 4.1: Median income growth scenarios, Argyll & Bute 2021-2041**



Source: Scottish Government Small Area Income Estimate (2018)/ CHMA HNDA Tool, 2020

The CHMA HNDA guidance summarises each of these scenarios as follows.

**a) Moderate Real Terms Growth (Tool Core/Default)**

Household income growth is assumed to grow at 2.5% per annum in nominal terms. Assuming that inflation is at 2% per annum over the forecast horizon (Bank of England’s inflation target) then in the long run this scenario assumes that there is real terms income growth of 0.5% per annum.

Over the past ten years, the average growth rate of (gross) earnings in Scotland has been 2.0% per annum (or -0.2% per annum in real terms). This is below the rate of real terms growth in earnings in the ten years prior to the 2008 financial crisis, when real household earnings in Scotland increased at an average annual rate of 1.8% per annum. The Scottish Fiscal Commission’s latest (pre-Covid) forecast predicted that real household earnings growth would pick up over the forecast period, increasing at 1.2% per annum from 2022 to 2024. However, it is likely that unemployment will rise (and subsequently put downward pressure on real wage growth) as a result of Covid-19 and Brexit. As such, the suggested core scenario is for a more moderate rate of real terms growth over the forecast horizon, of 0.5% per annum.

**b) Below Real Terms Growth**

Household income growth is assumed to grow at 0.5% per annum in nominal terms. Assuming that inflation is at 2% per annum over the forecast horizon (the Bank of England’s inflation target), then in the long run this scenario assumes that there is an annual real terms fall in household income of 1.5% per annum.

**c) Moderately Below Real Terms Growth**

Household income growth is assumed to grow at 1.5% per annum in nominal terms. Assuming that inflation is at 2% per annum over the forecast horizon (the Bank of England’s inflation target), then in the long run this scenario assumes that there is an annual real terms fall in household income of 0.5% per annum.

d) **No Real Terms Growth**

Household income growth is assumed to grow at 2% per annum in nominal terms. Assuming that inflation is at 2% per annum over the forecast horizon (the Bank of England's inflation target), then in the long run this scenario assumes that there is no real terms growth in household income.

e) **High Real Terms Growth**

Household income growth is assumed to grow at 3.5% per annum in nominal terms. Assuming that inflation is at 2% per annum over the forecast horizon (the Bank of England's inflation target), then in the long run this scenario assumes that there is real terms income growth of 1.5% per annum. This is similar to the level of growth seen in the ten years prior to the 2008 financial crisis.

It is the view of the council's HNDA Working Group that the default scenario of 2.5% income growth per annum over the planning period, i.e. Moderate Real Terms Growth, is a reasonably credible assumption, based on robust datasets and modelling, and reflects what might happen to incomes in the local authority area in future years. At this time the council has no compelling evidence to deviate from these default projections.

#### 4.3 **Income Distribution**

The CHMA HNDA Tool is also pre-programmed with three income distribution scenarios that are designed to reflect, for a given growth rate in average (median) household income, different income distributions. The scenarios are defined in terms of how household income at the 10<sup>th</sup> and 90<sup>th</sup> percentiles grow relative to median household income (i.e. the 50<sup>th</sup> percentile), where the median household income growth rate has been selected as outlined above. The HNDA Tool will then automatically calculate growth rates at intermediate percentiles using a pro rata adjustment. These distribution scenarios include:

- **Greater equality**

The incomes of the least affluent (represented by the 10th percentile of the income distribution) increase more steeply compared to the incomes of most affluent (represented by the 90th percentile of the income distribution).

- **No change (Tool core/default)**

The incomes of the least affluent (represented by the 10th percentile of the income distribution) and the most affluent (represented by the 90th percentile of the income distribution) increase at the same rate as median household income. The gap in the income distribution between the most and least affluent will not change over time.

- **Greater inequality**

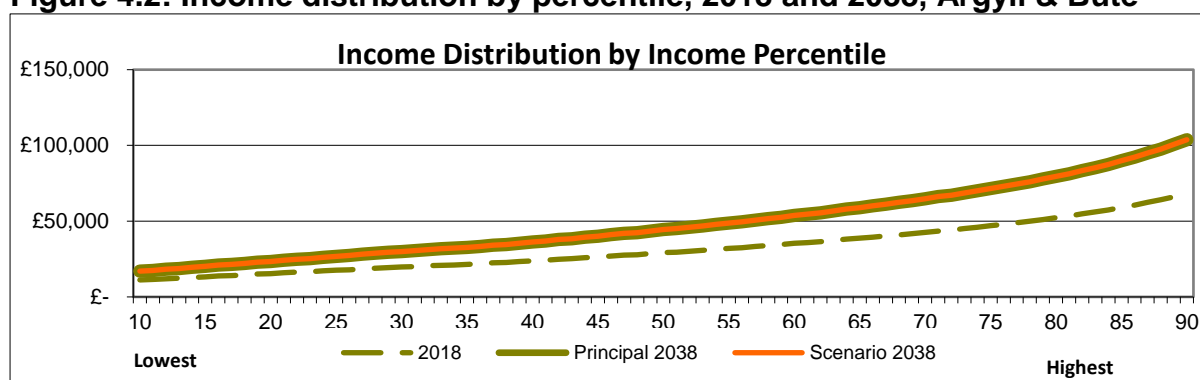
The incomes of the most affluent (represented by the 90th percentile of the income distribution) increase more steadily compared to the incomes of least affluent (represented by the 10th percentile of the income distribution).

In summary, the distribution scenarios deal with the spread of income – basically, increases mean that the rich receive relatively more than the poor. The official, national scenarios are summarised in the following table and graph.

**Table 4.2: Income distribution rates, Argyll & Bute,**

Top 90 percentile Relative to Bottom 10 percentile	Annual Change
Greater Equality	-1.0%
No Change (Core Default)	0.0%
Greater Inequality	1.0%

**Figure 4.2: Income distribution by percentile, 2018 and 2038, Argyll & Bute**



Source: CHMA HNDA Tool, default scenarios, 2020

At a national level, there has been a slight upward trend in the ratio of the 90<sup>th</sup> percentile to 10<sup>th</sup> percentile equivalised income (after housing costs) over the last decade (the highest incomes were growing faster than the lower incomes); however over a longer time span there is less of a discernible trend. As such, the default setting in the Tool is for no change in income inequality, and as there is no clear evidence available to support any particular scenario over another in Argyll and Bute, the council proposes that the HNDA calculation for this authority area is run using the default scenarios for income distribution to provide a potential range of outcomes which will influence the affordability component of the HNDA calculation.

