

Highland Housing Market Analysis

HNDA 2021 - Supporting Paper 2 - "In year arising need"

1. Introduction

- 1.1. In identifying the "existing backlog" of need for input into the 2020 HNDA the Housing Market Partnership questioned the methodology being used to calculate this figure.
- 1.2. Highland Council use an assessment of the applicants on the Highland Housing Register (HHR) to identify those who would require an additional housing unit to accommodate them. The additional paper "Backlog_Definition_2020_HNDA" covers this assessment in detail, the methodology being confirmed as a valid approach by the CHMA in their appraisal of the 2015 HNDA.
- 1.3. In recent years however findings show that the building of a significant number of affordable housing units each year has shown limited impact upon the backlog of existing need figure. Table 1. shows the backlog figures identified in a snapshot taken on April 1st each year of the Highland Housing Register assessed in the same way as described in the paper to identify existing needs.

Table 1. HHR Snapshots

Snapshot Date	HHR Total Applicants	Rules based Existing Backlog Figure
1 April 2015	From HNDA2015	2144
1 April 2016	6799	2099
1 April 2017	7170	2230
1 April 2018	7437	2319
1 April 2019	7487	2234
1 April 2020	7396	2236

Source: HNDA2015 and Highland Housing Register

- 1.4. In the Highland Housing Needs and Demands Assessment 2010 the total Housing Requirement INCLUDED the "Arising Need" and "Existing Need (Backlog Clearance)" and also a figure to account for the "In Year Priority need" – which was provided by Herriot Watt University to inform the need for affordable housing (in addition to the existing backlog). Chapter 14.2 of the HNDA2010 describes the model used to calculate this.
- 1.5. In the Highland HNDA2015 only the "Arising Need" and "Existing Need (Backlog Clearance)" were included in the baseline Housing Requirement figure. The "In Year Priority need" described above was NOT incorporated - instead it was included in the calculations of the Housing Supply Target (Para 4.7 and Tables 4-10 and 4.11)
- 1.6. In preparation of the HNDA2020 a query was raised by the HMP as to whether we should include a factor to address this "In year Priority need" within the HNDA baseline figure and if so how should it be calculated?

- 1.7. Options identified included:
- Include this factor as part of the baseline HNDA figure
 - Include as a component/adjustment to calculate the "Housing Land Requirement"
- 1.8. This approach to this component was queried with the CHMA and the NRS Housing Analysis team who identified that we would need to confirm in the HNDA that:
- There is an unprecedented level of need, that exceeds historic trends, and is therefore not captured in the projections or...
 - The need was never being met by the current system, in this case we would be predicting the current shortfall to continue or...
 - Policy/affordability etc. has recently changed in a way that makes household formation less responsive to need
- 1.9. Points 1 and 2 above are considered key here – that the existing need is not being addressed, is not currently being met by the current system (i.e. the level of delivery of affordable housing). The following demonstrates this issue in more detail.

2. Delivery of Affordable Housing in Highland Council Area

2.1. Recent delivery of housing stock is illustrated in the following table:

Financial Year	Affordable Housing Supply			Total Affordable Delivery	HC Area ALL Completions
	RSL	HC	Other Affordable Schemes		
2013/14	82	125	165	372	873
2014/15	92	193	176	461	921
2015/16	100	118	215	433	817
2016/17	50	131	238	419	789
2017/18	124	110	232	466	981
2018/19	259	162	254	675	1280
2019/20	215	141	204	560	1361

Source: <https://www.gov.scot/policies/more-homes/affordable-housing-supply/>

- 2.2. With total affordable delivery across ALL approaches including council, Registered Social Landlords (RSL's) and through Mid-Market Rent, shared ownership and other suppliers falling under this definition – delivery in the Highland Council Area has ranged from 372 to 675 in any single Financial Year. This averages 484 per year between 2013/4 to 2019/20.
- 2.3. The HNDA in 2015 identified a need of 562 per year in Social and Below Market Rent Tenures from 2015 to 2019 which was calculated using a target of clearing an existing need backlog of 2144 backlog over 10 years.

