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20 January 2014

Dear Pam

**TAYplan's Housing Need & Demand Assessment (HNDA):
An Appraisal by the Centre for Housing Market Analysis**

Thank you for submitting TAYplan's HNDA for formal appraisal. We acknowledge that a significant amount of time and effort has gone into producing this document using the official guidance. On behalf of the Scottish Government, the Centre for Housing Market Analysis (CHMA) has completed an appraisal TAYplan's HNDA. The appraisal relates to the process and methodology used to estimate the level of housing need and demand but not the estimate themselves.

The appraisal is made against the core outputs and process checklist on page eight of the guidance. It is presented as a narrative against these criteria which identifies strengths and weaknesses, best practice and signposts recommended amendments. At this point in time, we have six recommendations that require to be addressed in order for your HNDA process and methodology to be confirmed as being robust and credible. These are detailed in section 4 of the report accompanying this letter. None of the recommendations should impact on the current final estimates for planning purposes.

You are invited to progress the recommendations in partnership with the Centre. Where these are actioned appropriately, your appraisal should achieve robust and credible status following a re-appraisal by CHMA. The CHMA would welcome the opportunity to meet with you

to discuss this appraisal if that is helpful. If you have any questions please do not hesitate to contact me.

Dr Andy Park
Senior Economist & Head of CHMA

**TAYplan's
Housing Need & Demand Assessment**

**An Appraisal
by the
Centre for Housing Market Analysis**

January 2014

The Scottish Government
Riaghaltas na h-Alba

1. HNDA Robust & Credible Appraisal – Introduction

1.1   The CHMA was formed in summer 2008 and is part of the Scottish Government (SG) Communities Analytical Services Division (CASD). Its remit is to provide central support to Local Authorities, Planning Authorities and National Parks, to aid the strategic planning of housing in Scotland. Specifically, it helps stakeholders to produce their HNDAs in accordance with official guidance. Further details about the CHMA can be found at http://www.scotland.gov.uk/chma.

1.2   The CHMA has a formal role to appraise the process and methodology used to produce HNDAs. This does not, however, extend to the estimates themselves. HNDAs have been appraised using the core criteria set out on page eight of guidance. A narrative is provided for each criterion which identifies strengths and weaknesses, best practice and suggests any recommended amendments if required.

1.3   The process and methodology of an HNDA is appraised either as robust and credible or as having the potential to be so based on the CHMA's recommendations. Where recommendations are implemented satisfactorily, HNDAs should be appraised as robust and credible following reconsideration by the CHMA.

1.4   The Directorate for Planning and Environmental Appeals has commented that, where the CHMA has confirmed an HNDA as robust and credible, the approach used should not be subject to any further procedure at a Development Plan examination. Any discussion at examination is expected to focus on issues raised in representations that relate to the proposed policies and housing allocations included in the proposed Development Plan and their relationship with the findings of the HNDA. It should be noted however that the HNDA guidance and appraisal process do not supersede Part 4 of the Town and Country Planning (Development Planning)(Scotland) Regulations 2008.

2. Housing Need and Demand Assessments – Core Outputs

Estimates of current dwellings in terms of size, type, condition, tenure, occupancy and location.

2.1   In line with the HNDA Guidance 2008, the TAYplan HNDA sets out a profile of housing stock across TAYplan and additionally across each of the constituent local authority areas. This includes analysis by size, type, condition, tenure, occupancy and location. Annex 1 of the HNDA further provides detail at Housing Market Area level, although it acknowledges that much of data required is not available at the smaller geographies required.

2.2   Whilst these details give a very useful insight into the current market, the CHMA has some reservations over the quality of the presentation. A considerable number of errors have been identified in Chapter 2 and Annex 1 which undermine the credibility of the HNDA as an evidence-base. For example, it is apparent that much of the information for the local authority and housing market areas is repeated across each area and suggests that the authors have 'cut and paste' details across sections. It would appear that whilst tables and figures have been updated, the text has not always been altered to reflect the new geography. **See Recommendation One**.

2.3   Evidence is also presented without explanation of what this is telling the reader. For example paragraph 1.38, explains that some foreign nationals have their National Insurance Registrations handled by agencies external to TAYplan, but with no explanation of the impact.