#### 4.4 Affordability and House Price trends

The HNDA Tool is pre-programmed with 5 house price scenarios:

##### I. Trend Growth (Core/Default)

House price growth is equivalent to the annualised growth rate of the average Scottish house price (UK HPI) over the last ten years, which is 1.6% per annum. In the lead up to the 2008 financial crisis, the growth rate of the average Scottish house price was persistently high (around 15% year on year growth in the three years prior to the 2008 financial crisis, according to the UK HPI). However, in the aftermath of the 2008 financial crisis, a combination of reduced mortgage availability and increased unemployment put downward pressure on the average

Scottish house price. Over the past ten years though, volatility in Scottish house price growth has moderated, with a fairly stable average growth rate of around 1.6% per annum. The latest Scottish Fiscal Commission forecast of house prices (published in February 2020, pre-Covid-19) predicts that the year-on-year change in the Scottish house price will be 1.9% from 2021-22 until the end of the forecast period (2024-25). The HNDA core/default setting is slightly lower; however, owing to the adverse economic effect of Covid-19 that has transpired since this forecast was produced. This is a reasonable, long-term assumption. If it is assumed that CPI is 2% per annum over the HNDA projection period (the Bank of England's inflation target), then this scenario assumes that house prices will gradually fall in real terms, by 0.4% per annum.

II. **Moderately High**

House price growth is equivalent to the average annualised growth rate in house prices of the 16 local authorities with the highest rates of annualised house price growth over the last 10 years, which is 2.3% per annum.

III. **Moderately Low**

House price growth is equivalent to the average annualised growth rate in house prices of the 16 local authorities with the lowest rates of annualised house price growth over the last 10 years, which is 0.7% per annum.

IV. **High**

House price growth is equivalent to the average annualised growth rate in house prices of the 8 local authorities with the highest rates of annualised house price growth over the last 10 years, which is 2.9% per annum.

V. **Low**

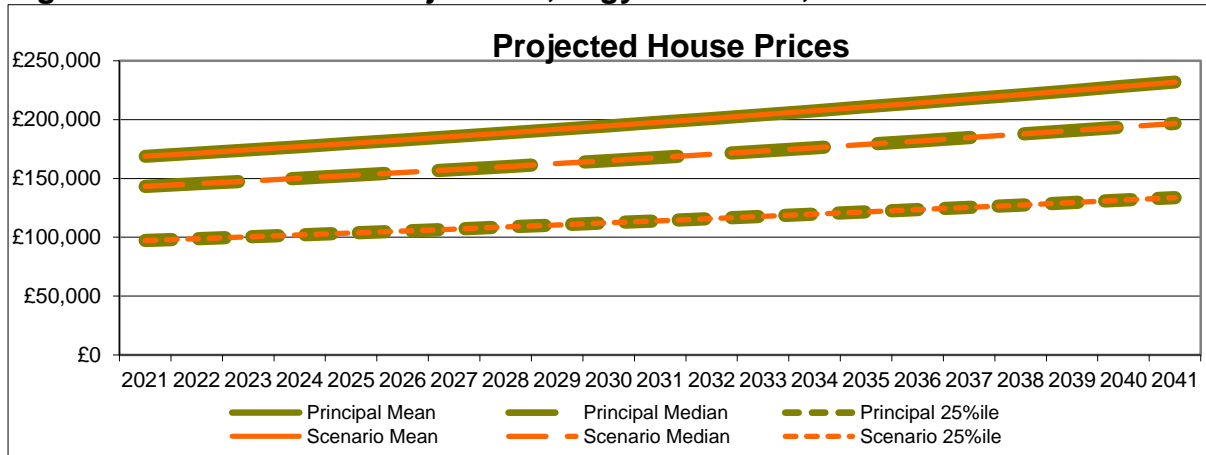
House price growth is equivalent to the average annualised growth rate in house prices of the 8 local authorities with the lowest rates of annualised house price growth over the last 10 years, which is 0.3% per annum.

In summary, the annual rate of house price growth for each of the potential scenarios is set out in the following table and the core default scenario (Trend Growth) is illustrated in the graph below.

**Table 4.4: Annual House Price Scenarios, Argyll and Bute**

Scenarios	Annual Change
High Growth	2.9%
Moderately High Growth	2.3%
Trend Growth (Core Default)	1.6%
Moderately Low Growth	0.7%
Low Growth	0.3%

**Figure 4.3: House Price Projections, Argyll and Bute, 2021-2041**



Source: CHMA HNDA Tool, 2020

As well as determining market house price trends, the HNDA Tool requires the local authority to decide how rental prices are likely to change over the course of the projection period e.g. 2021-2031 and beyond. As with the house price assumptions, the Tool is pre-programmed with five future rental price scenarios that are designed to offer users a range of options. These scenarios are identical to the house price scenarios set out above, with the assumption that over the long run, rental prices are likely to track trends in house prices.

As outlined in HNDA Technical Supporting Papers 04 and 05, in general prices in Argyll and Bute have followed the trends for Scotland as a whole. Following a period of substantial price inflation between 2001- 2008 (the average price rose by 125%; the lower quartile by 139% and the median price by 117% in Argyll & Bute) there was a significant decline then a period of stabilisation and more recently prices do appear in general to be on an upward trend again. Therefore, for projected house price growth in the HNDA Tool, the default assumption of the Office for Budget Responsibility (OBR) estimates has been retained. If a stronger economic growth scenario is achieved for Argyll and Bute, it might be argued that higher migration levels would push up house prices along with incomes at a faster rate, however, there is no firm evidence to support this assumption at present. Anecdotal evidence and local perceptions suggest an anomalous spike in housing market transactions as an immediate consequence of Covid-19, in 2020/21,

with potential to drive up house prices at an increased rate, particularly in previously stagnant or suppressed housing market areas, however this will require regular, longer term monitoring and analysis; and therefore the current assumption is to accept the default scenario in the HNDA Tool for both house price and rental projections.

#### 4.7 **Step 4: Affordability assumptions – tenure split**

In this stage the overall estimates of additional housing required are split into households who are able to afford each of the four prescribed tenures. In this instance the default process as pre-programmed into the CHMA's HNDA Tool has been adopted.

##### 4.7.1 **Home Ownership**

For each year, within the tool, the additional housing need is divided into those who could and could not purchase in the open market by using an assumption over the relationship between house prices and income i.e. an income-price affordability constraint. The default setting in the Tool assumes that a household is suitable for home ownership provided that they could afford to purchase a house at the lower quartile (25<sup>th</sup> percentile) of the house price distribution (as outlined above).

The current test for affordability is that the house price is no more than 3.9 times the household's income. To calculate this, the mean loan-to-value ratio for a first-time-buyer mortgage in Scotland in 2019/20 (82%) and mean loan-to-income ratio (3.2) were obtained from UK Finance. To get the house price to income ratio, 3.2 is divided by 82%.

