



LOCAL HOUSING STRATEGY DEVELOPMENT

**HOUSING SUPPLY TARGET WORKING PAPER**

Housing Strategy Manager

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## EXECUTIVE SUMMARY

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Comhairle nan Eilean Siar has set the Housing Supply Target (HST) to underpin Local Housing Strategy 2024-2029. It has been set at 310: 150 Affordable homes and 160 Market homes.

Housing Need and Demand Assessment (HNDA) 2023-2042 gives a Housing Need Estimate, and the Housing Supply Target translates this estimate into the level of additional housing that can be realistically delivered. It has considered National Planning Framework 4 (NPF4) which sets out the minimum all-tenure housing land requirement (MATHLR) by Local Authority area, and it informs the Housing Land Requirement within the Local Development Plan (LDP).

The Housing Supply Target covers all housing tenures and sets out the expected split between Market (Private Sector and Private Rented Sector) and Affordable (all affordable housing options including Social Rent, Shared Equity and Rent-to-Buy) housing.

The Housing Supply Target has been scrutinised and agreed by the Comhairle's Housing Services Team, Local Development Planning Team, in addition to other internal and external partners which comprise the Local Housing Strategy Steering Group, and it has been prepared in compliance with:

- Local Housing Strategy Guidance (2019)
- HNDA Manager's Guide (2020)
- The Planning (Scotland) Act 2019
- National Planning Framework 4 (NPF4)

The Housing Supply Target for 2024 – 2029 is outlined below, with HNDA Scenario 2 outputs and the MATHLR:

	<b>Proposed HST 2024/25 - 2028/29</b>	<b>HNDA Scenario 2 5 yr (10 yr)</b>	<b>10 Year Proposed MATHLR</b>
Affordable	150 (30)	105 (205)	-
Market	160 (32)	145 (300)	-
Combined	310 (62)	250 (505)	600 (50 p/a)

The purpose of the Housing Need and Demand Assessment (HNDA) is to estimate the future number of additional housing units to meet existing and future housing need and demand by housing market area, based on a range of scenarios, rather than precise estimates. Following analysis of demographic factors, the local housing market, affordability and wider economic trends, Housing Need and Demand Assessment 2023-2042 was assessed as "robust and credible" on 6 October 2023 by the Scottish Government's Centre for Housing Market Analysis. Scenario 2 – which was based on Hebridean Housing Partnership's Waiting List – was considered the preferred Scenario to commence preparation of the Housing Supply Target.

The Comhairle's Housing and Planning Teams fed into the process of establishing the MATHLR for the Outer Hebrides in accordance with the guidance issued. The initial estimate of 90 was felt to be too low and a revised figure of 192 was returned to Scottish Government. Following the consultation period, this was further revised in support of population initiatives and potential growth (via Islands' Deal and other economic development), to 546, which was rounded up to a MATHLR of 600 over a ten-year period. As the HNDA had not yet been approved this revised figure was not published in Housing Land Requirement Explanatory Report Addendum, and the MATHLR for the Outer Hebrides remained at the initial submission of 192. Scottish Government stated, however, that "the local development plan process provides the opportunity for evidence to be considered in detail and if appropriate, to inform the MATHLR being exceeded."

The Housing Supply Target uses HNDA Scenario 2 outputs as its starting point, and this is supported by the MATHLR to ensure an adequate land supply.

The achievements of previous Housing Supply Target are reviewed and while targets for Social Rent and Owner Occupation have both been exceeded, those for Below Market Rent/Shared Equity and Private Rented Sector were not achieved. Some of the factors which impacted these targets remain, so these are considered along with policy and practical considerations in order to agree a Housing Supply Target for 2024-2029. This is further supported by a range of factors outlined in the LHS Guidance (2019) and HNDA Managers Guide (2020) which may impact pace and scale of housing delivery. These are:

