NORTH LANARKSHIRE LOCAL DEVELOPMENT PLAN

AFFORDABLE HOUSING POLICY
BACKGROUND REPORT

November 2018

North Lanarkshire Council
Enterprise and Communities

CONTENTS

1. Introduction

1.1 North Lanarkshire Local Plan (NLLP) was adopted on 28th September 2012. This Background Report is the technical justification for the continued application of the Council's Affordable Housing Policy (AHP) in North Lanarkshire Local Development Plan (LDP). The approach to the development of the AHP was originally approved by the Housing and Technical Services Committee in April 2006.

2. National Policy Context

2.1 Scottish Planning Policy[1] (SPP) paragraphs 126-131 and Planning Advice Note (PAN) 2/2010: Affordable Housing and Housing Land Audits[2] provide the national policy context for the development and implementation of an Affordable Housing Policy. SPP and PAN 2/2010 are clear that the main justification for the application of an AHP is through a Housing Need and Demand Assessment (HNDA). Where a shortfall of affordable housing is identified, the Local Development Plan should address this as part of the overall housing land requirement.

2.2 Scottish Planning Policy Paragraph 129 states that the level of affordable housing required as a contribution within a market site should generally be no more than 25% of the total number of houses. It also states that considerations should be given to the nature of affordable housing required, and the extent this can be met by proposals capable of being delivered with little or no public subsidy.

2.3 In order to justify the Affordable Housing Policy the Council is using a wide and comprehensive evidence base including:

- Glasgow and Clyde Valley Housing Need and Demand Assessment: HNDA1, April 2011 and HNDA2, 2015[3]
- Social housing sector pressure analysis, since 2012: as at 31 March 2012, 31 December 2012,and 31st March 2014
- Data on homelessness from the Council's Measuring Charter Outcome (MCO) reports for 2013/14

2.4 HNDA2 covers the eight constituent council areas in the Glasgow and the Clyde Valley (GCV) Area, managed by the GCV Housing Market Partnership (HMP). The study was undertaken in line with Scottish Government guidance, published in June 2014. HNDA2 serves a range of purposes including being a background report to the Strategic Development Plan. It also provides important supporting evidence for the eight local authorities' Local Housing Strategies and Local Development Plans. A key output of HNDA2 is an estimate of the number of additional homes needed within North Lanarkshire, by tenure, over the next c.15 years.

2.5 HNDA2 was submitted to the Centre for Housing Market Analysis (CHMA) in January 2015, and appraised as 'robust and credible' in May 2015.

2.6 The results from HNDA2, combined with local information, including pressure analysis, homelessness analysis, house-price and income data, demonstrate a shortfall in affordable housing in the Cumbernauld Housing Sub Market Area (HSMA) and support the continuing need for an AHP within that HSMA. The ability to triangulate different data sources provides a level of certainty and credibility to the justification.

2.7 In line with Scottish Planning Policy, the most important spatial level for the Affordable Housing Policy is Housing Sub-Markets Area (HSMA). The HSMAs are also the Council's main spatial planning level for the development and implementation housing of the Local Housing Strategy and the housing elements of the Local Development Plan. In North Lanarkshire, these are:

[1] http://www.scotland.gov.uk/Resource/0045/00453827.pdf
[2] http://www.scotland.gov.uk/Publications/2010/08/31111624/0
[3] Copies of the 2011 and 2015 housing needs and demands assessments are available from the Housing & Social Work Service Strategy Team and are published respectively on the Council's website at the following links: http://www.gcvsdpa.gov.uk/index.php?option=com_content&view=article&id=34&Itemid=34; HNDA2: May 2015

Housing Sub-Market Areas	Local Housing Market Areas
Cumbernauld	Cumbernauld Moodiesburn Kilsyth
Airdrie/Coatbridge	Airdrie Coatbridge
Motherwell	Bellshill Motherwell Shotts Viewpark Wishaw

3. Clydeplan Housing Need and Demand Assessment (HNDA2), 2015

3.1 The Scottish Government developed the HNDA Tool to assist local authorities in compiling HNDAs, by reducing cost and complexity and bringing together sources of national data in a way that supports consistency in approach. HNDA2 used Tool Version 2.01.

3.2 The supporting guidance differs from previous guidance in a number of key methodological areas, so estimates of need and demand may vary from previous assessments. The main differences are in the treatment of “existing need” in the calculation of future housing need and demand. The estimates only include those types of existing need that require an additional housing unit to be provided. This discounts any existing need that can be met by an in-situ solution.

3.3 HNDA2 estimated the future number of additional homes required to meet existing and future housing need and demand. It captured information on the operation of the housing system to assist development of the AHP. HNDA2 provides a robust, shared and agreed evidence-base for housing policy and land use planning and ensures that both Local Housing Strategies(LHSs) and Development Plans are based upon a common understanding of existing and future housing requirements. Where the Scottish Government is satisfied that the HNDA is robust and credible, the approach used will not normally be considered further at a Development Plan examination and HNDA2 was appraised as ‘robust and credible’ in May 2015 by Scottish Government Centre Housing Market Analysis (CHMA).

3.4 The robust and credible HNDA2 informs policy development, decision-making and the use of resources by:

- enabling the Council to develop long-term strategic views of housing need and demand to inform LHSs and Development Plans
- supporting development of a strategic approach to housing need and demand for all housing tenures
- enabling reflection on any geographic implications of housing need and demand
- providing robust evidence to support decisions about new housing supply, wider investment and housing-related services
- providing evidence to inform policies about the proportion of affordable housing required, including the need for different types and sizes of provision and providing evidence to inform policies related to the provision of specialist housing and housing-related services

4. Affordable Housing Policy Justification

4.1 North Lanarkshire Council can justify continuation of an AHP through HNDA2 which was appraised as ‘robust and credible’ in May 2015 by Scottish Government CHMA.

4.2 HNDA2 indicates that there are c.2,223 households currently in housing need. In addition, there will be a need for 3,246 social housing/below market units, bringing the total requirement to 5,469 units (322 each year over the planning period 2012-2029).

Table 1: Total housing need for social rented/below market rent, 2012-2029

	Total need	
	Number	**Percentage**
Existing need	2,223	41%
Homeless need	548	10%
Concealed and overcrowded	1,675	31%
Need from new households	3,246	59%
Total	**5,469**	**100%**

Source: GCV HNDA2

4.3 North Lanarkshire Council developed a needs-based approach to disaggregation of HNDA2 housing estimates to HSMA (Appendix 1) using relative housing pressure ratios to guide the share of the housing estimate allocated to each of the areas[4].