The default (core) assumption is the 25<sup>th</sup> percentile house price; 3.9x lower quartile income. All households whose income is above the threshold which allows them to afford a lower quartile house price are considered to be suitable for home ownership.

The next stage is to make an assumption about the proportion of households that can purchase, who actually do. This relates to a wealth affordability constraint. The default starting point of 60% of households is deemed a reasonable minimum in the local context and this has been used to run the preliminary scenarios within the Tool. This assumes that, of those who can afford mortgage repayments, only 60% also have the deposit to actually go on to buy.

4.8 As detailed in HNDA Technical Supporting Papers 04 and 05, detailed affordability analysis by tenure and HMA was carried out; and in addition a number of variant scenarios were run in the Tool; however, it was the



considered opinion of the HNDA Working Group that the CHMA's default assumptions were valid at the local level, and these have therefore been accepted as the basis of the HNDA outputs. Local evidence and affordability analysis (including results of the HNDA Household Surveys, on previous household behaviour and likely future trends) supports this default assumption as reasonably robust and credible at the local level. This has the added benefit of minimising variances from the CHMA's "robust and credible" default inputs, as far as possible.

#### 4.9 **Affordability: Rental thresholds**

The next stage is to set two affordability thresholds to split the remainder of the need into three rental sectors.

- The first threshold determines those who can afford to rent in the **private sector**;
- The second threshold determines those who can afford **below market rent**;
- The remainder of the need (i.e. who cannot afford the private rent or below market rent) are apportioned to those who can afford **social rent**. This arises from above calculation and does not require a third threshold.

The Tool examines rental affordability by looking at income level in relation to both median and 30th percentile market and social rents. Those with incomes nearer the 30th percentile are more likely to need social rents and those nearer the median (i.e. 50<sup>th</sup> percentile) to afford private rents, with intermediate rent falling somewhere in between.

NOTE: Whilst "below market rent" does refer to the need for some form of subsidized private rent, it may also be viewed as a potential indicator of demand for alternative shared equity products, or other forms of intermediate tenure, that are used to support home ownership. As such, this council assumes HNDA results which highlight a potential requirement for "below market rent" may be used as a proxy estimate for the wider range of subsidized intermediate requirements when setting Housing Supply Targets; and in this case the council will explore further analysis on this type of need at a local level.

The default thresholds in the CHMA's HNDA Tool are set as follows:

- If a household spends less than 25% of their income on rent the Tool assumes they can afford to rent in the private sector. This threshold has been used historically as the threshold for PRS affordability.

- If a household spends between 25% - 35% of their income on rent the Tool assumes they are suitable for below market rent.
- If a household spends more than 35% of their income (including housing benefit) on rent the Tool assumes they are suitable for social rent.

From the extensive primary research into the Private Rented Sector (see HNDA Technical Supporting Paper 05) and the cross-tenure affordability analysis carried out in HNDA Technical Supporting Paper 04, the council is of the view that the default scenarios and assumptions set out above and included in the HNDA Tool are robust and credible reflections of the local context in Argyll and Bute. While there are certain constraints regarding delivery of intermediate tenures, or “below market rent” at some localised HMA levels within this authority area, there is also evidence that these products and options would benefit a proportion of the local residents and positively help to address some of the unmet need. Therefore, the council and its partners accept the general principles of setting these affordability thresholds to determine potential tenure split in the new build housing estimates (albeit further market testing and analysis at sub-HMA level would be required when specifying BMR/Shared Equity needs and targets for individual settlements or community areas).

## 5.0 Step 5: Tool Outputs – HNDA Results

5.1 Running the various inputs through the HNDA Tool for each selected scenario provides a range of outputs/projections of the total requirement for additional housing over the next 5 and 10 years. In all default scenarios (using official NRS demographic projections – principle, low and high migration - and the CHMA estimate of backlog/existing need) the tool projected negative or minimal outputs across Argyll and Bute indicating a potential over-supply, arising mainly from the substantial level of population decline and the consequent release of available existing stock within the housing system. Following the guidance of the CHMA, negative numbers are adjusted to ‘zero’ in the calculations. The key results are summarised in the following tables.

### 5.2 Default Tool Scenarios

#### a) Scenario 1 (Principle household projection & CHMA backlog need)

Results from the main scenario show that with a serious population decline overall reducing any newly arising demand to zero, and minimal backlog need, there will be a total requirement of **70 additional units** across the whole of Argyll and Bute over the first five year period and nil requirement over the subsequent five year periods. In this scenario there are three HMAs which indicate no need while the majority of need is located in Helensburgh & Lomond (20 units). High or low migration variants do not produce significantly different outputs; and whatever the chosen income scenario, the tenure split varies only marginally and suggests no need for private renting or purchase (unsurprisingly, as all backlog need is assigned to social rent).

Scenario 1: Core Tool Default Settings Argyll & Bute					
	Tenure	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040
Constrained Tenure Results	Social rent	70	0	0	0
	Below Market	0	0	0	0
	PRS	0	0	0	0
	Buyers	0	0	0	0

NB. The constrained tenure results take the Summed results and constrains them to Top Level Total. The Constrained results are used because they more accurately account for regional differences.

Scenario 1: Core Tool Default Settings HMAs (all tenures)									
Years	Bute	Coll & Tiree	Cowal	H&L	I J C	Kintyre	Lorn	Mid Argyll	Mull & Iona
2021-2025	0	0	10	20	5	0	15	10	10
2026-2030	0	0	0	0	0	0	0	0	0

As stated throughout this paper, the council and the local housing market partnership do not accept this scenario as a robust or credible estimate of actual need in the area and will not be used to set Housing Supply Targets.

### 5.3 Council Adjusted Tool Scenarios

#### b) Scenario 2 (Default household projection & Council Backlog Need)

In this scenario, most of the default settings are retained and the principle 2018-based population projection is used; however the estimate of backlog need is replaced with the council's in-house calculation. This results in an overall requirement for around **760 additional units** across the whole of Argyll and Bute over the first five year period and nil requirement over the subsequent five year periods. As this need is determined wholly by existing/backlog need (newly arising need remains at zero due to the continuing demographic decline), it would all be assigned again to social rent, and as with all default scenarios there would be no requirement for private units for rental or purchase. Once the backlog of need has been cleared over the first five years, the declining demographic would result in no further need in later years.

<b>Scenario 2: Principle Household Projection &amp; in-house backlog need calculation, Argyll &amp; Bute</b>					
	Tenure	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040
Constrained Tenure Results	Social rent	760	0	0	0
	Below Market	0	0	0	0
	PRS	0	0	0	0
	Buyers	0	0	0	0

Under this scenario, all 9 HMAs would exhibit some requirement for new build housing, with almost one third of the need in Lorn (245 units), around 21% in Helensburgh & Lomond (160 units), and 16% in Cowal (120 units).