- Economic factors which may impact on demand and supply
  - The reversing of population decline is at the heart of the Comhairle's Corporate Strategy, and this may be assisted by the considerable economic development anticipated over the next decade such as a new 1.8GW HVDC interconnector and supporting infrastructure, the Islands Growth Deal, and work underway in respect of a designated Repopulation Zone in Uist.
- Capacity within the construction sector
  - Skills shortages and vacancies across the trades are proving problematic locally, and although the Comhairle's Employability Team is working proactively to address this, there is some concern that there may not be enough capacity in the local construction sector to support both the anticipated economic development and housing development concurrently.
- Potential inter-dependency between delivery of market and affordable housing at the local level
  - Given completion rates there is currently a neutral impact on the pace and scale of housing delivery.
- Availability of resources likely pace and scale of delivery based on completion rates
  - Resource Planning Assumption for 2023/24 – 2024/25 was indicated at approximately £8.3m per year, however, Scottish Government announced a cut of 26% in Affordable Housing Supply Programme grant for 2024/25. There is no indication of what the actual grant allocation will be yet, but a reduction will have a significant impact on the Programme. Resourcing is not limited to finance. Certain raw materials have become scarce following world events like the Pandemic and the war in Ukraine. Longer lead-in times or reduced delivery may have to be considered.
- Recent development levels
  - Private Sector completions have reduced dramatically since the economic downturn of 2007/08 but saw a recovery to pre-Pandemic levels in 2021/22 and 2022/23, though they remain at approximately one third of the rate completed ten years previously. The cost of build and access to contractors remain challenging locally.
  - Affordable completions were derailed by the Pandemic and subsequent recovery, but 2021/22 saw the highest level of affordable completions since the building boom of the late 1970s-1980s. Whether this can continue is dependent on levels of grant funding and finance, population estimates and projections, and supply in the Private Rented Sector.
- Planned demolitions
  - There are currently no planned demolitions.
- Planned new and replacement housing or housing brought back into effective use.
  - Empty homes comprise approximately 8% of the housing stock. The Comhairle's Empty Homes Project has been underway since October 2018 and assistance has been given to bring 270 properties into use, either for rent as a family home or the tourist market. There are 320 active cases currently.
  - It is anticipated that that 12 empty homes will be brought back into effective use for affordable housing over the period of the next LHS, via a project being undertake with Tighean Inne Gall.

In addition to the above the following were also considered:

- Availability of land
  - There is a future land supply of 1,298 units, with an effective five-year land supply of 508 units over the period 2021 to 2026. Beyond 2026 there is a potential supply for up to 586 units, although a number of these sites are constrained.
- HHP'S Waiting List
  - There are currently more applicants waiting for an affordable home than there have been over the previous six years. This can be attributed to many factors including the high prices of houses on the open market, access to finance and cost pressures, low volume of homes in the Private Rented Sector, and the desirability of HHP's new build homes. HHP must balance what they can build, however, with access to finance and repayments, in addition to their commitments to current tenants, and the increasing cost of compliance with targets.
- Condition of Homes in the Private Sector
  - Owing to the age and composition of the housing stock, coupled with an ageing population with reducing access to funds for repair and maintenance as they get older, it is anticipated that there will be an increase in homes that fall Below Tolerable Standard (BTS) over the period of the next LHS. BTS homes have implications for the Comhairle's Homelessness Services Team, HHP, Health & Social Care Services and the NHS.
  - There has been no Comhairle Private Sector Repair Grant available to homeowners since 2013. In addition, there has been no Minor Works Scheme available since 2019. Previously, these would have contributed to preventing homes from falling below the tolerable standard.

An impact template which summarises the above shows 8 negative impacts and 8 positive impacts associated with Market Housing delivery, in addition to 5 negative and 10 positive impacts associated with Affordable Housing delivery. There were 2 neutral impacts apiece.

It was concluded that there was enough evidence to increase the outputs of the HNDA to give the Housing Supply Target above. The split is 48% for Affordable Housing and 52% for Market Housing.

## 1. PURPOSE

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- 1.1 This paper outlines how the Comhairle has translated the outputs of the Housing Need and Demand Assessment (HNDA) 2023-2042 into a Housing Supply Target (HST).
- 1.2 This process is required as part of the work which feeds into the Local Housing Strategy (LHS) and Local Development Plan (LDP).
- 1.3 The paper is structured as follows:
  - Section 2 gives the background, policy framework, and starting point for preparing a Housing Supply Target;
  - Section 3 considers factors which are likely to impact the pace and scale of delivery;
  - Section 4 outlines the proposed targets for market and affordable housing;
  - Section 5 references supporting material used in the setting of targets; and
  - Appendix 1 tables the evidence from Section 3 into an Impact Template for reference.

## 2. BACKGROUND

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- 2.1 The Housing Supply Target (HST) sets out the level of additional housing that can be realistically delivered as opposed to the level of need that has been estimated, and it informs the Housing Land Requirement within the Local Development Plan (LDP). The HST covers all housing tenures and sets out the expected split between Market (Private Sector and Private Rented Sector) and Affordable (all affordable housing options including Social Rent, Shared Equity and Rent-to-Buy) housing.
- 2.2 In order to prepare a HST, the Housing Need and Demand Assessment (HNDA) must first be completed and assessed as “robust and credible” by the Centre for Housing Market Analysis (CHMA), and there must be sufficient land available to support the HST.
- 2.3 The HST must be prepared within the policy/guidance framework outlined below.