4.4 The disaggregation methodology takes account of local needs-based information and was reviewed by Scottish Government CHMA who confirmed it was logical and evidence-based (Appendix 2).

4.3 The disaggregated annual housing need estimate shows that Cumbernauld HSMA has the greatest need for additional housing (162 units each year), followed by Airdrie/Coatbridge HSMA (84 units each year) and Motherwell HSMA (76 units).

Table 2: Disaggregation of housing need estimate per annum

HSMA	**Waiting list pressure (3 year average)**	**% share of ratios WL press**	**Applying share of ratios to housing estimate**
Airdrie/Coatbridge	2.8	26%	84
Cumbernauld	5.3	50%	162
Motherwell	2.5	24%	76
North Lanarkshire	**3.0**	**100%**	**322**

Source: Methodology note HNDA2 NLC housing sub market area (HSMA) disaggregation, May 2015 &

4.4 The housing estimates are in line with previous needs assessments providing further justification that there is a continued shortfall of affordable housing in the Cumbernauld HSMA:

- HNDA1 suggested the social rented sector would be finely balanced over the period 2011-2016, with a small overall shortfall of social rented housing across North Lanarkshire of 45 units over the period. A more complex picture emerged at the sub-area level with a need of 195 in Cumbernauld HSMA each year, a very small need of just 7 units each year in Airdrie/Coatbridge HSMA, and a surplus of around 210 units each year in Motherwell HSMA.
- Research undertaken by Bramley for the Scottish Government[5] in November 2006 suggested that the average level of housing need in North Lanarkshire was 75 units a year. Again, marked variations in the level of need were noted at lower geographies (at former district council areas, a proxy for the three sub-market areas): Cumbernauld (Cumbernauld & Kilsyth), an annual net need of 330, Airdrie/Coatbridge (Monklands), an annual net need of 180; and Motherwell a surplus of 465.

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[4] This is in line with the flexibility provided in the HNDA TR07 Table 6.3 which notes that *'LA sub-area figures have been estimated from the HNDA Tool LA housing estimates output using a GCV wide disaggregation method (ref paragraphs 5.10-5.11). In informing local policy for the SR&BMR sector, LAs may use local information specific to their sub areas to inform their local figures.'*

[5] *Local Housing Need and Affordability Model for Scotland – Update (2005 based)*, Research Report 72, Communities Scotland/Scottish Executive, November 2006

Table 3: Past Housing Need Assessments

	HNDA1		Bramley*
Area/Year	**Cumulative total need 2011-16**	**Annual**	**Annual**
Cumbernauld	977	195	330
Airdrie/Coatbridge	33	7	180
Motherwell	-1,055	-211	-465
North Lanarkshire	**-45**	**-9**	**75**

Source:
GCV HNDA 2011: Table 13 Annual Net Housing Need Figure 2011-16 by HSMA (25% affordability high household growth), Bramley CS/SE model - see footnote 6 below
*Sub area geographies for the Bramley 2006 study relate to the former district council boundaries.

4.5 HNDA2 provides a clear justification for continuation of an Affordable Housing Policy within the Cumbernauld HSMA, given the shortfall of 162 units per annum in this HSMA is double that of the others in North Lanarkshire. Furthermore, the Scottish Government was satisfied that HNDA2 was robust and credible, so the approach used should not be considered further at Development Plan examination.

5. Local information to support Justification

Tenure

5.1 The 20013/14 tenure breakdown by HSMA is provided at Table 4. This shows that overall, 31% of North Lanarkshire housing is social rented and a further 9% is private rented. However, there are differences between Cumbernauld and the other two HSMAs. In the Cumbernauld HSMA 69% of the housing is owner occupied, compared with 58% in Airdrie/Coatbridge and 56% in Motherwell. In contrast, social renting is more prominent in the Airdrie/Coatbridge and Motherwell HSMAs.

Table 4: Tenure % by HSMA, 2013/14

HSMA	Total Stock	Owner Occupied	Social Rent	Private Rented/Other
Cumbernauld	37,500	69%	20%	10%
Airdrie & Coatbridge	46,447	58%	32%	9%
Motherwell	67,019	56%	35%	9%
North Lanarkshire	**150,966**	**60%**	**31%**	**9%**

Source: Council Tax Register 2013/14

5.2 In HNDA1, General Registers of Scotland (GROS) 2008-base year estimates were used to inform the tenure split. At that time, the tenure breakdown for North Lanarkshire was broadly similar to the GCV average, although the private rented share lagged behind, at just 4%, compared with 7% for GCV as a whole. The HNDA2 analysis uses the GRO 2012-base estimates for the tenure split. These estimates suggest that the overall stock has increased by 3,651 – that is, by around 890 per annum. New build over the same period was around 900 per annum.

5.3 The tenure structure of the stock is changing and is shown in Table 5 below. In particular, private renting has been growing, to account for 9% of the stock by 2012, up from 4% in 2008. This reflects national and UK trends, given the continuing constraints within the owner occupied sector and the favourable climate for investment in the rented sector, together with changing perceptions of the sector.

Table 5: GCV, North Lanarkshire, tenure structure, 2008, 2012

	Social		Private Rented		Owner-Occupied		Total
	No	%	No	%	No	%	No
2008							
NL	45,990	31	5,283	4	95,190	65	146,463
GCV	25,0114	30	56,165	7	524,248	63	830,527
2012							
NL	46,099	31	13,384	9	90,541	60	150,024
GCV	245,241	29	107,703	13	485,416	58	838,360

Source: GCV HNDA1 June 2011 and HNDA2 May 2015.

5.4 The social rented sector has remained broadly stable over the last few years, both in absolute and relative terms, reversing a period of decline. This results from a marked reduction in Right-To-Buy sales, as a consequence of the impacts of the modernised RTB working through and, critically, the recession reducing demand for RTBs. Throughout this time, development of social housing has been sustained, supplemented by acquisition of stock from the private sector (principally of empty homes and mortgage to rent).

5.5 The private sector has grown, by around 3% or 3,500 dwellings in the four years to 2012.There has been some restructuring within the sector, as shown on Table 5: the private rented sector more than doubled in size, to account for around 9% of the stock; while the owner-occupied sector has declined by 5%, some 4,600 dwellings. A range of factors may help to explain these changes, including continued financial constraints on home ownership and the growth of the ‘buy-to-let’ market.