<b>Scenario 2: Principle Household Projection &amp; in-house backlog need calculation, HMAs (all tenures)</b>									
Years	Bute	Coll & Tiree	Cowal	H&L	I J C	Kintyre	Lorn	Mid Argyll	Mull & Iona
2021-2025	40	5	120	160	60	30	245	60	35
2026-2030	0	0	0	0	0	0	0	0	0

While this scenario is an improvement on the default baseline, it still does not reflect the true level of potential future demand in Argyll and Bute, in the professional assessment of the council and its strategic partners. Therefore, again, this will not be used in setting Housing Supply Targets in the LHS or Housing Land Supply Requirements for the LDP.

**c) Scenario 3: (Stabilised demographics & Council backlog need)**

The **Stable Scenario** is an in-house assumption based on a demographic projection that is sustained over the next 5 years at the estimated 2021 baseline level (i.e. experiencing no further decline but also achieving no new growth). This scenario also uses the in-house calculation for the backlog need figure.

As a result, in effect, there will be a slight increase between this scenario and the default scenarios, where the negative figures arising from a declining demographic were simply zeroed in the HNDA Tool outputs. Thus, a stable demographic, with no newly arising need, results in a five year requirement for around 850 new build homes, all for social rent. On average, this would be 170 units per annum for five years.

<b>Scenario 3: Stabilised Household Projection &amp; in-house backlog need calculation, Argyll &amp; Bute</b>					
	Tenure	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040
Constrained Tenure Results	Social rent	850	0	0	0
	Below Market	0	0	0	0
	PRS	0	0	0	0
	Buyers	0	0	0	0

The HMA profile of need for this scenario is similar to that for the default scenarios, with Lorn having the greatest need by far (255), and then Helensburgh & Lomond and Cowal with the next highest requirements (180 and 140 respectively).

<b>Scenario 3: Stabilised Household Projection &amp; in-house backlog need calculation, HMAs (all tenures)</b>									
Years	Bute	Coll & Tiree	Cowal	H&L	I J C	Kintyre	Lorn	Mid Argyll	Mull & Iona
2021-2025	50	5	140	180	65	40	255	75	40
2026-2030	0	0	0	0	0	0	0	0	0

NOTE: When setting Housing Supply Targets and the Housing Land Supply Requirement, outwith the baseline HNDA, the council and the local housing market partnership also considered an alternative scenario for population retention and to sustain household stability. Derived from demographic projections produced by the James Hutton Institute on behalf of the Scottish Government, this focused on designated Sparsely Populated Areas and estimated net migration required to halt the demographic decline projected in official NRS estimate. When input as the newly arising need component of the HNDA calculation, this results in significantly higher level of new build housing need in Argyll & Bute. See appendix to this paper for further details.

**d) Scenario 4 (Growth and Council Backlog Need)**

This scenario is based on the assumption of a modest annual 0.5% rate of growth in the population across Argyll and Bute, in line with local and national strategic imperatives to repopulate rural and island areas, and to sustain local communities, businesses and services. It also utilises the council’s in-house estimate for the backlog of need. All other settings within the HNDA Tool are retained as default. This would generate a potential requirement for up to 1,435 new homes over the first five year planning period, and cumulatively up to 1,615 over the next decade. Of these, more than two thirds (965 in first five years) would be for social rent, and around 8% (110 units over the initial period) could be for intermediate tenures such as below market rent or shared equity. After the initial five year period, once the backlog of need has been addressed, the requirement for new build solutions would reduce significantly, even under this growth scenario, and it could be argued with some justification that even greater aspirational targets for new build development would not be unreasonable in future revisions of the HNDA and LHS.

This would also be in accordance with historic new build rates in Argyll and Bute, and well within effective land supply allocations within the LDP. It is also anticipated that if Scottish Government core funding is sustained at equivalent levels to recent Resource Planning Assumptions for this authority, along with a range of additional resources identified by the council and its partners (e.g. the Rural Growth Deal, the Rural & Islands Housing Fund, and many others), then this requirement for new build housing could be easily delivered.

<b>Scenario 4: (0.5% Growth per annum, Argyll &amp; Bute)</b>					
	TENURE	2021 - 2025	2026 - 2030	2031 - 2035	2036 - 2040
<b>Constrained Tenure Results</b>	<b>Social rent</b>	965	35	50	50
	<b>Below Market</b>	110	30	50	55
	<b>PRS</b>	150	50	80	95
	<b>Buyers</b>	210	65	110	130

Under the growth scenario, over the first five year period, the greatest need would be in Helensburgh & Lomond (23% of total requirement) and Lorn (22%); with Cowal having 17% of need. There is however some degree of need across all 9 HMAs.

<b>Scenario 4: 0.5% growth per annum, HMAs (all tenures)</b>									
Years	Bute	Coll & Tiree	Cowal	H&L	I J C	Kintyre	Lorn	Mid Argyll	Mull & Iona
2021-2025	98	13	241	337	88	96	319	183	60
2026-2030	15	2	32	48	8	16	20	33	7

NB. This is an indicative estimate of HMA need and does NOT refer directly to the actual distribution of Housing Supply Targets that will be delivered; a number of practical factors, including the construction sector capacity and economic opportunities, as well as strategic aspirations will determine this.

The council has used the HNDA Tool to run a number of alternative scenarios with variant inputs, including a more refined and localised demographic projection for individual HMAs, incorporating greater rates of growth in particular “hotspot” areas and more stabilised demographics in areas where opportunities for economic and demographic development may appear more constrained or limited in the short term. On reflection, however, the key outputs outlined in this section, in particular scenario 4, are considered to be the most relevant and appropriate to inform both the HNDA and the Housing Supply Targets for the LHS and SHIP.

