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Argyll & Bute
Local Housing Strategy Development

Insight briefing:

- Population & economy
- Housing stock profile
- Housing market operation
- Housing affordability
- Affordable housing pressures
- Housing need & demand
- New supply
- Placemaking

LHS Main Issue 1:
Housing Supply & Placemaking

Argyll & Bute LHS Development

Draft LHS Structure

The Local Housing Strategy will set out the vision for housing supply and housing services in Argyll & Bute over the next five years

To build a new Local Housing Strategy, Argyll & Bute Council and partners must set a new vision for homes and communities and set out priorities for action to tackle the main housing issues locally

The LHS will also set a Housing Supply Target that guides the assembly of land for housing development to meet local housing need & demand

Based on analysis of the local housing system in Argyll & Bute, it is proposed that the new Local Housing Strategy is developed around the following 4 Main Issues:

1. **Housing supply & placemaking**
2. **House condition, energy efficiency & poverty**
3. **Specialist provision & independent living**
4. **Housing options, information & support**

This briefing sets out evidence, insight and questions on the key issues which influence decision making on future housing supply & placemaking

Argyll & Bute LHS Development: Main Issue 1

Supply & placemaking: What's our starting position? This briefing will explore…

Demographic & economic profile

How is the population & household profile projected to change in Argyll & Bute & what does this mean for housing supply?

How might the economy of Argyll & Bute have an impact on housing supply?

Housing stock profile

What's the profile of the existing housing stock in Argyll & Bute?

How effective is Argyll & Bute's housing stock in meeting housing need?

Housing market profile

How healthy is the housing market in Argyll & Bute?

How does this influence the ability of local households to meet housing need?

Housing affordability profile

Are housing options affordable in Argyll & Bute?

Where is there evidence of housing affordability pressures?

Affordable housing profile

Is there evidence of a need for more affordable housing in Argyll & Bute?

Where is there an imbalance between housing need and supply?

Housing need profile

Does analysis of housing need & demand in Argyll & Bute suggest that new housing supply is needed?

What housing is needed and where?

New supply profile

What future plans are in place to increase the supply of housing in Argyll & Bute?

What are the barriers to delivering new housing supply?

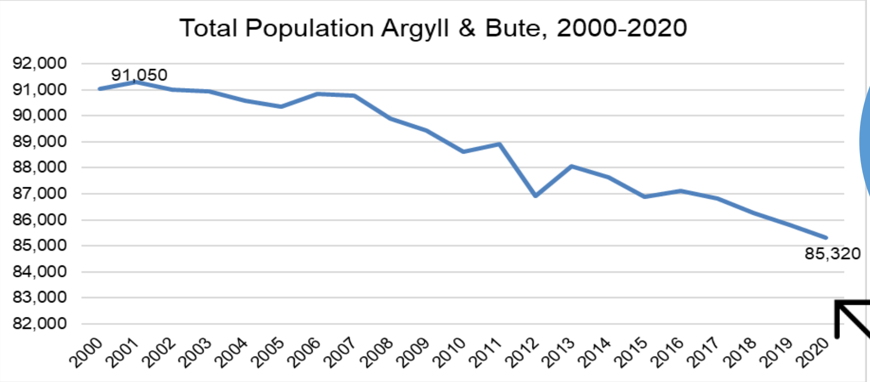
Placemaking profile

How can housing support the development of sustainable places to live by supporting economic growth?

LHS Main Issue 1: Supply & Placemaking

Demographic Profile: Population change

Between 2000 and 2020, there has been a steady decline in the population of Argyll and Bute, which is in contrast to the rest of Scotland. In 2020, the population of Argyll and Bute was estimated at 85,320 people.



The population in Argyll & Bute has declined by 6% over the last 20 years, compared to a population increase of over 7% for Scotland

Between 2018 and 2028, the population of Argyll and Bute is projected to decrease by a further 6% from 86,260 to 81,197 people

This decline by 6% compare to a 1.8% growth in Scotland's population.

Over the planning period of the next LHS (2021-2026) Argyll and Bute is projected to experience a 3% decline in the population.