- In this 2015/6 to 2019/20 period we delivered at an **average of 510 per year** so the 5-year total need of $562 \times 5 = 2,810$ was met by a delivery of 2550 “affordable” units (as identified in the Scottish Government More Homes reports.)
- In this same period - the priority need figure BACKLOG figure **rose** from 2144 in Year 2015 to 2236 in 2020
- This suggests that the numbers of “affordable units” delivered were not high enough to clear any of the backlog identified (and in fact an increase in backlog was recorded).

2.4. We next need to question the reasons for failure to reduce the backlog.

- Was the backlog figure that was identified appropriate?
- Is there a missing unseen need?
- Is there unprecedented need not seen from the trend-based projections

3. Analysis of new applicants within the year

3.1. To explore this area further we looked in detail into lettings made to applicants on the HHR over a three-year period. The assessment of these applicants against the rules used to quantify the backlog of need was also considered and found that in each of the last three complete years around an additional 1000 applicants who would have qualified under these rules used to assess backlog of need have appeared within the year on the Highland Housing Register (HHR).

Financial Year	New applicants
2016/17	992
2017/18	1067
2018/19	996

- 3.2. This is in a time when additional affordable stock numbers of 419, 466 and 675 have been delivered. A number of these applicants are successfully housed within the year, along with some of those who actually appeared on the snapshot taken (on 1st April each year) to quantify the backlog. Some applicants drop off the list within any year (find housing elsewhere, some no longer qualify by the next snapshot date) but this analysis attempted to estimate of how many additional households who would qualify against the backlog assessment appeared “in year”.
- 3.3. A single year (FY 2018/19) of data was analysed in depth to understand the position of those being housed. Taking the “Existing need” applicants (those considered as part of the existing need for HNDA purposes) there were 2319 at the 1st April snapshot taken at the start of the year (31.2% of the total HHR).
- 3.4. Of all those housed by Highland Council and RSLs in the year – around 32% are from the backlog identified at the 1st April snapshot. The remainder are either “arising in the year” – and would be considered as part of the backlog if assessed against the qualifying rules (23%) or are not considered part of this priority group.
- 3.5. The position varies widely across the 10 Housing Market Areas (HMAs) in Highland Council area, typically this is very dependent upon availability of appropriate and vacant housing stock:

- Caithness accommodates the highest proportion of the snapshot backlog identified at the start of the financial year, followed by East Ross then Skye and Lochalsh (all accommodating over 30%).
- Badenoch and Strathspey and Ross and Cromarty West accommodate the lowest numbers, both less than 19%.
- Of those who appear on the Housing List within the year, how many would be considered as part of the backlog of existing need?
- In Caithness 37% of the “in year” need were accommodated in the same financial year
- Inverness, Nairn and Badenoch and Strathspey only managed to accommodate 11-13% in the same financial year.

3.6. This additional year on year addition to the backlog is perhaps best described as the “in year arising need” **and appears to be overlooked in the existing parameters input into the CHMA tool.**

3.7. Clearly capacity in different HMAs is very different from the available housing stock. In Highlands with significant distances between some HMAs – it is often not appropriate to offer housing in adjacent or more remote HMAs just because there is capacity located there.

4. An external view of newly arising households

4.1. The recently (May 2020) published report by Shelter/Chartered Institute for Housing/The Scottish Federation of Housing Associations, Affordable Housing Need in Scotland Post-2021 recognises this shortfall stating “newly arising households that will not be able to meet their housing requirements in the private market” and “...both Population and Household projections are trend based and extrapolate past trends. If market and other conditions mean more households are likely to face housing difficulties - then these people are progressively underrepresented.”

4.2. In the report – table 6.10 suggests that across Scotland 63% of new households cannot afford to buy or rent privately. When the same assessment was previously carried out in 2015 this figure was 46%. For the Highlands, Islands and West area this figure is 60%.