## 6. Conclusions and Key issues

### HOUSING REQUIREMENT: ESTIMATING HOUSING NEED AND DEMAND - Key Issues Table

LHS & Development Plan	Key Issues Identified in the HNDA
<ul style="list-style-type: none"> <li>• <b>HNDA Inputs - Existing Need &amp; Future Need</b></li> </ul>	<ol style="list-style-type: none"> <li>1. An estimated <b>850</b> existing households would generate a requirement for a new build home in Argyll &amp; Bute. This is significantly higher than the default figure of 150, but nevertheless is still a conservative estimate, given that there are at any point 2,500 - 3,000 active waiting list applicants, and bearing in mind that within the wider population there will be additional households who are in need but fail to register this as they perceive limited opportunities within the existing stock, particularly in rural and island areas. In addition, a significant proportion of the apparent crude surplus of existing stock cannot be adapted, improved or utilised to address unmet need.</li> <li>2. Based on variant household projections, there could be either 0 new households in Argyll &amp; Bute over the life of the next LHS and beyond, over the next 10–15 years; or alternatively anything from <b>550 to over 800</b> additional households. The 0 estimate is based on official trends (Main, low and High Migration NRS projections); while the latter estimates reflect the potential impacts of policy drivers and strategic aspirations (HST Growth scenarios).</li> <li>3. Setting locally adjusted Housing and Land Supply Targets would also require an additional flexibility factor (or “generosity” assumption), and the council and its partners accept the Scottish Government’s higher allowance for rural areas, at +30% (compared to 25% for urban areas), is reasonable, appropriate and justified.</li> <li>4. The core HNDA output under the growth scenario approved by the council and partners, indicates a baseline need for 1,435 new homes over 5 years; 1,615 over 10 years; and 1,905 over 15 years. When the</li> </ol>



30% land supply allowance is factored into the calculation, the overall estimate is for 1,865 units over 5 years; 2,100 over 10 years; and 2,477 over 15 years.

5. In terms of tenure split for the new build housing need, the higher growth scenario generates a shortfall across all 4 tenures, and this will vary by individual HMA. The tenure requirement will also vary over time:

Over the first 5 year period around 67% of need will be for social rent; with 8% being some form of intermediate affordable tenure (below market rent or shared equity for instance); 10% being private rented; and 15% for owner occupation.

Over 10 years, this tenure profile is adjusted slightly with social rent making up 62% of the total need and other affordable tenures such as below market rent amounting to 9%; while 12% would be for private rent, and around 17% for owner occupation.

#### **Private Sector – Owner Occupation & Private Rent**

The long term growth scenario would require rates of private sector new build of between 70-90 per annum over the first 5 years, which is realistic in the current environment and well within historic outputs.

Argyll & Bute has not seen the same degree of tenure shift towards private renting in recent years as the rest of the country, due to the already high baseline from which it started. Additional growth in this sector is possibly more likely to arise from changes within existing stock rather than from new build homes for let. A key factor here will be the longer term impact of the short-term letting sector (such as Airbnb type provision) which may have been suppressed by the impact of the pandemic and the constraints of emerging legislation and regulation. This will need to be closely monitored and assessed over time.

It will also be critical for the LHS and LDP to ensure that there are appropriate checks and

- **owner-occupation**
- **private rent**

balances on the development of additional “ineffective” housing i.e. disproportionate and unsustainable increases in second/holiday home properties in particular areas. In addition, aspirational growth must be managed strategically in order to avoid speculative new build creating undesired imbalances in the local system and unintended consequences for existing stock (such as increases in long-term voids and/or costly demolition programmes).

### **Affordable Housing – Social Rent & Below Market Rent**

The delivery of affordable subsidised housing has fluctuated in recent years but overall the trend has been for growth. The growth projection in the HNDA Tool would suggest that in the future around two thirds of new builds could be targeted at social rent, given that the bulk of backlog need will be met in this tenure. A smaller proportion of new build should be targeted at below market rent, shared equity or similar intermediate tenures, on a scheme by scheme, settlement by settlement basis. This would be feasible given current and projected resources; and would help to support the strategic objectives of the council and its community planning partners as well as being in accordance with the aspirations for the repopulation and regeneration of rural and island communities across Argyll & Bute in future years. As a minimum therefore it is recommended that the LHS and LDP should aim to deliver the modest growth projection over the next 5 years and for a further 10-15 years at least. This would incorporate provision for a generous supply of land over and above the baseline HNDA requirement, which is a realistic assumption given current allocations. The spatial distribution of the new build estimates should be apportioned at least initially in accordance with the HMA outputs from the Tool, and reflect basic levels of need as identified via registered waiting list demand and other relevant data sets; but should also take account of requirements to sustain fragile communities and stimulate growth in both the current centres of employment and population growth as well as in remoter communities.

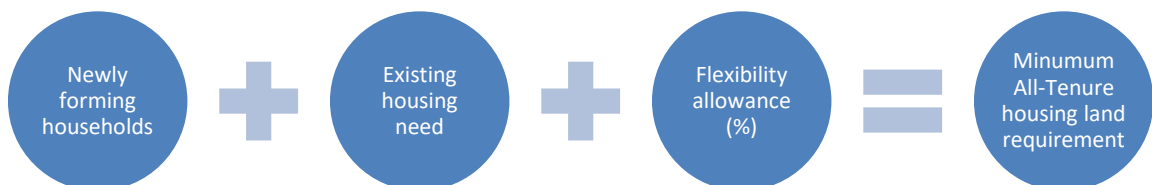
- **below market rent**
- **social rent**

## APPENDIX ONE: Summary of Argyll & Bute Council’s response to the Scottish Government’s consultation on NPF4: Minimum All-Tenure Housing Land Requirement

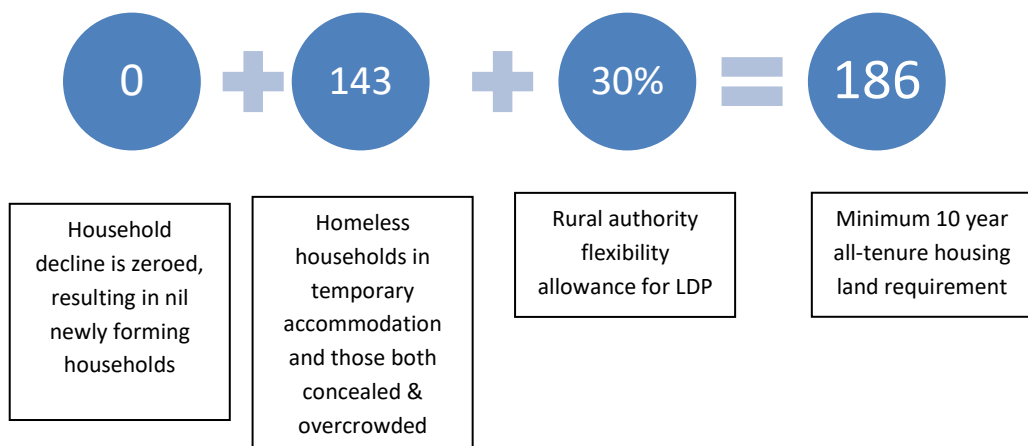
### i. Creating a robust and credible locally adjusted estimate of need

The Scottish Government is preparing the Fourth National Planning Framework (NPF4) for Scotland which will require targets for the use of land in different areas of Scotland for housing. In Spring 2021 the government therefore consulted on initial default estimates to guide the setting of Minimum All-Tenure Housing Land Requirements (MATHLR). These estimates are recognised as a simple starting point for discussion; they are not the final estimates that the Scottish Government expect to be included in NPF4. Local Authorities are required to review the initial estimates and make a case for adjusting these figures where they can provide robust evidence and policy requirements to support the local adjustments. Local input should factor in ambitions to support growth in housing provision. This principle is fundamental to Argyll & Bute’s strategic vision and aspirations; and the preceding paper sets out our approach to estimating the need and demand for new housing provision over the next 5-20 years. The following paragraphs summarise this council’s response to the NPF4 consultation, in line with the foregoing explication of methodology and assumptions.