The average age of the population of Argyll and Bute is projected to increase significantly as people live longer.

The working age population is projected to decrease by almost 30% in the next 10 years whilst the 65+ age cohorts will increase by almost 30%. These projections will have a major impact on the sustainability of the local economy and will necessitate housing, health & care interventions that enable the growing population of older people to live independently and well.

Projected population change by age group, 2018 and 2028

Age group	2018	2028	Argyll & Bute % change	Scotland % change
All people	86,260	81,197	-5.9	1.8
0 to 15	13,024	10,727	-17.6	-6
16 to 24	8,376	7,782	-7.1	-0.9
25 to 44	16,808	15,594	-7.2	3.1
45 to 64	26,092	22,420	-14.1	-5.5
65 to 74	12,324	12,789	3.8	14.4
75 and over	9,636	11,885	23.3	25.4

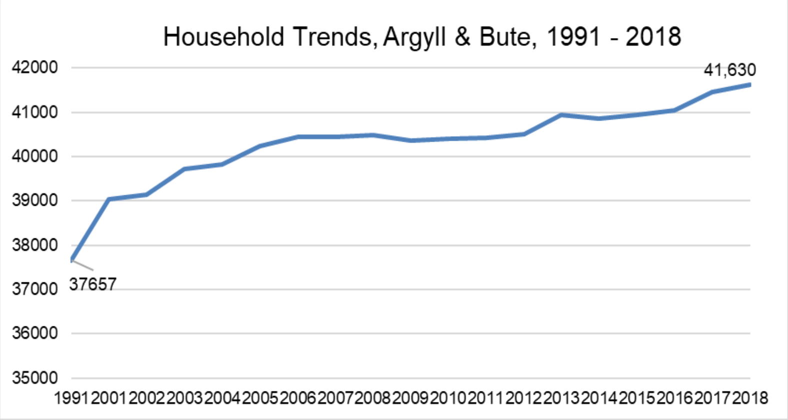
Source: Sub-National Population Projections (2018-based)

LHS Main Issue 1: Supply & Placemaking

Demographic Profile: Households change

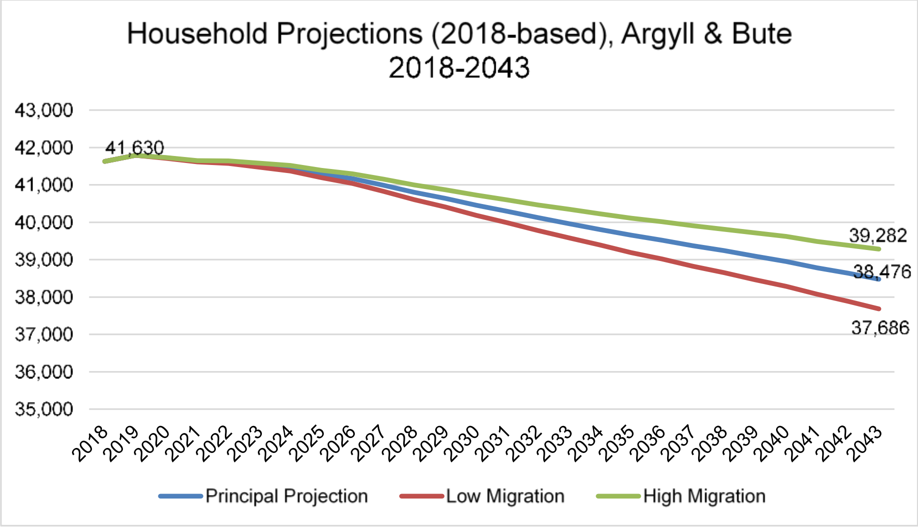
In 2018, there were an estimated 41,630 households living in Argyll and Bute, an increase of 6.7% since 2001. In contrast, households in Scotland increased by almost 13% over the same period.

In 2018, there was a growth in households of 0.4% in Argyll & Bute on the previous year. This challenges previous household estimates for Argyll and Bute which projected a decline in household numbers.



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).