4.3. The report aggregates Highland Council Area along with the Islands and other West coast local authorities making extraction of Highland figures difficult. For this reason – we followed the process detailed in the report using Highland Council area specific datasets.

4.4. This report uses a methodology (described in detail in the report itself and summarised in Appendix B. of this paper) as follows:

- **Using** the “backlog of housing need” (we have produced “snapshot figures” of backlog need for this on 1st April for each year)
 - **Add** the “newly arising need”
 - **Take off** the “supply of affordable lettings”
- = GROSS AFFORDABLE HOUSING REQUIREMENT**

4.5. For our purposes however this is not the figure we are looking to identify here, however in the calculation of this overall output – we can identify the component we are looking for, which is the “newly arising need” figure – or more specifically the element that is NOT

already accounted for in the Household Projections supplied in the HNDA tool by NRS (the “arising need”).

- 4.6. The process used is described more fully in Appendix B. and has used a single year of data for Financial Year 2018/9 with data sourced appropriately to the Highland Council Area and following the same methodology. The outcome from this process identifies a total of 194 households “arising in year” (the additional unmet need that is not included in the 1st April snapshot) across the Highland Council Area.

5. Accommodating “in year arising need” need in the HNDA

- 5.1. The next stage was to consider how this additional component could be addressed in the HNDA. Two potential approaches were identified.
 - Approach 1. Simply add this total figure to the annual household totals supplied by NRS for Highland wide household arising need. Due to the way the HNDA tool works – the Highland wide household totals are then split proportionately (we have agreed to instead use a 10-year HMA aggregated house completions average to more appropriately allocate between HMAs). This approach would however allocate this need to where houses have historically been built (all tenures) – not to where there are specific housing pressures.
 - Approach 2. Accept the HNDA Tool calculated output totals from the chosen scenario. Outside the tool calculations identify which HMAs have this additional need (where the existing need is not being met) and proportionately allocate to the relevant HMAs.

6. Summary

- 6.1. Our findings suggest that the existing methodology used in the HNDA tool does not account adequately for the position we find ourselves in in 2020/2021. Despite delivering high numbers of “Affordable Housing” as a proportion of around 1000 homes delivered per year, in the Highland Council Area we have seen no impact in the backlog of those in priority need.
- 6.2. We consider this is due to multiple factors:
 - There is an **unprecedented level of need, that exceeds historic trends**, and is not captured in the trend-based projections used to identify changing numbers of households requiring housing.
 - **The need was never being met by the current system**, as demonstrated by lower than required delivery of affordable tenure housing (against HNDA 2015 figures) and the failure to reduce the backlog of need that we have demonstrated through monitoring of annual snapshot figures.
 - House price rises and increasing and private rental costs against income are **making household formation less possible into these tenures**.
- 6.3. We intend to use a figure of **194 per year** as the reasonable estimate consider this is due to multiple factors:

Appendix A. Assessment of a single year of Lettings FY 2018/19

In the selected financial year from 01//4/2018 to 31/3/2019, 1829 lettings (by HC and RSLs) were made in the Financial Year.

2319 applicants were identified using the Rules described in accompanying paper to this HNDA **Paper_1_Backlog_Definition_2020_HNDA** and would qualify in the backlog of need referenced on 1st April 2018