### ii. The basic formula for calculating the housing land requirement is:-

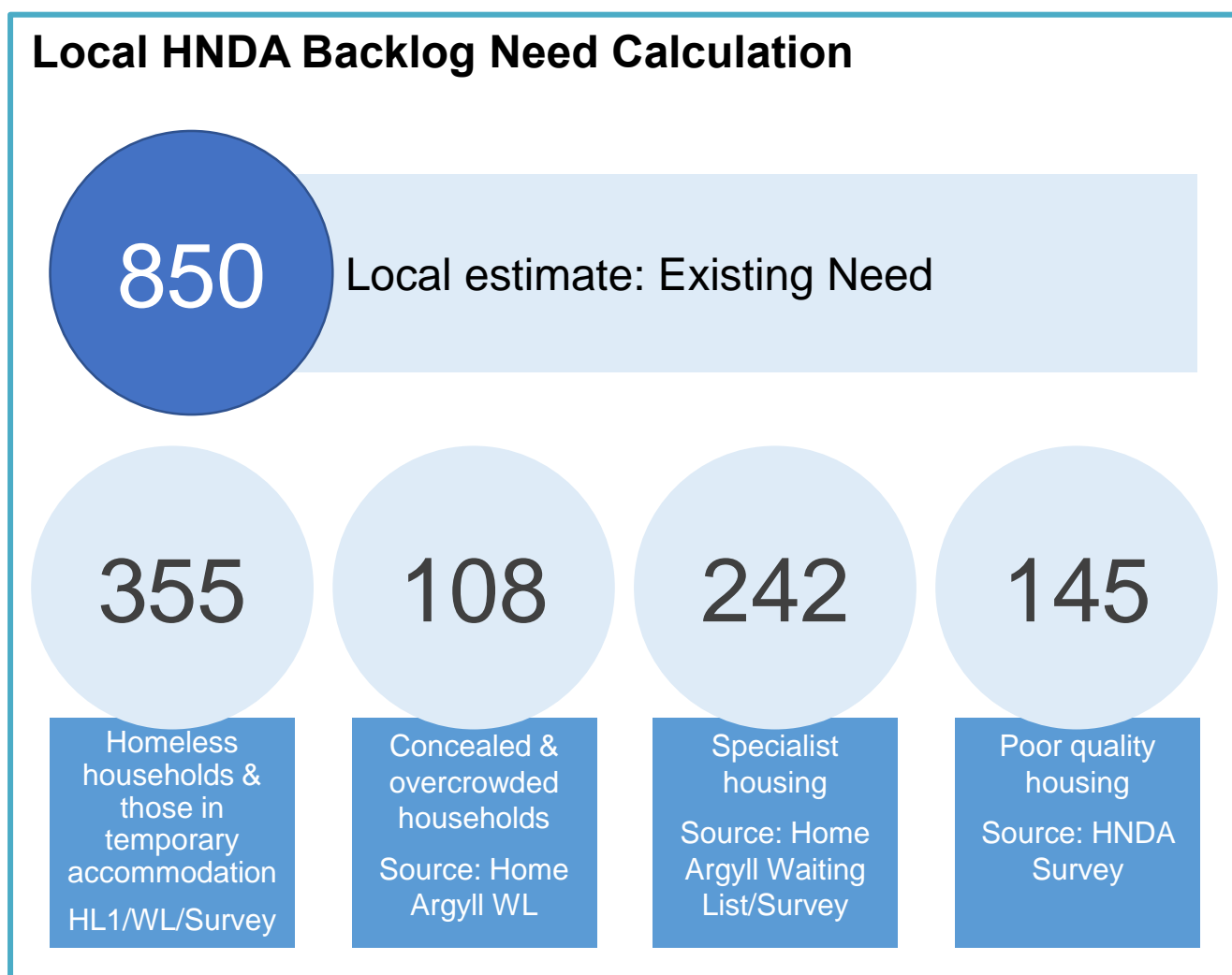


A local authority can make locally-based policy decisions on the raw data to be used to inform each of the three inputs in this formula. The Scottish Government’s initial default inputs and estimate are:



**iii. Local Estimates: Existing Need**

In Argyll and Bute local estimates of existing need have been used to replace the default estimate and are considered a more credible measure of the number of existing households in this authority who have an unmet need that cannot be addressed in situ. These figures have been derived following careful consideration and triangulation with a range of sources including the 2018/19 HNDA Household Surveys (which achieved a very robust sample with data accuracy of +/-1.8% for Argyll and Bute as a whole), the HOMEArgyll Waiting List and HL1 Homeless statistics, among others. In building this calculation, double counting has been carefully eliminated between categories of need.



As the local need estimate of 850 is the equivalent of only 35% of the current expressed need for alternative housing on the HOMEArgyll waiting list (2,379) and represents just 2% of the Argyll & Bute population, this measure is considered to be very conservative.

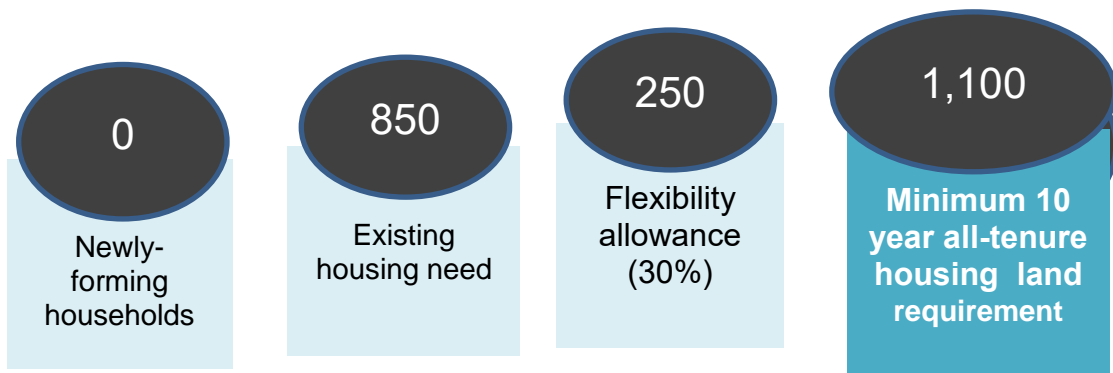
**iv. Local Estimates: Newly Forming Households**