All three projections for Argyll and Bute (principal, high and low migration) project a steady decline in the number of households living in Argyll & Bute



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

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. Over the decade (2021-2031) the figure will fall by over 3% to 40,292 under the principal scenario.

LHS Main Issue 1: Supply & Placemaking

Economic Profile

? Economic profile & performance

Pre-2020 Economic Profile

- Gross Value Added per head is growing (£43,202 in 2018) but at 13% less than Scotland (29% less in 2012)
- GVA reliant on (1) agriculture/forestry/fishing; (2) public admin/defence; (3) tourism; and (4) real estate
- 90% firms are micro-businesses with <9 employees
- Higher % population economically active but lower % in full-time employment
- Unemployment rate in 2018 was 2.9% (Scotland 4.3%)
- 33% local employment is in the public sector, followed by tourism (12%)
- Much higher rates of self-employment than nationally
- Low wage economy: Gross weekly pay 10% lower than Scotland

2020 Argyll & Bute economy

Unprecedented economic crisis: COVID-19 + impact of Brexit

Unemployment Benefits claimants increase by 128.4% (Jan-May 2020)

Unemployment rate: 6.4%

High % jobs in most exposed sectors (>40%)

9,200 people on furlough (31/05/2020)

3,117 Business Support Fund grants to small/micro businesses, substantially above Scottish ave

Catastrophic impact on tourism

Impact of Brexit on agriculture/forestry/fishing uncertain

Pause & reflect: Housing's impact on the Argyll & Bute economy

It is important that housing investment is maximised. Housing and economic growth are fundamentally linked and a lack of suitable housing can be a key contributor to businesses being unable to recruit and retain staff to grow their businesses and in turn grow the local economy.

Housing has an important contribution to make to the growth of the local economy, ensuring that the essential incoming workers necessary to help sustain fragile rural communities can access suitable, affordable accommodation

LHS Main Issue 1: Supply & Placemaking

Housing Stock Profile

Analysis of the Council Tax Register in 2020 reveals that 11% dwellings in Argyll & Bute can be classified as ineffective (either empty homes or 2nd homes). This is significantly higher than is the case in Scotland (4%). The scale of ineffective housing stock has a significant impact on the ability of local households to meet housing need.

	Number of Dwellings	% Dwellings
Total Dwellings	48,285	100%
Occupied Dwellings	42,297	88%
Other (Tied Accommodation)	901	2%
2nd/Holiday Homes	2,881	6%
Empty Homes	1,363	3%
Empty Homes (CT Exempt)	843	2%
Total Ineffective Stock	5,087	11%
(Council Tax Register 2020)		

Most homes in Argyll & Bute are located in the owner occupied sector (70%). The social housing sector accommodates almost 1 in 5 households with a further 12% living in the private rented sector.

	Number of Dwellings	% Dwellings
Total Dwellings	48,285	100%
Social Housing Dwellings	8,628	18%
PRS Dwellings	5,824	12%
Private Dwellings	33,833	70%
(Council Tax Register 2020, ARC, PLR 2020)		

188

Vacant properties brought back into use

The current LHS has pursued an ambitious empty homes strategy bringing 188 dwellings back into use utilising Private Sector Housing Grant and Conservation Area Regeneration Scheme funding to support renovation.

In 2019/20 the Council also concluded its first Compulsory Purchase Order to bring a residential flat on Bute back into use, using legislative powers where there was no alternative viable use.

LHS early engagement survey 2020

Local residents and community groups were asked to rank the top housing challenges currently facing Argyll & Bute. The 3rd ranking issue in the top ten challenges was:

38%

3. Impact of empty properties, second & holiday homes in meeting need

Pause & reflect: The impact of demographic change on the Argyll & Bute housing system

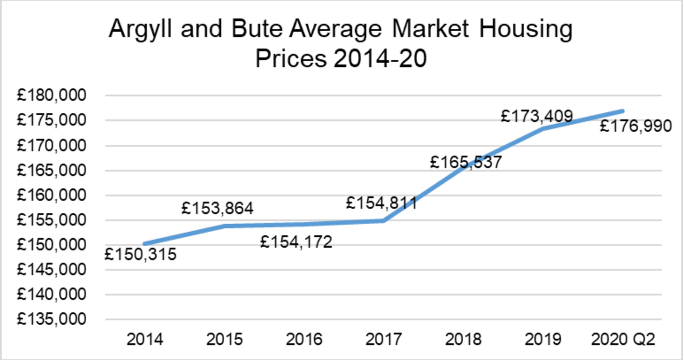
Bringing empty homes back into use is a key action of current LHS. Utilising existing stock not only increases supply of local housing but improves condition of housing stock, removes the blight in our neighbourhoods, and helps to regenerate communities.