5.6 Table 6 provides a breakdown of stock and tenure in each HSMA. It shows:

- Motherwell HSMA is the largest of the HSMAs, with a relatively large social rented sector and relatively small owner-occupied sector
- Airdrie/Coatbridge HSMA has a tenure profile broadly in line with the NLC average
- Cumbernauld HSMA is the smallest of the HSMAs, with a relatively large owner-occupied sector, a relatively large Registered Social Landlord sector and a small local authority sector
- The private rented sector is similar in each of the areas, at around 9-10% of total stock

Table 6: Tenure estimates by HSMA as at 31 March 2014[6]

HSMA	**NLC**		**HA**		**PRS**		**Owners**		**Total**
	No.	%	No.	%	No.	%	No.	%	No.
Airdrie/Coatbridge	12,885	28	2,099	5	4,369	9	27,094	58	46,447
Cumbernauld	4,279	11	3,344	9	3,888	10	25,989	69	37,500
Motherwell	19,721	29	3,818	6	5,847	9	37,633	56	67,019
North Lanarkshire	**36,885**	**24**	**9,261**	**6**	**14,104**	**9**	**90,716**	**60**	**150,966**

Source: LHS Area Profiles

5.7 The tenure breakdown within Cumbernauld HSMA clearly shows that only 20% of all stock is social rented in comparison to 33-35% across the other two HSMAs. This lack of social rented stock contributes to housing need within this HSMA.

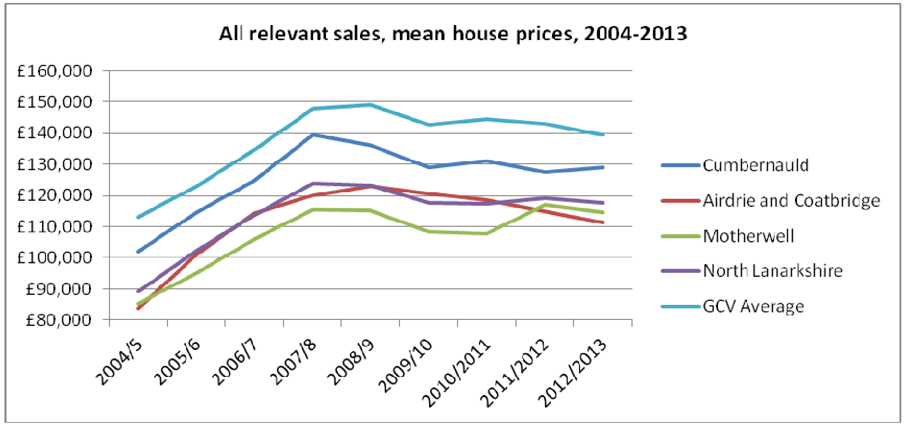
[6] The total number of households is sourced from the Council Tax register, with information for the social rented sector from the Common Housing Register (CHR), for the private rented sector from the Landlord Register; and the owner-occupied sector calculated as the residual value.

House prices

5.8 HNDA2 also includes an analysis of house prices, another key component in assessing affordability. Chart 1 below summarises average house prices for each of the HMSAs compared with the average for North Lanarkshire, as well as for the Glasgow & Clyde Valley area, over the last ten years. It shows that prices were rising sharply in the years preceding the recession, and then steadied and/or declined.

5.9 Notably, average house prices in North Lanarkshire, at just under £118k, are lower than those for GCV as a whole (c.£139k). Clearly, there are differences across North Lanarkshire, with the highest prices in Cumbernauld HSMA (c. £129k), with Motherwell and Airdrie/Coatbridge HSMAs much closer to the NLC average at c.£115k and c.£111k respectively.

Chart 1



Source GCV HNDA2, 2015, TR05 Affordability Trends: House Prices, Rents and Incomes 2012-2013, Tables 10

5.10 Table 7 confirms that average prices have fallen most steeply in Cumbernauld and Airdrie/Coatbridge HSMAs, whilst those in Motherwell HSMA have returned to pre-recession levels. However, a very different picture emerges for prices at the lower end of the market: lower quartile prices have fallen substantially across North Lanarkshire, with the steepest drop in Airdrie/Coatbridge. There is no indication of price recovery by March 2013 in any of the areas. Notably, the gap between the Cumbernauld lower quartile price and the North Lanarkshire lower quartile price has been widening (from 1% in 2007/08 to 6% in 2012/13), indicating greater affordability issues within this HSMA.

Table 7: House prices, mean and lower quartile, and volumes, by HMSA, 2007-2013

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Change (%)
Mean house prices (all relevant sales)							
Cumbernauld	£139,479	£136,185	£129,114	£131,005	£127,368	£129,147	-7%
Airdrie & Coatbridge	£119,997	£123,074	£120,493	£118,666	£114,850	£111,250	-7%
Motherwell	£115,412	£115,350	£108,470	£107,630	£117,107	£114,526	-1%
North Lanarkshire	£123,853	£123,189	£117,624	£117,440	£119,053	£117,653	-5%
GCV Average	£147,795	£148,962	£142,640	£144,663	£143,146	£139,420	-6%
Lower quartile house prices (all relevant sales)							

Cumbernauld	£81,000	£79,000	£78,000	£76,500	£72,000	£72,000	-11%
Airdrie & Coatbridge	£80,000	£80,000	£75,000	£75,000	£70,000	£65,000	-19%
Motherwell	£77,500	£75,000	£72,000	£70,000	£70,000	£67,500	-13%
North Lanarkshire	£79,995	£78,000	£75,000	£73,000	£70,000	£68,000	-15%
GCV Average	£89,995	£86,000	£83,000	£80,000	£78,300	£75,000	-17%
Number of sales (all relevant sales)							
Cumbernauld	2,137	1,009	666	706	749	854	-60%
Airdrie & Coatbridge	2,402	1,345	986	949	915	914	-62%
Motherwell	2,859	1,653	1,145	1,095	1,224	1,268	-56%
North Lanarkshire	7,398	4,007	2,797	2,750	2,888	3,036	-59%
GCV	43,567	23,267	18,687	18,708	18,921	18,820	-57%

Source: GCV HNDA2, 2015, TR05 Affordability Trends: House Prices, Rents and Incomes 2012-2013, Tables 1, 2 and 7

Housing list and pressure analysis

5.11 This section provides further evidence of the pressure on housing in the Cumbernauld HSMA using Common Housing Register ("waiting list") and Management Information System data available to the Council. This allows for a lower level of spatial analysis to the ten Local Housing Market Areas (LHMAs) listed earlier.