2.4   The CHMA is unable to corroborate the stock condition evidence presented as this has been extracted from local house condition surveys. It would be helpful if access could be provided to these local documents, most appropriately by the provision of web-links. **See Recommendation Two**.

Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market.

2.5   Chapter two provides evidence about the affordability of owner-occupation across TAYplan, setting out information about earnings, house prices and mortgage availability. Statements about house prices and mortgage availability are based on recognised and credible data sources. However, the statements about earnings should be supported with data about the level of current and past earnings.

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2.6   The analysis suggest that home ownership is likely to be constrained in future years as house prices start to increase whilst earnings remain fairly flat and whilst large deposits are required for first time buyers.

2.7   This section would benefit for the addition of information about the affordability of the private rented sector and what this may mean for the demand for intermediate rent. This would be additional and complementary to the discussions in Chapter 5 on these topics. **See Recommendation Three**.

Estimate of total future number of households.

2.8   Chapter two sets out the number of projected households in TAYplan for the period 2010 to 2035. This uses the official projections produced by National Records for Scotland (NRS). Both NRS's principle projection and its variant projections are presented for each Local Authority.

2.9   The data indicate that the number of households are expected to increase by around 23 per cent by 2035, from around 350,000 in 2010 to 430,000 in 2035.   The growth in household will be driven by inward migration and Perth and Kinross is likely to experience the largest growth.

2.10   The household projections were triangulated against the household counts from the 2011 Census for each TAYplan authority. This showed that there was very little difference between the estimates and the actuals. This provides additional reassurance about the reliability of NRS's projections when used to estimate need and demand.

Estimate of household groups who have specific housing requirements e.g. families, older people, minority ethnic groups, disabled people, young people, etc.

2.11   It is acknowledged that Chapter 3 was developed using the HNDA Guidance 2008. As such, it would generally be considered fit for purpose. TAYplan should be aware that the Scottish Government's refreshed HNDA Guidance, due for publication in early 2014, provides more detail on the requirements regarding estimates of specialist provision housing. This will enable any reader to have a clearer understanding of the need and demand for specialist provision housing and related services by the end of the chapter.

2.12   The refreshed HNDA Guidance takes a very different approach to Specialist Provision. It now requires an assessment to be made on the overall property needs, care and support needs and locational needs. This accords with the requirement to mainstream as far as possible, the equality

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agenda, moving away from `grouping' people and looking instead at providing accommodation for all.

2.13   The templates in the new guidance allows evidence, usually made available by different types of people, to be considered and then collated to give an overall picture of need.   This approach is based on the fact that regardless of a person's age, disability, illness or frailty, the provision required may often be the same or similar.

2.14   It would perhaps be helpful to recognise that the HNDA Guidance update will include an improved approach to investigating the need and demand for specialist provision and commit to updating the document to reflect this as soon as is feasibly possible.

Estimate of current number of households in housing need.

2.15   TAYplan estimate that 24,264 households are currently in need (Fig 4.4).   An assessment is then made as to how much of this need could be met by in-situ solutions and households who could afford to resolve their needs in the market.   When these elements are deducted, TAYplan estimate that there are currently 6,728 households in need of social housing (Fig 4.9).

2.16   The method used to derive these estimates accords with the HNDA Guidance 2008. Particular care and attention has been taken as to which affordability ratio to use when netting out households who can afford to purchase a home and those who cannot.   The reasoning which underpins the decision to use a lending multiple of 2.6x income for an 80% loan, for first time buyers, is well evidenced.

2.17   There is an adequate level of consistency across the data sources that have been used to inform each element of backlog need for the four TAYplan local authorities.   Local data sources have been triangulated sufficiently against national data sources and the reasons for using local datasets are clear.

2.18   If support needs/adaptations for Angus and Perth & Kinross can be triangulated with the Scottish House Condition Survey (SHCS), then this should also be possible for Dundee City. This should be revisited.   It would be helpful to explain how the *0.195 figure was derived to apportion backlog need to Fife. This could appear as a footnote under Figure 4.5.

2.19   Figure 4.1, page 168, identifies a backlog need category called 'Households affected by harassment' however this does not appear as a category in the subsequent calculation.   The reason for this should be

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explained. A count of BTS properties is available from the SHCS and should be used for triangulation of properties in poor condition.

Estimate of future households that will require affordable housing

2.20   Figure 4.11 estimates a requirement for between 18,799 and 25,206 affordable properties. These figures are derived from Table 4.9 Backlog Need and Table 4.10 future affordable need. A breakdown is provided for each local authority.