There are also substantial cost and environmental benefits to utilising existing stock. For every £1 spent renovating an empty home, it is estimated that £1.60 can be generated within the local economy. Whilst the average cost of a new build home is in the region of £120,000+, the average costs of bringing empty homes back into use can be as low as £12-30k depending on the scale of work required. There are also significant reductions in the carbon footprint of renovation.

LHS Main Issue 1: Supply & Placemaking

Housing Market Profile

House prices have grown steadily in Argyll & Bute and by 13% over the last 5 years. Housing price inflation has been particularly evident since 2017 and has continued in the first 2 quarters of 2020 despite the Covid-19 pandemic



Median house prices vary significantly by HMA with house price inflation peaking in Mid Argyll, Helensburgh & Lomond and the islands

Median Price	2014	2018	% change 2014-18
Bute	£73,250	£76,000	4%
Coll & Tiree	£183,750	£171,250	-7%
Cowal	£110,000	£115,000	4%
Helensburgh & Lomond	£145,000	£166,000	13%
Islay, Jura & Colonsay	£163,250	£192,500	15%
Kintyre	£77,500	£85,000	9%
Lorn	£135,000	£161,624	16%
Mid Argyll	£109,000	£141,750	23%
Mull & Iona	£160,000	£192,500	17%

Source: Register of Scotland (Council analysis of LVIU/Propvals reports)

Market affordability analysis reveal that households must spend 5 times the average local income to afford the average house price, well in excess of the typical 3.5 X's multiplier

Housing Market Area	Income	Average Price	HMA Affordability Ratio
Bute	£25,813	£98,735	3.8
Coll and Tree	£34,065	£164,500	4.8
Cowal	£31,739	£137,373	4.3
Helensburgh and Lomond	£42,772	£196,886	4.6
Islay, Jura and Colonsay	£32,345	£200,485	6.2
Kintyre	£28,015	£109,842	3.9
Lorn and inner Isles	£38,224	£186,411	4.9
Mid Argyll	£35,508	£161,357	4.5
Mull and Iona	£37,488	£192,091	5.1

Affordability by HMA (Average Prices to incomes) 2018

Market housing affordability is particularly poor in island communities and in the Lorn Housing Market Area

The results of the 2020 LHS engagement survey suggests there is evidence of housing price inflation in Argyll & Bute fuelled by inward migration from Covid-19. This may further restrict the affordability of the housing market to local households

The market is currently overheated and there is great demand for rural housing with the potential for office accommodation. This demand cannot be met. There is also demand for houses with gardens

In the short term we have seen a large increase in enquiries for private rental properties on Bute. There is increased demand from people wanting to move to the area away from towns and cities. This is an opportunity for the area to grow and investment is needed in local infrastructure and town centre improvement schemes to support this growth.

LHS Main Issue 1: Supply & Placemaking

Housing Affordability Profile

Housing Affordability Headlines

- Average social housing rents are £388 per month
- The average PRS rent is £532 per month, 18% lower than Scotland
- The Local Housing Allowance (LHA) for Argyll and Bute is almost equal to market rent levels
- The median income is £29,418, similar to Scotland at £30,666; HOWEVER…
- **42% of households earn less than <£25K per annum with lower quartile incomes at £16,673**
- RSL rents are affordable for 4/5 households in Argyll & Bute without subsidy
- A household requires to >£21K to be able to afford the average PRS rent if they devoted 30% of their income to housing costs
- PRS rents are only affordable to 2/3 households, and out of reach for low income households
- Almost 50% of households cannot afford to access Low Cost Home Ownership (LCHO), new supply shared equity or lower quartile market housing