5.12 As at 31st March 2014[7] there were 14,350 applicants on the North Lanarkshire CHR; 26% of these applicants were transfer applicants, and 74% were general applicants (waiting list and homeless applicants).

5.13 Further analysis shows that the Cumbernauld LHMA housing list has a higher proportion of "statutory homeless" than elsewhere in North Lanarkshire: with homeless applicants accounting for 6% of applications (compared with 4% for elsewhere in North Lanarkshire).

5.14 The number of homeless presentations in the Cumbernauld area has been rising over recent years - evidence of more acute unmet housing needs than any other LHMA in North Lanarkshire.

5.15 The Cumbernauld HSMA has Pressured Area Status. Table 8 below notes the significant level of pressure that was recorded in the area in 2008, when the application for Pressured Area Status was prepared, particularly in the Cumbernauld and Moodiesburn LHMAs (housing list to supply ratio was approximately 19:1 and 11:1 respectively), whilst the overall pressure recorded for North Lanarkshire was 3.5:1.

5.16 Compared with the position at 31st March 2014 pressure on social housing appears to have decreased across North Lanarkshire. In part, this is will be as a result of the Council's New Build programme, which, together with Affordable Housing Policy contributions in Cumbernauld HSMA, has increased the supply of affordable housing across the area.

5.17 The Cumbernauld LHMA continues to show significantly greater pressure than all LHMAs in North Lanarkshire.

[7] Data sourced from HSMS and NLC intranet (Area Profiles 2011/12)

Table 8: NLC Waiting list 'pressure' for North Lanarkshire, 2008, 2014

LHMA	Waiting list pressure[1]		Pressure[1] by apartment size 2014				
	2008	2014	1 bed rm	2 bed rm	3 bed rm	4 bed rm	5 bed rm+
Airdrie	2.5	2.2	2.1	2.7	1.2	2.4	6.0
Bellshill	4.4	3.5	2.6	3.8	3.5	10.0	5.0
Coatbridge	3.9	2.5	2.4	2.9	1.5	12.8	11.0
Cumbernauld	18.6	9.3	7.8	10.8	6.6	14.8	15.0
Kilsyth	3.8	2.3	2.2	3.3	1.0	1.4	1.0
Moodiesburn	10.9	3.3[2]	4.2	3.6	1.6	7.5	2.0
Motherwell	2.7	2.2	2.2	2.2	2.4	8.0	8.0
Shotts	2.3	1.3	0.6	1.9	1.0	4.0	0.0
Viewpark	4.5	3.4	8.2	3.9	1.5	3.7	5.0
Wishaw	2.1	2.0	1.7	2.6	1.3	3.2	5.0
North Lanarkshire	**3.5**	**2.8**	**2.6**	**3.2**	**1.8**	**5.8**	**29.0**

Sources: 2008: NLC Housing Management Information System (1/4/2008) & 2014: NLC Common Housing Register (31/3/2014)
Notes
1: Pressure is calculated as waiting list (that is, excluding transfer list)/total lets
2: Pressure drop largely a result of 50 new builds creating significant turnover

Homelessness

5.18 The Council and its strategic partners also face significant issues in dealing with the most acute form of housing need - homelessness. Homeless presentations have been decreasing; from 2,655 in 2002/03 to 1,915 in 2013/14. This is most likely a result of the Council's Housing Options approach and implementation of a revised Allocation Policy.

5.19 Table 9 below breaks down homelessness presentations and assessments for the past four years by HSMA. It shows presentations and assessments overall have declined by around 25% over this time period, while assessments in Cumbernauld HSMA have increased by around 16%.

5.20 In 2013/14 the average time to close a homeless case in the Cumbernauld HSMA was 36 weeks, compared with 29 weeks for North Lanarkshire overall, and 16% higher than the 2010/11 figure. Almost a third of all permanent lets in the area were to homeless applicants (30%). While this was a reduction on the 2010/11 level (of 37%), nonetheless the Cumbernauld HMSA was the highest of the areas and, consequently, considerably higher than the North Lanarkshire average (24%)[8].

[8] Homelessness MCO report 2013/14

Table 9: Homeless presentations and assessments, 2010/11 – 2013/14

SHMA	2010/11	2011/12	2012/13	2013/14	Change 2010/11-2013/14	
					#	%
Homeless presentations						
Airdrie Coatbridge	800	676	730	639	-161	-20%
Cumbernauld	428	464	436	480	52	12%
Motherwell	1,271	1,066	929	796	-475	-37%
North Lanarkshire	2,499	2,206	2,095	1,915	-584	-23%
Assessed as homeless						
Airdrie Coatbridge	639	537	610	498	-141	-22%
Cumbernauld	294	339	356	340	46	16%
Motherwell	978	795	723	593	-385	-39%
North Lanarkshire	1,911	1,671	1,689	1,431	-480	-25%

Source: NLC homelessness data 2010-2014

Affordability

5.21 In order to understand how house prices, social rents and private sector rents impact on affordability, it is necessary to undertake an analysis of housing costs compared with income levels. Table 10 below shows the proportion of households unable to rent in North Lanarkshire. Around 20% of households across North Lanarkshire are unable to afford Council rents. This drops to 17% in Cumbernauld and Moodiesburn LHMAs, where income levels are higher. RSL rents are slightly higher than Council rents and, as a consequence, the affordability level across North Lanarkshire is 29% of households. Again, affordability levels seem better in Cumbernauld and Moodiesburn LHMAs (at 24-5%), due to higher income levels. The analysis was undertaken without any assumptions being made for eligibility for benefits, although for younger single people, access to benefits, and in particular housing benefits, is increasingly limited.

5.22 Overall 44% of households are unable to afford private rents in North Lanarkshire, dropping to 39% for both Cumbernauld and Moodiesburn LHMAs. However, the average per calendar month rent is higher (Studio-4 bed) within the Cumbernauld LHMA (£494) compared to NL overall (£461).

Table 10: Household that cannot afford to rent a 2 bedroom property in North Lanarkshire, %, by tenure, LHMA

	Council	RSLs	PRS	LHA
Airdrie	21%	30%	45%	42%
Bellshill	23%	32%	48%	45%
Coatbridge	23%	31%	47%	44%
Cumbernauld	17%	25%	36%	36%
Kilysth	23%	32%	50%	35%
Moodiesburn	17%	24%	40%	44%
Motherwell	23%	32%	45%	45%
Shotts	23%	32%	47%	41%
Viewpark	21%	29%	50%	43%
Wishaw	22%	30%	44%	42%
North Lanarkshire	**21%**	**29%**	**44%**	**42%**
Ave NLC rent	**£236**	**£304**	**£448**	**£425**

Source: Arneil Johnston, Affordability Analysis, 2015
Note: NLC, RSL and LHA rents do not vary by LHMA. Market rents are provided for each LHMA.