### **POLICY/GUIDANCE FRAMEWORK**

- 2.4 The Local Housing Strategy Guidance (2019) states that the LHS is required to set out “a summary of the level and type of housing to be delivered over the period of the LHS and crucial to this is the setting of a Housing Supply Target (HST).” The LHS must explain how the HST, split into market and affordable housing, has been determined.
- 2.5 Although the HST is not part of the formal HNDA process, the HNDA Manager’s Guide (2020) gives some guidance on the factors which may have a material impact on the pace and scale of housing delivery, and which should be considered when setting the HST.
- 2.6 The Planning (Scotland) Act 2019 sets out that the National Planning Framework (NPF) has become a statutory part of the development plan which informs and has regard to Regional Spatial Strategies (RSSs) and informs Local Development Plans (LDPs). As part of this, the Act provides that the NPF sets targets for new homes.
- 2.7 National Planning Framework 4 (NPF4), which was adopted in February 2023, sets out the Minimum All-Tenure Housing Land Requirement (MATHLR) for each Local Authority in Scotland. Annex E of NPF4 states that “the MATHLR is the minimum amount of land, by reference to the number of housing units, that is to be provided by each planning authority in Scotland for a 10-year period.”

### **HOUSING NEED AND DEMAND ASSESSMENT 2023-2042**

- 2.8 The purpose of the Housing Need and Demand Assessment (HNDA) is to estimate the future number of additional housing units to meet existing and future housing need and demand by housing market area, based on a range of scenarios rather than precise estimates. The HNDA “Tool”, which is a series of spreadsheets with inbuilt, and modifiable, statistical data, is utilised to estimate need and demand. The outputs of the Tool form part of a narrative evidence-based report which comprises the final assessment document.
- 2.9 The Comhairle has recently completed a HNDA which covers the long-run period from 2023 to 2042, though in practice it is revised every five years and long-run estimates will change. The Comhairle’s HNDA was assessed as “robust and credible” on 6 October 2023 by the CHMA.
- 2.10 The housing estimates produced by the HNDA provide a starting point for setting a HST within the new Local Housing Strategy. The HST sets out the estimated level of additional housing that can actually be delivered on the ground, as opposed to estimated housing need outlined in the HNDA and informs the definition of the Housing Land Requirement within the Local Development Plan (LDP). The HST should cover all housing tenures and set out the expected split between market and affordable housing.
- 2.11 The HNDA considered four main scenarios, as follows:
  - **Scenario 1: HNDA Tool.** No changes were made to the data in the Tool which was prepopulated by the CHMA. Need was based on Homelessness returns made to Scottish Government and years to clear housing need was left at 5. All need was allocated to social housing. This scenario gave a helpful baseline for the other scenarios considered.

- **Scenario 2: Hebridean Housing Partnership (HHP) Waiting List.** This focused on HHP’s waiting list at the point of HNDA preparation (508) as the key source of housing need. We considered previous levels of development with the indicative level of funding in the future and changed the years to clear housing need to 10, which was more realistic. We also used the “Affordability Model” to give a cross-tenure split.
- **Scenario 3: HHP Waiting List with Buyers set to 55%.** We considered house prices and affordability in respect of purchasing homes, and the potential for moderate economic growth via incoming investment. We sought to test the impact of reducing the percentage of buyers in the market on the volume of social housing units required, as HHP had recorded an increase in applicants on their waiting list, and house prices had increased steadily in the two decades prior to point of assessment.
- **Scenario 4: HHP Waiting List, Population Decline, Greater Inequality, Buyers at 50%.** This was a “worst case” scenario in which we examined the potential impact of population decline in the islands. This is currently a key area of concern for the Comhairle so it was felt appropriate to consider it as one of the key scenarios. We sought to explore the most appropriate housing options for a smaller population with an ageing profile, and the potential for greater inequality as one of the impacts.

2.12 HNDA scenario outputs for the 20-year period to 2042 are detailed below in Table 1, with all demand being satisfied in the first 10-year period to 2032, as detailed in Tables 2 and 3.

**Table 1 HNDA 2023-2042 Outputs**

HNDA 2023-2042 Outputs				
Tenure/Scenario	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Social Rent	70	100	100	125
Below Market Rent	0	105	105	105
Private Rent	0	75	95	110
Owner Occupation	0	225	205	175
Total	70	510	510	510

**Table 2 HNDA 2023-2042 Outputs 2023-2027**

HNDA 2023-2042: Annualised Outputs 2023-2027				
Tenure/Scenario	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Social Rent	14	10	10	12
Below Market Rent	0	11	11	11
Private Rent	0	7	9	11
Owner Occupation	0	22	20	18
Total	14	51	51	51

**Table 3 HNDA 2023-2042 Outputs 2028-2032**

HNDA 2023-2042: Annualised Outputs 2028-2032				
Tenure/Scenario	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Social Rent	0	10	10	13
Below Market Rent	0	10	10	10
Private Rent	0	8	10	11
Owner Occupation	0	23	21	17
Total	0	51	51	51