The Council have developed a housing affordability model to test the value of local incomes meet housing costs across a range of housing tenures

The analysis demonstrates the affordability pressures faced by local households:

- Whilst RSL rents are affordable for 4/5 households in Argyll & Bute, market rents are only affordable to 2/3 households
- Market rents are out of reach for those households on lower incomes.
- Almost 50% of households in Argyll & Bute cannot afford to access Home Ownership at market entry levels

22% can't afford — CAN'T afford RSL Housing (without subsidy)

33% can't afford — CAN'T afford Mid-Market Rent

35% can't afford — CAN'T afford PRS Housing

49% can't afford — CAN'T afford Low Cost Home Ownership

50% can't afford — CAN'T afford New Supply Shared Equity

52% can't afford — CAN'T afford Market Entry Level Housing

LHS Main Issue 1: Supply & Placemaking

Affordable Housing Profile

8,629

Units of affordable housing across Argyll & Bute

893

became available for letting in 2019/20 (10%)

2,379

Households are currently registered on the HOME Argyll waiting list

830 applicants have no points

Ratios of waiting list applicants to available homes shows major pressure in island communities, Helensburgh & Lomond & the Lorn HMAs

A snapshot of the current HOMEArgyll waiting list provides intelligence on the extent and nature of need for social housing across Argyll & Bute including:

- Health or disability issue that would be helped by a move (17%)
- Home is underoccupied (15%)
- Home is overcrowded (15%)
- Need to be nearer to family or friends to give or receive support (14%)
- Experiencing harassment (7%)
- Needs to move to take up employment (6%)

Min Bed Size by HMA	1	2	3	4	5+	Total
Bute	0.58	0.78	1.06	3.50		0.68
Coll & tiree		0.67				6.67
Cowal	2.41	4.06	2.84	4.00	3.00	2.80
H&L	5.74	2.87	4.33	3.00		4.12
IJC	5.13	6.73	11.00			6.43
Kintyre	1.22	1.26	1.38	1.67		1.25
Lorn	5.84	3.86	3.03	4.14		4.44
Mid Argyll	4.29	0.88	2.15	5.50		1.79
Mull & Iona	8.71	3.00	3.33			4.11
Grand Total	3.05	2.35	2.75	4.20	21.00	2.66
Ratio - WL Applicants:Turnover by HMA, Size						

There are roughly 3 applicants in Argyll & Bute for every social tenancy that becomes available. There are clear pressures for 1-bedroom and 4+ bedroom homes across most housing market areas.

Pause & reflect:

In preparation for developing the Local Housing Strategy, residents and community groups were asked to rank the top housing challenges currently facing Argyll & Bute. The top housing challenge facing Argyll & Bute was identified as:

45%

1. Shortage of social rented housing

The impact of Covid-19 on jobs and incomes, plus evidence of housing market inflation were identified as triggers in increasing demand for affordable housing and central to sustaining communities and the local economy

LHS Main Issue 1: Supply & Placemaking

Housing Need Profile

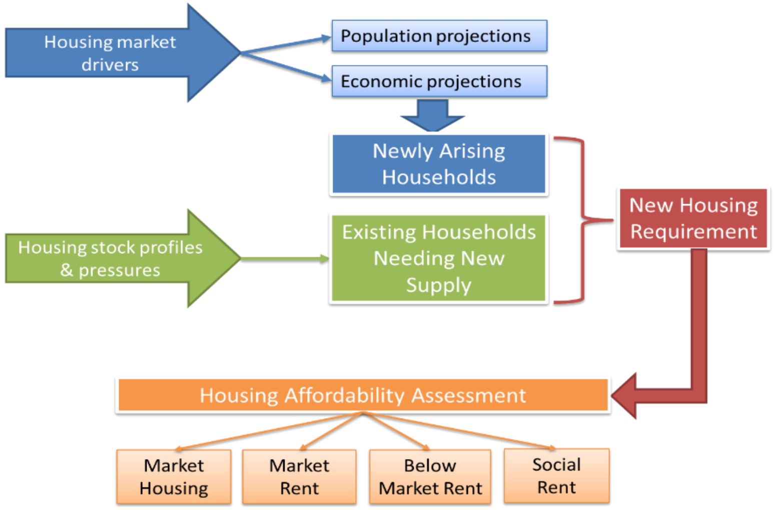
The Housing (Scotland) Act 2001 requires the Council to prepare an LHS informed by an assessment of housing need so that unmet need for housing can be estimated. Equally, the new National Planning Framework will deliver 'targets for the use of land in different areas of Scotland for housing'.