5.23 28% of households in Cumbernauld LHMA have an income of less than £15,000 per annum and 34% have incomes greater than £40,000 per annum. The average house price within this LHMA is around £5,000 more than North Lanarkshire at £88,000, with average house prices in Moodiesburn LHMA even greater at £125,000.

5.24 It is estimated that the average households income required to obtain a mortgage in North Lanarkshire is £28,000, but increases to just under £30,000 for Cumbernauld LHMA and jumps significantly to £42,000 for Moodiesburn LHMA. This means that over 28% of households in the Cumbernauld HSMA are unable to afford owner occupation.

5.25 Given that Council and RSL properties make up less than 20% of stock, there is above average waiting list pressure for social housing in Cumbernauld HSMA and PRS accounts for around 11% of stock, it would indicate that there is a shortfall of affordable housing options within the Cumbernauld HSMA.

5.26 HNDA2 considered the affordability of owner occupied housing over time (2008 – 2012) (Table 11). This analysis compared median house prices with median incomes, and lower quartile incomes with lower quartile house prices. This showed that the affordability of mid-priced housing in North Lanarkshire remained fairly stable, at just under 4 x income during the recession, appearing to become more affordable moving out of recession. However, as the market recovers and the effect of new-build activity in the area feeds through, it is likely that prices will adjust upwards, moderating the improvement noted in 2012.

5.27 Housing at the lower end of the market is less affordable than mid-priced housing, with prices around 5 x income. Affordability at the lower end of the market deteriorated with the onset of the recession. As with the mid-priced housing, there is some evidence of improvement in the 2012 figures.

Table 11: Ratio of house prices to income, medians and lower quartiles, 2008 – 2012

	2008	2009	2010	2011	2012
Medians					
North Lanarkshire	3.96	3.93	3.96	3.93	3.56
Scotland	5.06	5.07	5.12	5.12	4.86
Lower quartiles					
North Lanarkshire	4.78	5.21	5.16	5.61	4.67
Scotland	5.64	6.04	6.07	6.72	5.98

Source: HNDA2 TR05, Table 3A, Table 3B

5.28 The Arneil Johnston Affordability Analysis updates this analysis for North Lanarkshire in some detail. In particular, it does not make the [artificial assumption that mid-price properties will be purchased by people on median incomes, but instead considers the level of income required to afford properties at different price levels. Table 12 below shows that a household income of just under £20.9k would be required to purchase a property at the lower end of the market. This ranges between £16.2k in Shotts and £30.7k in Moodiesburn LHMAs. An income of around £28k is required to purchase a mid-price property, ranging between £21k in Shotts and £42.3k in Moodiesburn LHMA.

Table 12: House price affordability, lower quartile, median properties, by LHMA

	Lower quartile house price		**Median house price**	
Area[1]	**House price value**	**Income required to purchase[2]**	**House price value**	**Income required to purchase[2]**
Airdrie	£ 60,000	£ 21,600	£ 87,750	£ 29,689
Bellshill	£ 59,850	£ 21,546	£ 75,000	£ 25,375
Coatbridge	£ 60,000	£ 21,600	£ 78,150	£ 26,441
Cumbernauld	£ 50,000	£ 18,000	£ 72,000	£ 24,360
Moodiesburn	£ 85,222	£ 30,680	£ 125,000	£ 42,292
Motherwell	£ 68,000	£ 24,480	£ 100,000	£ 33,833
Shotts	£ 45,000	£ 16,200	£ 62,000	£ 20,977
Viewpark	£ 76,000	£ 27,360	£ 100,000	£ 33,833
Wishaw	£ 55,150	£ 19,854	£ 79,500	£ 26,898
North Lanarkshire	**£ 58,000**	**£ 20,880**	**£ 83,000**	**£ 28,082**

Source: Arneil Johnston Affordability Analysis, 2015

Notes

1: There were only 4 sales in Kilsyth, so the area information is not listed.

2: Based on an average of a 5% deposit and 2.5 x mortgage multiplier; and of a 10% deposit and 3 x mortgage multiplier.

6. What does the evidence mean?

6.1 The continued application of an Affordable Housing Policy will assist in relieving housing pressure within the Cumbernauld HSMA. There is some evidence of reduced waiting list pressure across the Cumbernauld HSMA, some of which can be directly attributed to application of the current policy. However, waiting list pressure is still higher than the North Lanarkshire average and is particularly so in the Cumbernauld LHMA.

6.2 Across North Lanarkshire, house prices have fallen as a result of the house market crash, and have been sluggish to recover. However, average house prices in the Cumbernauld HSMA remain significantly above the North Lanarkshire average, and there is a widening gap at the bottom end of the market, with lower quartile prices in Cumbernauld both higher and growing more quickly than elsewhere in North Lanarkshire. As a consequence, access to owner-occupation is more constrained.

6.3 The supply of social rented stock is more restricted in the Cumbernauld HSMA, as is shown by the waiting list pressures for the area.

6.4 There is clear pressure from homeless households in the Cumbernauld HMSA: homeless levels have been increasing in Cumbernauld, despite falling everywhere else in North Lanarkshire.

6.5 HNDA2 indicates that there is a need for additional 162 homes each year in the Cumbernauld HMSA.

7. Conclusion

7.1 Overall, housing pressure within the Cumbernauld HSMA has been sustained and HNDA2 has indicated a requirement for an additional 162 new affordable units per annum to meet housing need. As such, there is a strong case for continuation of the Affordable Housing Policy within the Cumbernauld HSMA.

7.2 There is also a strong case for modifying the policy to more closely respond to the level and profile of housing pressure within the area. The finalised 2014 Housing Land Audit provides a starting point for identifying the potential number of units that could be delivered via the Affordable Housing Policy over the five year period 2016-2021. Table 13 below provides a breakdown of the effective land supply for this period along with units already identified as 100% social rent:

Table 13: Effective Land Supply 2016-2021

	2016-2021	Average Annual
Total Effective Land Supply	2,827	565
Total Effective Land Supply identified in Strategic Housing Investment Plan (SHIP) 2016 for Social Rent	219	44
Total Effective Land Supply less Social Rent units identified SHIP 2016	2,608	522
25% Developer Contribution	652	130
20% Developer Contribution	522	104
Total Potential Social Rented Units - SHIP plus Developer Contribution @ 25%	871	174
Total Potential Social Rented Units - SHIP plus Developer Contribution @ 20%	741	148

Source: Finalised Housing Land Audit 2014 and North Lanarkshire Council Strategic Housing Investment Plan 2016

7.3 Since Scottish Planning Policy paragraph 129ff states that the level of affordable housing required as a contribution within a market site should be no more than 25% of the total number of houses, the developer contribution should be reduced to 20%.