Estimate of future households requiring market housing.

2.21   Figure 4.12 identifies the requirement for both owner-occupied and private renting for each of the six scenarios (excluding scenario 2). This provides a range of estimates for market housing.

Estimate of total future households requiring either affordable or market housing.

2.22   TAYplan estimate a total need for between 34,596 and 57,802 new homes between 2012 and 2032. This ranges from 18,799 to 25,506 affordable homes (14,222 to 17,318 social rented homes and 4,557 to 7,877 intermediate rented homes) and between 15,796 to 24,429 private homes (8,160 to 13,049 owner occupied homes and 7,636 to 11,380 private rented homes).

2.23   Tables 1 and 2 in Chapter 5 provide these figures as annual estimates for each of the tenures, social renting, intermediate, private rented and owner-occupation.

2.24   The method used to derive these estimates accords with the official guidance. Future need has been estimated using the HNDA Tool which was run for five scenarios. The scenarios present a range of alternative futures where there are different economic outlooks and levels of migration. The choice of scenarios is sensible and the reasons for choosing them are set out in depth in Chapter 2.

2.25   There is a clear understanding, and signposting of, how the above estimates will be used to inform Housing Supply Targets and stock management policies in the Local Housing Strategy and for decision about land allocation in the Development Plan.

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3. Housing Need and Demand Assessments – Process Checklist

Approach to identifying Housing Market Area(s) (HMA) is consistent with accepted approaches to identifying housing market areas.

3.1   Page 7 of the TAYplan HNDA discusses the TAYplan-wide Joint Housing Market Area Study (September 2012), which concluded that that the Housing Market Area boundaries defined in 2001 remain appropriate. Firstly, it would be helpful if a link were provided to this document, indeed it may be more appropriate to include that as an annex to the HNDA. It would also be useful if details of the methodology from the 2012 Joint Housing Market Area Study could be included with the text on Page 7. **See Recommendation Four**.

Housing market conditions are assessed within the context of the housing market area and any component markets contained within it.

3.2   Market conditions are presented for the TAYplan area as a whole and for each constituent local authority area. Where data allows, this has been further broken down to Housing Market Area level. This includes projected annual new build levels for each of the four main tenures (social rent, intermediate, private renting and owner-occupation) for the next 20 years for each housing market area.

Involves key stakeholders.

3.3   Appendix 3 details the working arrangements for undertaking the HNDA and the partnership arrangements for those participating in the process. From this, it is clear who has been involved from each local authority, however, wider partnership is less clear as the document only alludes to a consultation network.

3.4   The HNDA should identify what consultation has been undertaken, with whom and how this consultation has impacted on the process and outputs. **See Recommendation Five**.

Contains a full technical explanation of the methods employed, with any limitations noted.

3.5   The TAYplan HNDA has used the new HNDA Tool produced by the CHMA and provided explanation of how they have considered and arrived at various inputs. In particular the scenarios used have been presented and discussed in detail.

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3.6   Further helpful detail is presented in relation to how the backlog need figure has been calculated, before the document explains how the backlog estimates and Tool estimates fit together.

3.7   As well as providing sufficient detail, the HNDA also recognises where data sources are unavailable, although no attempt is made to suggest how this may be rectified for the future.

Assumptions, judgements and findings are fully justified and presented in an open and transparent manner, in particular in relation to economic growth, demographic change and migration and income estimates.

3.8   Chapter 2 sets out the key drivers of the TAYplan housing market, including demographic projections, future economic performance and the future affordability of home purchase in respect of income and house prices.

3.9   Population projections are provided using official data from the National Records of Scotland (NRS). This indicates that migration, rather than births and deaths, will be the key driver of a rise in TAYplan's population. This will be particularly strong in Perth and Kinross.   The population is estimated to rise by around 50,000 by 2035.

3.10   Household projections have also been included using official NRS estimates. NRS produce seven variant household projections and these are all considered in Chapter 2. These indicate that the number of households is likely to rise somewhere been 15 and 28 per cent by 2035. At this point in report it might be useful to signpost which variant was chosen for use in the HNDA Tool and the reasons for this.