{see section 2.11, pages 8-9 of this report for details.}

**v. MATHLR - Locally Adjusted Estimates**

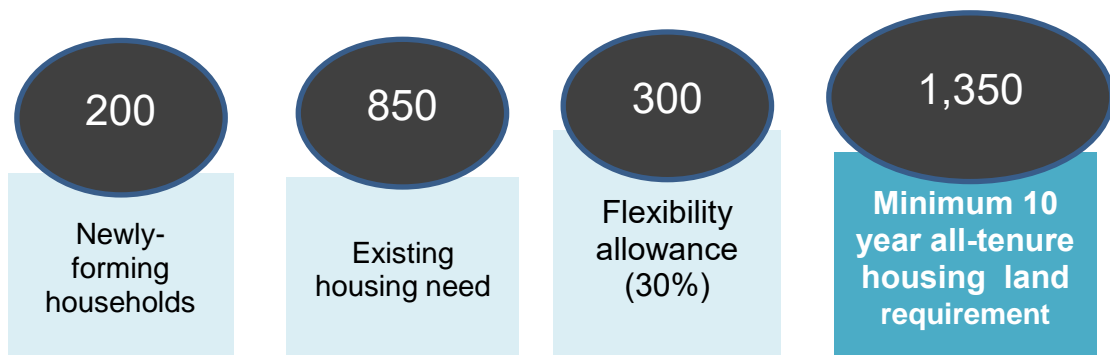
**1) HND Principle & High Migration Scenarios**

Using local estimates for newly forming households and existing need under principle or high migration scenarios, results in a 10-year MATHLR of **1,100**.



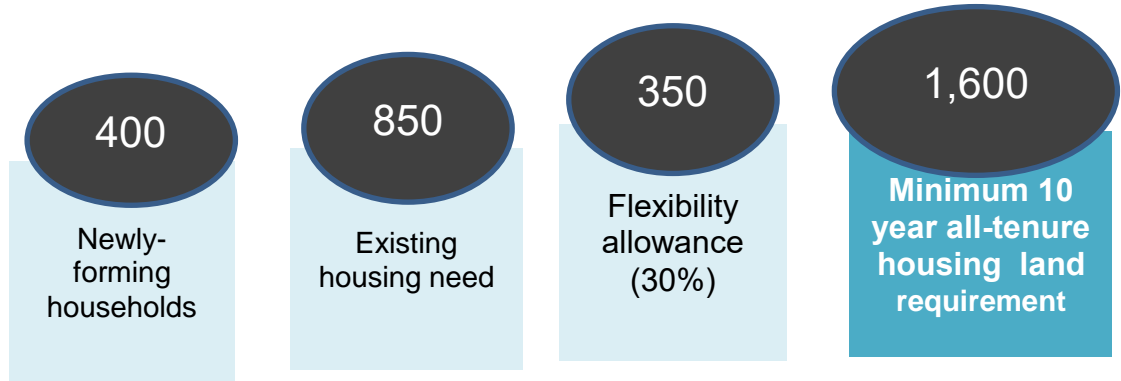
**2) Growth Scenario 1 (5 Years)**

Using local estimates for newly forming households and existing household need under a 5-year household growth scenario, results in a 10-year MATHLR of **1,350**.



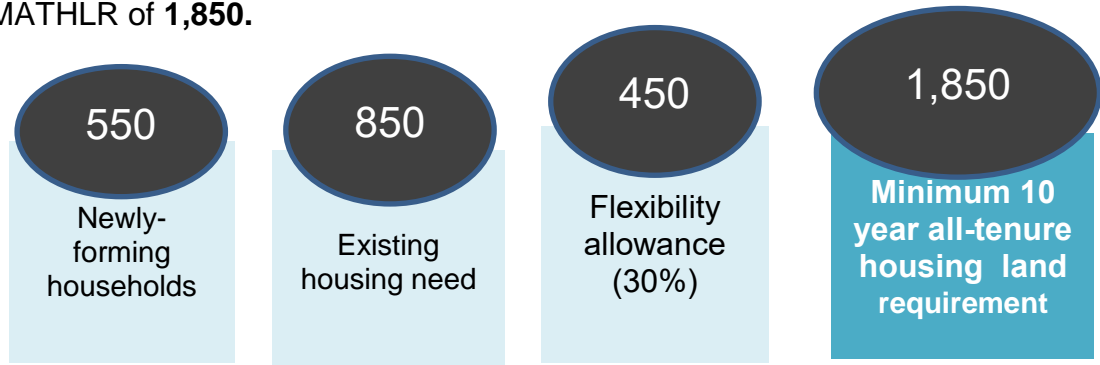
### 3) Growth Scenario 2 (10 Years)

Using local estimates for newly forming households and existing household need under a 10-year household growth scenario, results in a 10-year MATHLR of **1,600**.



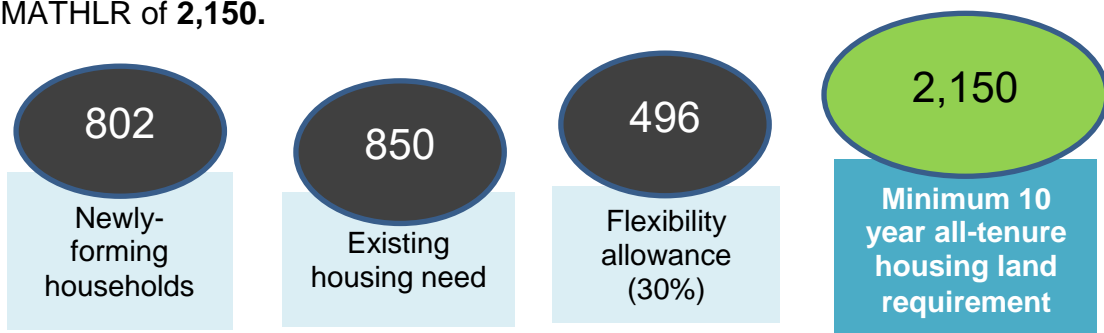
### 4) Growth Scenario 3 (15 Years)

Using local estimates for newly forming households and existing household need under a 15-year household growth scenario, results in a 10-year MATHLR of **1,850**.



### 5) Growth Scenario 4 (15 Years)

Using local estimates for newly forming households and existing household need under SPA household population retention scenario, results in a 10-year MATHLR of **2,150**.