7.4 The justification for this reduction is clear in Table 13 where it shows that a 25% developer contribution on relevant sites over the five-year period could potentially generate 174 affordable units per annum, 12 units more than HNDA2 housing estimate requirement of 162 units per annum. This could be considered disproportionate.

7.5 Applying a developer contribution of 20% can be justified, as this could potentially deliver 148 affordable units, albeit 12 units less than HNDA2 housing estimate requirement of 162 units, remaining in line with Scottish Planning Policy paragraph 129ff

7.6 There is no evidence to support a case to extend the Affordable Housing Policy beyond the Cumbernauld HSMA.

8. Recommendations

8.1 Retain an affordable housing policy in the Cumbernauld HSMA, to apply to all sites not already included in the Housing Land Supply 2008 with a capacity of more than four units, as follows:

- Option A: On-site provision of serviced and accessible land for affordable housing.
- Option B: Off-site provision of suitable land being transferred to the Council or appropriate housing association for affordable housing.
- Option C: Payment of a commuted sum

8.2 Preference in retaining ratio of 80:20 social rented housing.

8.3 The mix and delivery approach to be determined on a site-by-site basis.

8.4 The developer contribution should be set at 20**%.**

8.5 The Affordable Housing Policy should be applied in the Cumbernauld HSMA only, with developer contribution set at 20%.

APPENDIX 1

Methodology note: HNDA2 North Lanarkshire Council Housing Sub-Market Area (HSMA) disaggregation

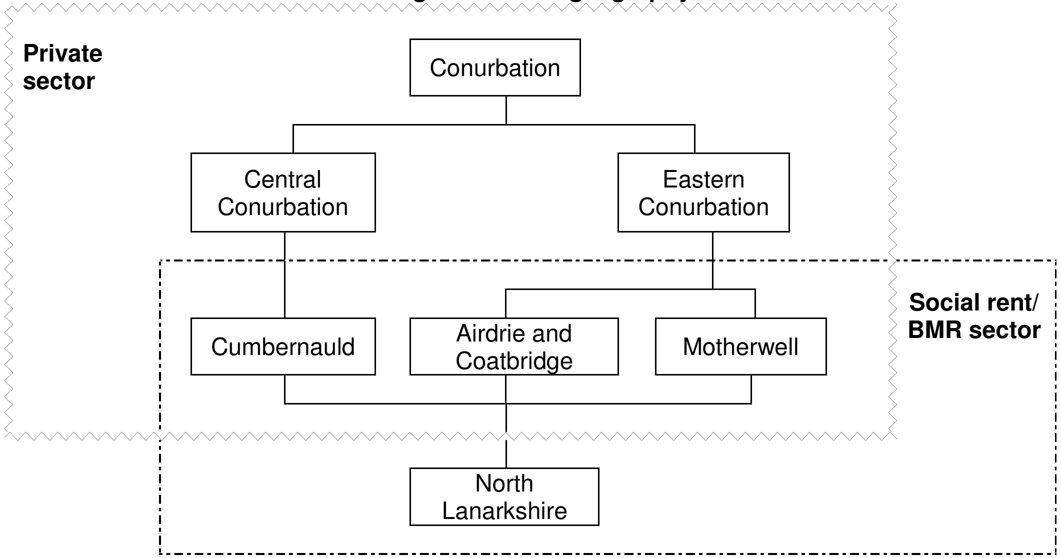
Introduction

1. This paper considers the approach used to disaggregate the Glasgow Clyde Valley Housing Need and Demand (HNDA2)[9] outputs to local authority sub-areas and, in particular, the disaggregation of North Lanarkshire Council's social rent/below market rent (SR/BMR) housing estimate. It sets out an alternative approach to the disaggregation of North Lanarkshire SR/BMR housing estimate, based on housing need as measured in terms of pressure for social rented housing in the area.

The HNDA2 geography

2. The HNDA2 geography is built up from 25 sub-areas, themselves aggregated from data zones. Housing markets differ for the affordable and private sectors, and HNDA2 has developed different housing market frameworks for each. The basis for the SR/BMR geography is local authorities, and these are further broken down into the 25 sub-areas; while the private sector uses data on recent house moves to construct 11 housing sub-market areas within the conurbation[10]. In the case of North Lanarkshire, the local authority sub-areas and the private sector housing sub market areas are the same, as shown on the table below.

Table 1: North Lanarkshire housing sub market geography



[9] All HNDA documents available from: http://www.clydeplan-sdpa.gov.uk/sdp/main-issues-report-january-2015

[10] Across GCV as a whole, there are two discrete market areas (Inverclyde and Dumbarton/Vale of Leven) and 11 housing sub market areas. For more detail on the housing market geographies see appendix 1 and HNDA2 *Technical Report 02 The Housing Market Area Framework (*TR02).

Disaggregation approach

3. GCV's initial intention had been to generate results from the HNDA Tool for each of the 25 LA sub-areas. However, following a detailed review of the Tool's data inputs and consultation with Scottish Government, it was considered that the Tool would not produce robust results for the LA sub-areas. The reasons for this included:

- limited house price data in the smaller sub-areas would prejudice the robustness of the data
- CACI income data are used at the postcode sector and modelled back to the relevant geography – in some areas the relevant sample sizes will be small/very small so prejudicing the robustness of the data
- household projections are produced at local authority level and disaggregated pro-rata to LA sub-areas. This means the LA trend is applied to all sub-areas, regardless of the local trend. As a consequence, in some areas the level of need would be under-represented, in others over-represented.
- rent data are disaggregated to LA sub-areas from BRMAs – it was unclear what impact the necessary modelling would have on the reliability of the outputs for each of the LA sub-areas
- the combined impact of these various impacts was unclear

4. The decision was therefore taken to use the HNDA Tool to produce results at a local authority level. These outputs would then be disaggregated to the appropriate geographies for the private sector and the SR/BMR sector outside the Tool. It was considered that this approach would enable the housing partnership to draw on better quality data, at a more appropriate geographical level and, critically, the sub-area accuracy would be transparent. It was agreed that the approach adopted would be based on household projections (at the local authority level), modified to reflect local tenure change.