To produce the evidence required to calculate local housing and land requirements, the Council has produced a Housing Need & Demand Assessment (HNDA)

The Scottish Government has developed an HNDA calculation tool. The tool produces an estimate of the additional housing units needed locally. Estimates for new housing are calculated by housing tenure by assessing whether local households can afford:

- Market housing
- Private rented sector
- Below market rents
- Social rent

The HNDA tool works by projecting the number of new households who will require housing in Argyll & Bute. This is based on household projections and economic scenarios produced by the National Records of Scotland (NRS)



Three scenarios have been developed based on the 2016 population projections published by NRS

Argyll & Bute	Principle Projection		Low Migration		High Migration	
	Year 1-5	Year 6-10	Year 1-5	Year 6-10	Year 1-5	Year 6-10
Social Rent	1263	-77	1213	-144	1322	3
Below Market Rent	-23	-94	-92	-175	60	5
PRS	-28	-109	-120	-202	82	6
Buyers	-13	-48	-54	-89	37	3
Total	**1199**	**-328**	**948**	**-610**	**1502**	**17**

The new Local Development Plan (LDP2) and the Single Outcome Agreement for Argyll & Bute stresses the links between future economic prosperity and growing the areas population. Housing is acknowledged to play a key role in achieving this.

If we assume that housing requirements will be based on a growing population scenario through high migration, Argyll & Bute will require additional housing in the region of 1,500 units over the next 10 years.

Almost 90% of this additional housing requirement is for affordable housing.

LHS Main Issue 1: Supply & Placemaking

New Supply Profile

1

Strategic Housing Investment Plan

The Strategic Housing Investment Plan (SHIP) sets out the investment priorities for affordable housing and other tenures over a 5 year period. Developed in partnership between the Council, the Scottish Government and local RSLs, it details the housing projects which require funding from the Scottish Government's Affordable Housing Supply Programme and Housing Infrastructure Fund.

The SHIP is the delivery plan for meeting affordable housing supply targets set out in the Local Development Plan:

Affordable Housing Supply Target

110 – 130 (Annual Target)

550 – 650 (5-year Target)

Of the 550 new affordable homes to be delivered over the last LHS (2016-2021), 80% should be for social rent, 10% should be specialist e.g. wheelchair, supported, amenity etc.

2

SHIP Delivery

Since Year 1 of the LHS (2016-21), the SHIP has delivered 411 affordable homes

2016/17	2017/18	2018/19	2019/20
154	75	107	75

Over the last 4 years **£65.8M** of investment has supported the delivery of the SHIP programme, including **£16.9M** in 2019/20 from:

Scottish Government	Strategic Housing Fund	RSL/ Developers	Other
£8.7M	£1.2M	£5.8M	£1.1M

Lockdown restrictions on construction sites has had a significant impact on the delivery of the SHIP leading to slippage in 2019/20. There are at least 8 projects anticipated to complete in 2020/21, delivering 70-80 new homes across Argyll and Bute.

3

Housing supply increase

Over the last 5 years (2015-2019), the number of housing completions across Argyll & Bute has totalled 1,035 comprising 595 market completions and 440 affordable homes

The Local Development is the blueprint for spatial planning across Argyll & Bute promoting areas for development and providing guidance to residents, developers and investors.

The LDP2, when adopted, will replace the former Local Development Plan approved in 2015. LDP2 is currently going through the formal planning process and should be adopted in 2021. It will provide housing land supply targets to ensure that a supply of land for housing is identified for a 10 year period, with an effective 5 year supply available at all times. Based on a housing supply target of 3,000 units, LDP2 has allocated land to deliver over 4,500 new homes.