Net migration to halt population loss to SPAs 2021- 20230

**vi. Statistical Data & Triangulation: Locally Adjusted MATHLR Estimates**

As required by NPF4 Scottish Government Guidance, MATHLR estimates are benchmarked against historic housing completions from 2010-19. As the Scottish Government/CHMA default estimate (200) represents just 1/10<sup>th</sup> of the housing output delivered over the last decade, this measure is not considered credible in any form.

Completions/ Land Supply	Total
10 Year Historic Completions 2010-2019, ABC	2,470
10 Year Historic Completions 2010-2019, MATHLR tool	2,025
Total land supply: LDP Housing Land Audit*	2,226

(\*This figure does not include Loch Lomond & Trossachs National Park LDP allocations within Argyll & Bute, and is therefore an under estimate of potential supply.)

When benchmarking to historic completions, the only scenarios which provide a comparable outcome are a 15-year household growth scenario (1,850) and the scenario which seeks to achieve population retention in SPAs (2,150).

The latter estimate compares well to completion statistics from the MATHLR calculator and LDP completion figures from the same period. Arguably as the 2010-19 period reflects a period of housing output which is historically low due to the global financial crash at the beginning of the decade, annual completion rates from recovery period (e.g. the 2019 figure) could be a more realistic and reasonable proxy for construction sector capacity and market demand from 2022 onwards. A total of 290 completions were achieved in Argyll & Bute in 2019, which if used as an alternative annual benchmark would result in a 10-year annual completion estimate of 2,900.

Benchmarking the alternative completion estimate to Scenarios 4 (1,850) and 5 (2,150) would further validate that neither are estimating delivery levels which could not be reasonably justified. Even Scenario 5 does not exceed current identified land supply as identified in the LDP housing land audit (2,226, excluding National Park land supply).

Furthermore, in testing the reasonableness of Scenario 4 and 5, both estimates have been benchmarked and triangulated to housing supply targets associated with local policy drivers.

Local Policy Drivers (selected)	Total (est.)
Projected SHIP completions 2021-26	1,032
Rural Island Housing Fund/Rural Growth Deal (minimum est.)	63
Total SHIP & Rural Grant Funding Tools	1,095
Future Accommodation Model requirements (maximum est.)	2,700

If Argyll & Bute is to deliver pipeline units in full as grant funded by the Scottish Government within the SHIP, then up to 1,032 new units of supply could be delivered (albeit some projects are provisional at this stage). If it is assumed that this figure is supplemented by committed projects funded by Rural Island Housing Fund/Rural Growth Deal, then a further 63 units at least will enhance total grant funded delivery up to 1,095 in the first 5 years of the projections. This accounts for over 50% of the MATHLR estimate even at the upper end of the scale.

If it is assumed that this grant regime continues in years 6-10, (which is a reasonable assumption given the national commitment to build 100,000 homes over the next 10 years within Housing to 2040), the MATHLR could be delivered via the provision of affordable housing alone, i.e. without any private market housing at all. On this basis, the estimate of 2,150 should be considered reasonable/prudent and whilst accounting for the delivery of committed funding for affordable housing, it also leaves capacity for a reasonable level of private sector output.

In fact, if other local policy considerations are taken into account, it could be argued that an estimate of 2,150 is quite modest. Modelling to assess the number of new homes to reduce the level of ineffective housing stock down to the Argyll & Bute average (8%) in HMAs where this is above average, estimates that additional units in the region of 850 should be considered to enhance the supply of occupied dwellings at a local level. (This policy target would still leave the level of ineffective stock in Argyll & Bute well above the national average). Aligning this estimate to the total units associated with committed funding for affordable housing (1,095) produces a figure of 1,938 which benchmarks well to the MATHLR Scenarios 4 (1,850) and 5 (2,150).

Furthermore, the FAM pilot is approved as the preferred accommodation model for the MOD and even if only a proportion of the 2,700 requirement is met within Argyll & Bute, an MATHLR estimate of around 2,000 leaves very limited scope for additional supply when local growth, rural repopulation and affordable housing agendas are addressed. On this basis, it could be concluded that Scenario 5 is a realistic and prudent local estimate.

#### **vii. Housing Market Partnership Engagement & Consultation**

The Council continues to work closely with the local Housing Market Partnership (Argyll & Bute Strategic Housing Forum) in the development of the HNDA and Housing Supply Targets which will inform the LHS, as well as the Housing Land Supply Requirement to underpin relevant LDPs. Stakeholders have been actively encouraged to engage positively in constructive collaboration on setting locally adjusted estimates for new build provision; and a wealth of robust evidence has been collated and presented in support of the alternative projection of need, and as a credible challenge to the default estimate. Key to this are the local and



national policy drivers and strategic aspirations which are clearly set out in this paper, and which have been fully accepted by partners and stakeholders across Argyll & Bute.

In particular, there is clear co-operation and co-ordination between the council's Housing and Planning functions on this matter, with both services fully integrated in a joint department under a single Head of Service who also has the remit for economic development and regeneration. Thus, there is close and explicit alignment between strategies, plans and policies particularly in respect of Housing Supply Targets and Housing Land Requirements and allocations. National Park planners are also key partners and liaise regularly with council Housing Services.

Following a range of stakeholder engagements and consultation over the last year, the Strategic Housing Forum was canvassed specifically on the principles and proposed figures underpinning these locally adjusted estimates of need. The Forum unanimously rejected the Scottish Government/CHMA default assumptions and figures; and approved the in-house, local estimate of backlog need as well as the assumptions and principles regarding policy drivers and strategic aspirations which would generate future demand.

In summary, in 2020/21, Housing Services carried out a range of consultation exercises/stakeholder engagement in support of the HNDA, HSTs and LHS. These included:

- A number of Focus groups/face to face surveys with key client groups and their representatives, & specialist providers/services, such as Gypsy/Travellers, wheelchair users, and Armed Services/Veterans;
- Survey and telephone interviews with PRS sector (landlords, letting agents, estate agents/solicitors & tenants etc) to inform HNDA & affordability analysis;
- An early-engagement LHS online survey for partners, local community groups and residents;
- A virtual LHS Stakeholder conference in November 2020, with around 50 participants via Microsoft Teams, to develop vision, outcomes & priorities for next LHS, including the general Housing Supply Targets;
- Staff Review Day for council Housing Services & colleagues, in December 2020, refining outputs from above exercises;
- Four thematic LHS Option Appraisal workshops with key partners/stakeholder, in February 2021, to review & refine LHS action plan & targets;
- Ongoing engagement with partners via existing structures including the Strategic Housing Forum, SHIP Officers' Group, Energy Efficiency Forum, Housing Support Group, and Housing/HSCP locality groups, most of which were generally held on a quarterly basis throughout the year.