5. The HNDA2 in Technical Report 07 (TR07, paras 5.10ff) sets out the approach used to disaggregate projected households by LA sub-area as follows:

- The projected change in households by tenure has been disaggregated from council area to LA sub-areas, and presented for 2024 and 2029
- The disaggregation of the household projections uses two sets of change factors:
  - Proportional method. This calculates the two change factors by council area, and then applies the factors to the 2012 base position for each of the LA sub-areas.
  - Mixed method approach. This uses a trend-based method to calculate household change and applies this to sub-areas at 2012. The trend is calculated from recent changes in household growth at the LA level (2001-2012). The tenure factor is calculated using the proportional method as above.

- Two different approaches were developed to apply these factors, so that local understanding of sub-areas could be reflected in the estimates. It is stressed that the total household figures for the council area remain the same, only the distribution between sub-areas differs, under each method.
  - The total number of households
  - The percentage of households in the social rented sector (tenure change). The private sector is then the residual.

- The results are calibrated so that the 2024 and 2029 figures for the LA sub-areas sum to the household and sector totals for each of the corresponding local authorities.
- North Lanarkshire Council adopted the second approach (the mixed approach).
- An explanation of both the proportional method and the mixed method approach can be found at para 5.12 of HNDA2 Technical Report 07 (TR07).

6. Table 6.3 in TR07 details the outputs from this analysis. The North Lanarkshire outputs are summarised in table 2 below. This shows a total increase in new households over the planning period of 14,769: 9,300 in the private sector, and 5,469 in the SR/BMR sector. The disaggregation method used here suggests the bulk of the additional need for social housing is split evenly between Motherwell (2,368 households, that is 43% of the SR/BMR estimate) and Airdrie Coatbridge (2,315 households, 42% of the SR&BMR estimate), Cumbernauld accounts for just 16% of the SR&BMR estimate (786 households).

Table 2: Housing estimate, by tenure, North Lanarkshire LA sub-areas, 2029

	Estimated number of households 2012			Estimated number of households 2029			Net change in households 2012-29		
	Private	SR& BMR	Total	Private	SR& BMR	Total	Private	SR& BMR	Total
Airdrie Coatbridge	31,259	14,686	45,945	35,252	17,001	52,253	3,993	2,315	6,308
Cumbernauld	28,839	7,339	36,178	31,226	8,125	39,351	2,387	786	3,173
Motherwell	41,322	23,460	64,782	44,242	25,828	70,070	2,920	2,368	5,288
North Lanarkshire	**101,420**	**45,485**	**146,905**	**110,720**	**50,954**	**161,674**	**9,300**	**5,469**	**14,769**
GCV area	579,117	235,829	814,946	631,652	275,147	906,799	52,535	39,318	91,853

Source: HNDA2, TR07, Table 6.3, Household tenure projection, Planning Scenario A

Comparison with local analysis of housing need

7. Over recent years, previous studies have estimated housing need across North Lanarkshire. These studies have employed a range of methods and, as a result, have generated somewhat different estimates of needs. However, as the table below shows, although the absolute levels of need suggested by these approaches differs, the rankings are consistent: with Motherwell identified as having little unmet need/a surplus of social housing, Airdrie Coatbridge having little unmet need; and Cumbernauld having significant levels of unmet need.

8. The disaggregation approach developed for HNDA2 in TR07 produces a very different result, with the greatest level of need allocated to Motherwell, and the least amount of need to Cumbernauld.

Table 3: Comparison of needs assessments: estimates and ranks

	2005		**2009**		**2011**		**2015**			
	Bramley[1]		**Local HNDA**		**HNDA1**		**HNDA2**		**Alternative NLC approach[2]**	
	No.	**Rank**	**No.**	**Rank**	**No.**	**Rank**	**No.**	**Rank**	**No.**	**Rank**
Airdrie/Coatbridge	180	2	16	2	7	2	136	2	84	2
Cumbernauld	330	1	152	1	195	1	46	3	162	1
Motherwell	-465	3	-31	3	-211	3	139	1	76	3
North Lanarkshire	45	-	128	-	-9	-	322	-	322	-

Source:
2005 - Local Housing Need and Affordability Model for Scotland - Update (2005 based), Bramley, G., Karley, N. And Watkins, D. Communities Scotland Research Report 72 (2006) (Table 5.4, p51)
2009 – North Lanarkshire Council Housing Needs Assessment 2007-2008 prepared by David Adamson & Partners Ltd (March 2009) (Table 5.33 p98)
2011 – Glasgow and Clyde Valley Housing Need and Demand Assessment: Table 13 Annual Net Housing Need Figure 2011-16 by HSMA (25% affordability high household growth) (2011)
2015 – Clydeplan HNDA2 Tecnhical Report TR07 (Table 6.3 p30 2012-2029)

Notes
1: Sub area geographies for the Bramley study relate to the former district council boundaries
2: The NLC approach is set out in paragraphs 10ff below
3: Rank 1 – 3 with 1 showing HSMA with greatest need and 3 showing HSMA with least need

Alternative NLC approach

9. It is appreciated that the HNDA2 approach tends to perpetuate existing trends, and does not respond to relative housing needs across housing markets. Allowance was therefore made for local authorities to undertake additional work to review the disaggregation of the SR/BMR housing estimate to take account of local sub-area factors and/or needs analysis if appropriate[11].

10. The alternative NLC approach developed is a needs-based approach. It uses relative waiting list pressures as the basis to disaggregate the housing estimate.

11. First, the housing estimate is annualised. The total SR/BMR housing estimate over the period 2012-29 for NLC is 5,469. It is assumed the housing estimate will be 322 each year throughout the planning period.

12. Second, a needs-based measure is used to disaggregate the housing estimate to the sub-areas. Waiting list pressures (that is, the ratio of applications to the North Lanarkshire Common Housing Register general and homeless lists compared to lets made by participating landlords) were considered a good indicator of need and, in particular of social housing need, across the authority. A three-year average was used to smooth out the effects of any atypical data, such as new housing developments coming on-stream resulting in a one-off increase in lets. Housing sub-market area ratios (which, as noted above, share the same boundaries as the LA sub-areas) were used to generate factors to allocate shares of the housing estimate to the LA sub-areas.

13. This is summarised on table 4 below. The table shows the waiting list pressures for the last three years for each of the LA sub-areas, together with the ratio factors that were calculated for each LA sub-area and the share of the housing estimate allocated to each sub-area.