Housing supply target	Capacity from existing allocations	Windfall allowances	Total housing land supply
3,000	3,848	750	4,598

LHS Main Issue 1: Supply & Placemaking

Placemaking: Housing & the Economy

Housing and the Rural Growth Deal

In October 2019 the Council announced that a transformational growth deal had been agreed with the UK and Scottish Government.

Investment for Argyll & Bute includes £3m for Housing-specific projects which will support businesses and help to attract and retain staff in the area.

Housing Services are now working closely with the Scottish Government on innovative models of accommodation and delivery, such as Mid-Market Rental properties with incorporated home-working space.

Housing development, jobs and community benefit

LINK's Dunbeg development provides clear evidence of the training and employment opportunities that Housing activity can deliver.

The main contractor, Macleod Construction Ltd., provided: 186 full time jobs (including subcontracting positions); 14 apprentices (including 8 new starts as a direct result of this project); and 4 trainee positions.

Community-led affordable housing projects

In 2020, following 3 years' dedicated work by the Mull & Iona Community Trust working & Ulva School Community Association, was the proposal for 4 affordable houses at Ulva Ferry on Mull.

The project secured Scottish Government grant of £777,855 Rural & Island Housing Fund, plus £48,000 from Argyll & Bute Council's Strategic Housing Fund; a mortgage from Ecology Building Society; and many individual donations.

Pause & reflect:

The role of housing in supporting economic growth in Argyll & Bute cannot be overstated.

A housing and development stakeholders network was established 2018 to examine the relationship between housing and the business sector. A survey delivered in 2018 and reported that over

80% of businesses cited lack of housing as having a "significant" or "very significant" negative impact on their business

Argyll & Bute LHS Development: Main Issue 1

Housing Supply & Placemaking: What are the issues?

Demographic & economic profile

Demographic projections predict future decline in the number of households living in Argyll & Bute. This could have a major impact on the sustainability of local communities and the economy. Housing has an important contribution to make to growth of the local economy & creation of sustainable places.

Housing affordability

Low household incomes, drive housing affordability pressures. Whilst RSL rents are affordable for 4/5 households in Argyll & Bute, market rents are only affordable to 2/3 households. Almost 50% of households in Argyll & Bute cannot afford to access the housing market, even at market entry level.

Stock pressures

The scale of ineffective housing stock has a major impact on the ability of local households to meet housing need. In a recent survey of local residents the impact of ‘empty, second and holidays in meeting housing need’ ranked 3rd in the top 10 main housing in Argyll & Bute.

Housing need

If we assume that local housing requirements will be based on a growing population scenario as a result of high migration, Argyll & Bute will require additional housing in the region of 1,500 units over the next 10 years. Almost 90% of this additional housing requirement is for affordable housing.

Housing market profile

Market affordability analysis reveals that households must spend 5 times the average local income to afford the average house price, leaving home ownership out of grasp for many households.

New supply

Over the last 5 years (from 2015-2019), the total number of housing completions across Argyll & Bute has totalled 1,035 comprising 595 market completions and 440 affordable homes. The new Local Development has allocated land to deliver over 4,500 new homes across Argyll & Bute in the next 10 years.

Argyll & Bute LHS Development

Supply & placemaking: What's the problem we're trying to solve?

To build a new Local Housing Strategy, Argyll & Bute Council need to prioritise the main housing issues that need to be tackled to set local priorities that will guide action, partnership and investment moving forward. This briefing has focused on housing supply and placemaking in Argyll & Bute, presenting evidence on the extent and nature of the problem and progress in tackling it since 2016.

The purpose of the LHS conference is to finalise the main housing issues that require intervention in Argyll & Bute, examine the main issues in detail and generate ideas for action and investment. Key issues for consideration in the Housing Supply & Placemaking Workshop are:

1. Is increasing housing supply & creating sustainable places a continued LHS priority?
2. What are the main challenges we face in increasing supply and promoting sustainable places & communities?
3. What's been proven to work and what are our priorities for action?