3.11   The report is correct to state that there are a restricted number of data sources which provide forecasts about future economic performance. Nevertheless, it does include intelligence from a number of credible sources including the Fraser of Allander Institute, Scottish Enterprise and Single Outcome Agreements. Further soundings on future economic performance were also taken from the councils' Economic Development teams.

3.12   In general the evidence suggests that there could be some small growth in economic performance in TAYplan based on increasing employment and large scale construction projects such as the Dundee Waterfront. At this point in the report it would be helpful to include a line setting out how this economic assessment has been used to inform the economic parameters in the HNDA Tool.

3.13   The affordability of housing is considered in terms of both earnings, house prices and mortgage availability. This is based on credible sources of

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market intelligence. This suggests that earnings are set to remain fairly flat, house prices may increase slightly and access to finance will ease slightly for first time buyers though it will remain stringent in terms of deposits required. It would be helpful to include some data to indicate trends in average earnings across TAYplan.

3.14 The assumptions and judgements which underpin each of six scenarios used to run the HNDA Tool are set out in substantial detail in Chapter 2, both as a narrative and in tabular format. These make it clear to see what variables were held constant across the scenarios and those which were varied.

Uses and reports upon effective quality control mechanisms.

3.15 Certain quality control mechanisms are made evident in the report, for example triangulation, acknowledgement of data weakness and caveats, and the project sign-off stages from the HNDA Executive Group. The CHMA also acknowledges having had sight of, and the opportunity to comment on, earlier draft versions of some chapters. However, it would be helpful for a short statement to be included within the report to set out explicitly what quality control mechanisms have been used.

3.16 However, it is clear that the document has not been sufficiently proof-read as identified at paragraph 2.2 above.

Explains how the assessment's findings have or will be monitored and updated (where appropriate).

3.17 Chapter 6 provides detail of the TAYplan monitoring and updating arrangements. However, whilst the document is clear that there is a need for such there is a lack of detail about how and when this will be undertaking and by whom. Instead, the document is reliant on external factors and timescales. It would be helpful to know for instance that TAYplan intend re-visit this document on perhaps an annual basis, rather than waiting to see if anything has happened. For example, as described at paragraph 2.14 above, the document could be updated in the near future to reflect the new HNDA guidance on specialist provision. **See Recommendation Six**.

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4. Housing Need and Demand Assessment – Robust and Credible Status

4.1 Based on an appraisal of the criteria at sections two and three, the CHMA consider that the process and methodology used to produce the TAYplan's HNDA has the potential to be robust and credible if the following recommendations are implemented:

Recommendation One:

The HNDA should be fully proof-read and all drafting errors and omissions corrected.

Recommendation Two:

The HNDA should provide links to the local stock condition surveys referred to in order that the information presented can be corroborated. It would also be helpful to clarify that these documents have also been quality-proofed. Furthermore, in relation to stock condition, a count of BTS properties is available from the SHCS and should be used for triangulation of properties in poor condition.

Recommendation Three:

The HNDA should provide additional information about the affordability of the private rented sector and what this may mean for the demand for intermediate rent.

Recommendation Four:

The HNDA should provide a link to the TAYplan-wide Joint Housing Market Area Study (September 2012). Details of the methodology from this study should also be provided in the HNDA.

Recommendation Five:

The HNDA should include details of the organisations involved in the consultation network and how their views have been considered.

Recommendation Six:

The HNDA should present a pro-active timetable for undertaking monitoring and review.

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5. Conclusion and Implications – What Happens Now?

5.1   The CHMA has appraised TAYplan's HNDA as having the potential to be robust & credible, if the recommendations set out in section 4 are implemented. Following that, a letter to confer robust and credible status to your HNDA should be achieved following consideration by CHMA.

5.2   The Scottish Government Reporters have agreed that HNDAs appraised as robust & credible by CHMA should not be scrutinised at Inquiry. However, it should be stressed that this only relates the process & methodology used to produce your HNDA. Your housing need and demand estimates themselves may still, potentially, be scrutinised at Inquiry.

5.3   The CHMA would welcome the opportunity to meet with you to discuss this appraisal. Please let us know if you would like to proceed in this way. In the meantime, if you have any questions about this appraisal, please do not hesitate to get in touch. It is envisaged that local authorities and other planning authorities would update their HNDAs on an on-going basis. The CHMA will continue to provide help, support and advice on all aspects of HNDAs, as well as running training events where a need for this is identified.

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