Table 4: Disaggregating the housing estimates: LA sub-areas

	Waiting list pressure				**Share of the ratio (ratio factors)**	**Ratio factors applied to housing estimate**
	2011-12	**2012-13**	**2013-14**	**3-year average**		
Airdrie/Coatbridge	3.0	3.0	2.4	2.8	0.26	84
Cumbernauld	5.4	5.3	5.3	5.3	0.50	162
Motherwell	2.6	2.6	2.3	2.5	0.24	76
North Lanarkshire	**3.1**	**3.1**	**2.8**	**3.0**	**1**	**322**

Note:
1: Pressure ratio relates to ratio of applicants for social housing compared with the number of lets
2: Share ratio for each HSMA calculated by dividing Waiting list pressure for each HSMA by sum of all three HSMAs pressure
3: Housing estimates by HSMA are then calculated by applying the share of ratio for each HSMA to HNDA2 housing estimate by multiplying the housing estimate for North Lanarkshire by % share ratio for each HSMA

14. Table 3 above, which compares the different needs measures, includes the outputs from the alternative NLC approach. It is clear that this approach produces a distribution broadly in line with the earlier needs studies, and allocates the bulk of the need to the Cumbernauld area.

Summary

15. This paper considers the approach used disaggregate the HNDA2 outputs to sub-local authority level.

16. It notes, while the datasets used in the HNDA are robust at the local authority level, they are much less so at the sub-area level. GCV has developed an approach to disaggregate the Tool outputs. This has been applied to the private sector and SR/BMR housing estimates. However, because this approach allocates the housing

[11] See HNDA2 Technical Report 07: Strategic Housing Estimates: Methodology and Results, (May 2015), table 6.3, footnote

estimates broadly in line with the household and tenure profile/trend, it produces counter-intuitive results for the North Lanarkshire social rented sector. That is, it suggests the bulk of unmet housing need is located in Motherwell and Airdrie Coatbridge.

17. As a consequence, authorities have the flexibility to develop their own approach to disaggregate the **SR/BMR housing estimate**[12], for example based on local factors/needs analysis, where appropriate. Therefore a needs-based approach to disaggregation of the HNDA housing estimate has been developed, using relative housing pressure ratios to guide the share of the housing estimate allocated to each of the areas. This approach indicates that Cumbernauld has the greatest need for additional housing (162 units each year), followed by Airdrie (84 units each year) and Motherwell (76 units).

Appendix Tables

<table>
<tr><th colspan="4">Table A1: Glasgow Clyde Valley housing market areas (private sector)</th></tr>
<tr><td>1st tier HMA</td><td>2nd tier HMA</td><td colspan="2">3rd tier HMA</td></tr>
<tr><td rowspan="11">Conurbation</td><td rowspan="7">Central Conurbation</td><td>1</td><td>Greater Glasgow North West</td></tr>
<tr><td>2</td><td>Strathkelvin and Glasgow North East</td></tr>
<tr><td>3</td><td>Glasgow East</td></tr>
<tr><td>4</td><td>Cumbernauld</td></tr>
<tr><td>5</td><td>Greater Glasgow South</td></tr>
<tr><td>6</td><td>Renfrewshire</td></tr>
<tr><td>7</td><td>East Kilbride</td></tr>
<tr><td rowspan="4">Eastern Conurbation</td><td>8</td><td>Airdrie and Coatbridge</td></tr>
<tr><td>9</td><td>Motherwell</td></tr>
<tr><td>10</td><td>Clydesdale</td></tr>
<tr><td>11</td><td>Hamilton</td></tr>
<tr><td colspan="4">Discreet (self-contained) housing market areas</td></tr>
<tr><td colspan="4">Dumbarton and Vale of Leven</td></tr>
<tr><td colspan="4">Inverclyde</td></tr>
<tr><td colspan="4">From HNDA2 (May 2015) Technical Report 02: The Housing Market Framework, p11.</td></tr>
</table>

[12] 'GCV HNDA2 LA sub-area figures have been estimated from the HNDA Tool LA housing estimates output using a GCV wide disaggregation method (ref paragraphs 5.10-5.11). In informing local policy for the SR&BMR sector, LAs may use local information specific to their sub areas to inform their local figures' – Source: GCV HNDA2 TR07 Strategic Housing Estimates: Methodology and Results, May 2015 Table 6.3 p29 Note.

APPENDIX 2
Scottish Government, Centre Housing Market Analysis (CHMA) response to North Lanarkshire Council methodology note: HNDA2 Housing Sub-Market Area (HSMA) disaggregation

Table A2: Disaggregating the housing estimates: LA sub-areas and Local Housing Market Area

	Waiting list pressure				Share of the ratio	Applying share of ratios to housing estimate	
	2011-12	2012-13	2013-14	3-yr ave		No.	%
Airdrie Coatbridge	**3.0**	**3.0**	**2.4**	**2.8**	**0.26**	**84**	**26%**
Airdrie	2.7	2.7	2.2	2.5	0.07	38	12%
Coatbridge	3.3	3.3	2.5	3.0	0.08	46	14%
Cumbernauld	**5.4**	**5.3**	**5.3**	**5.3**	**0.50**	**162**	**50%**
Cumbernauld	5.9	6.0	9.3	7.1	0.20	77	24%
Kilsyth	4.1	2.8	2.3	3.1	0.09	33	10%
Moodiesburn	5.5	6.5	3.3	5.1	0.14	52	16%
Motherwell	**2.6**	**2.6**	**2.3**	**2.5**	**0.24**	**76**	**24%**
Bellshill	3.5	3.9	3.5	3.6	0.10	19	6%
Motherwell	2.0	2.1	2.2	2.1	0.06	11	3%
Shotts	2.6	1.7	1.3	1.9	0.05	9	3%
Viewpark	6.9	5.1	3.4	5.1	0.14	25	8%
Wishaw	2.2	2.3	2.0	2.2	0.06	11	3%
North Lanarkshire	**3.1**	**3.1**	**2.8**	**3.0**	**1**	**322**	**100%**

"*The CHMA has considered the methodological paper explaining the disaggregation of the North Lanarkshire Council sub-areas. The approach that has been taken to disaggregate the housing estimates to sub-areas using waiting list pressure is considered to be reasonable and evidence-based.*

Where possible we would suggest trying to add some additional transparency around the explanation of the HNDA sub-area disaggregation methodology if possible whether in this paper or in a future report"

CHMA September 2016