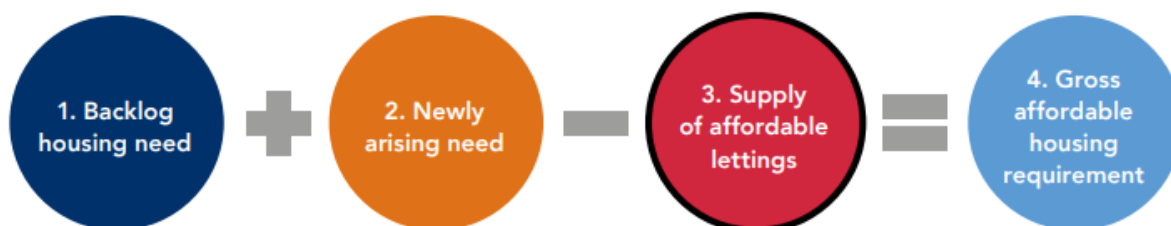
- 589 of these applicants were housed (24.4% of the snapshot) by the end of the year
- A further 419 who were NOT on the list at the start of the year snapshot date (but would have been considered as “Existing Need” if assessed at the time of snapshot) were also housed
- A total of 1008 of those housed would have been considered as “Existing Need” if the rules were applied to them. This is 55.1% of the year’s lettings.
- The position varies widely by Housing Market Area with a low of 15.9% being housed from Ross and Cromarty West, and 35% from Caithness and 9.7% from locations outside Highland Council Area.
- In Caithness – of the 89 in “Existing Need” at the start of the year – 32 were housed (36%) plus a further 120 who arose within the year and would have been assessed as in priority need – of a total of 324 lettings (others housed were on the Highland Housing Register but not considered to be in this priority need category).
- In Inverness HMA – with 946 “Existing need” on the snapshot date – 25.3% (239) were housed in the year and only an additional 52 of those who appeared “in Year” were housed.

The additional 821 housed were applicants from the rest of the Highland Housing Register who would not be assessed as “Existing Need” but could nevertheless be accommodated in the year – 496 from the assessment snapshot on April 1st 2018 and another 325 who joined the list within the year, and were housed within the year.

Appendix B. Summary of process for calculating In Year Arising Need

The recently published (May 2020) [Affordable Housing Need in Scotland Post-2021](#) report describes a methodology aiming to calculate the gross affordable housing requirement. Although this is not what we are looking to identify here - to calculate the “unmet in year arising need” components in the methodology used in this modelling were particularly useful in identifying Highland Council area appropriate figures.

The overall methodology used in the study is:



We know the figure for **Step 1. Backlog of housing need** - this is taken as the snapshot of Priority Need identified on 1st April each year. In the case of Highland Council Area this has been steady between 2200 and 2300 over the last 5 years.

Step 2. Newly Arising need consists of **two components**:

- The first component is the portion of all newly arising need (supplied in the NRS Household Projections) requiring affordable housing. This is calculated in the HNDA tool as a Highland Council Area total using the NRS supplied Household Projections. This uses a trend-based projection which assumes that what has happened in the past, from the 5 years of trend forming data, will continue to happen in the same way into the future. We use the average figures for 10 years of house completions per HMA across the Highland Council Area to proportionately split this Highland Council Wide total to HMA level. This is all included in the HNDA tool.
- The second component is considered an additional component and consists of those becoming homeless in the period **over and above (and therefore in addition to) the trend projected need identified in component one above**. It can only realistically be estimated and will vary year on year.
 - In the simplest of terms this component attempts to quantify a number of households becoming homeless and is calculated from the using a count of those given an assessment of homelessness in a given year.
 - Using Highland Housing Register (HHR) snapshots we know how many of those with a homelessness assessment* who appeared on the 1st April 2019 HHR snapshot **who were NOT on the 1st April 2018 list** (i.e. assessed in the year and were NOT housed by 1st April snapshot 2019) – and we know the applicants on the 1st April 2018 snapshot applicants who were assessed as homeless who were housed WITHIN the financial year.
 - This gave a total number of 1648 – households who were “assessed as homeless” (using the methodology described in Paper_1_Backlog_Definition_2020_HNDA) for the year for which data was analysed FY 2018-2019.

In the referenced paper the wider Scotland methodology uses 60% as a factor for those assessed as homeless which typically lead to a social letting – so we have used this factor (*0.6) to apply to this number (1648) to give **989 as the figure** identifying this component of additional need.

Step 3. Supply of Affordable lets (Step 3. In the methodology)

This is perhaps better described as the existing housing stock's "ability to accommodate" (the number of housing units available to NEW tenants – it excludes those relet to existing tenants). This uses data to estimate **the supply of future affordable housing that is part of the existing stock** by a complex assessment of Social Rental Sector (SRS) stock lettings, the number of General Needs lets and proportion let to New tenants, plus adjustments for lets arising due to deaths or institutional care.

This analysis results in the calculation of a figure described as the **Supply of Social re-lets and for the Highland Council Area this is calculated as a capacity of 795 for the studied year.**

Calculating the additional "In Year arising need"

The previous two steps have identified a factor that is not considered to be included in any element of the HNDA tool calculations. It provides an estimate of the undercapacity of the existing "available for reletting" housing stock across a year, that could be used to accommodate applicants assessed as homeless. The capacity of **795 figure** (the supply of re-lets available to new tenants) taken away from the previously calculated **989** (number assessed as homeless in given year) we get a figure of **194**.

This figure of 194 is as considered a reasonable estimate from this one year of detailed analysis using data available within Highland Council and is used to deliver a Highland Council Area wide total.

It could be described as **the additional need over and above the affordable requirement forecast by trend based projections**. It represents the inability of the existing stock to accommodate those in **priority need arising in addition to new households forming each year** Highland Wide.

Appendix C. Methodology for distributing “In-year arising need” across HMAs

Clearly the ability to meet this additional demand varies significantly by Housing Market Area within the wide Highland Council area of responsibility (see table below). It is not considered appropriate to add any of this figure into HMAs where there is exists a positive figure calculated from the “Capacity to accommodate” (i.e. where the “Existing Need identified on the snapshot date” minus the “total housed in a year” results in a negative figure).

An approach that only applies this need to the areas where there is no capacity to accommodate was required.

Housing Market Area	Annual Priority Need Housed	Priority at snapshot date (01/04/2018)	Total Housed (includes all priorities)	Capacity to accommodate*	Proportion of "In Year" arising need to allocate**
BS	33	129	65	64	7.3%
CA	188	108	374	-266	
ER	128	179	240	-61	
IN	300	1122	496	626	71.6%
LO	83	197	147	50	5.7%
MR	110	215	187	28	3.2%
NA	37	104	77	27	3.1%
RCW	22	46	39	7	0.8%
SL	55	158	86	72	8.2%
SU	52	61	118	-57	

*Capacity to accommodate is Snapshot date Priority Need – Total Housed in year

** Calculated using proportion of shortfall (sum of positive numbers only) per HMA

Capacity to accommodate is identified in Caithness, East Ross and Sutherland, and shortfalls are identified in all other HMAs. The magnitude of the shortfall varies and this is used to proportionately allocate this need to the appropriate HMA.

Worked examples:

Caithness HMA

Priority Need (on the snapshot date) is 108

Total Housed (in year) is 374

108-374 = Negative Number (-266) **indicating plenty of available stock** to cover the priority need

Inverness HMA

Priority Need (on the snapshot date) is 1122

Total Housed (in year) is 496

1122-496 = +626 **indicating a large shortfall in lets available** to accommodate the priority need

The final column in the table reports the proportion of the total "In-year arising need" to be added to each of the HMAs identified using this method.

Applying the calculated input figure of a 194 shortfall, the output is described in the table below.

	Capacity to accommodate - based upon Snapshot Priority and annual Priority accommodated	Proportion of "In Year" to allocate	"In Year" shortfall to allocate? (Total 194)
BS	64	7.3%	14
CA	-266		0
ER	-61		0
IN	626	71.6%	139
LO	50	5.7%	11
MR	28	3.2%	6
NA	27	3.1%	6
RCW	7	0.8%	2
SL	72	8.2%	16
SU	-57		0

These figures would be added each year to the totals per HMA as additional need – meaning most of this unmet need applies in the Inverness HMA – with smaller portions in Badenoch and Strathspey, Skye and Lochalsh and Lochaber.