2.13 The preferred scenario for the Outer Hebrides is Scenario 2, HHP Waiting List, for the following reasons:

- HHP's waiting list gives the most robust indication of demand in the affordable housing sector;
- Home ownership is the largest tenure in the Outer Hebrides (75%), a legacy from the crofting tradition, and despite the slowing down of private build completions and rising costs of purchasing and owning a home, there is strong evidence via residential property sales that home ownership will continue, and is unlikely to fall as low as 50-55%;
- The Private Rented Sector (PRS) in the Outer Hebrides comprises approximately 6% of the housing stock, or 692 properties (CNES landlord registration data, May 2023). In 2019, the Scottish House Condition Survey estimated a drop from 8% to 6% in the 4-year period from 2015, and current conditions, including legislative changes, are unlikely to encourage the PRS to expand; and
- Moderate real-terms growth underpinned this scenario and whilst there is some evidence to suggest the Outer Hebrides lagged behind Scotland, there is real potential for economic growth over the period of this HNDA via Islands Deal investment, and this may support/sustain home ownership.

2.14 Table 4 below splits Scenario 2 further into Market and Affordable outputs for the HNDA period and gives us a starting point from which to prepare a Housing Supply Target.

**Table 4 HNDA 2023-2042 Scenario 2 Outputs**

HNDA 2023-2042 Scenario 2 Outputs				
Tenure/Scenario	2023-27	2027-32	2033-37	2038-42
Social Rent	50	50	0	0
Below Market Rent	55	50	0	0
Private Rent	35	40	0	0
Owner Occupation	110	115	0	0
Total	250	255	0	0
Affordable	105	100	0	0
Market	145	155	0	0

Note: Difference in totals due to rounding in Excel – HNDA states 510

2.15 Note that the population projections for the Outer Hebrides in the HNDA Tool are based on the 2018-based National Records of Scotland (NRS) Population Projections which project negatively for the Outer Hebrides. As a result, the Tool estimates that no new build will be required beyond 2032. Effectively this means that the housing we have in the Outer Hebrides at that point should be sufficient to support our expected population.

2.16 Census 2022 data confirms that there has been a 5.5% drop in population since the 2011 Census and we need to be mindful of this when setting the HST. We must balance housing's contribution to stabilising (with a view to reversing) population decline, whilst minimising the risk to HHP, the only mainstream Registered Social Landlord (RSL) in the Outer Hebrides, as it is reliant on private finance to fund new build in addition to grant funding from Scottish Government.

#### **NPF4 & MINIMUM ALL TENURE HOUSING LAND REQUIREMENT (MATHLR)**

2.17 The Planning (Scotland) Act, 2019, sets out a requirement for the National Planning Framework to include 'targets for the use of land in different areas of Scotland for housing'.

2.18 National Planning Framework (NPF) is a long-term spatial plan for Scotland that sets out where development and infrastructure is needed to support sustainable inclusive growth. NPF4 sets out a spatial expression of Scottish Government's economic strategy and infrastructure investment plans through to 2050, to include the threats of climate change, and biodiversity and ecosystems loss.

- 2.19 In February 2021 a Method Paper that provided initial default estimates to inform the identification of a Minimum All-Tenure Housing Land Requirement (MATHLR) in Local Development Plans was issued to all Local Authorities, with a template for completion and return.
- 2.20 Similar to the HNDA Tool, the template was underpinned by the 2018 NRS Population Projections and existing need data sourced from Scottish Government homelessness statistics, in turn provided by the Comhairle's Homeless Services Team. A flexibility allowance of 30% (rural areas) was added to give the default minimum figure for a 10-year period. The initial MATHLR for the Outer Hebrides was, therefore, estimated to be 90: an existing need figure of 69, plus zero newly forming households, plus a flexibility allowance of 21.
- 2.21 Local Authorities were asked to consider the default assumptions for household projections and existing housing need, flexibility allowance and estimates and to make a case for adjusting them where there was clear and robust evidence and policy requirements to do so.
- 2.22 The Comhairle's Housing and Planning Teams fed into the process of establishing the MATHLR for the Outer Hebrides in accordance with the guidance issued, and following consideration of assumptions made and policy drivers, we felt the initial default estimates were too conservative, and returned with an initial revised figure of 192, based on an existing need figure of 81, newly-forming households figure of 67, and a flexibility allowance of 44.
- 2.23 Following consultation on draft MATHLR figures we further revised this as we felt the methodology and base data did not work well for small population/island contexts, and utilised data which was not the "best fit" for this area and its housing characteristics and delivery mechanisms e.g. hidden housing demand, geographical context, higher incidence of self- build, limited volume building and so on.
- 2.24 The previous SHIP planned for 216 units to 2026/27. This would neither clear HHP's Waiting List nor provide for population initiatives, and aspirational economic growth. We considered anticipated economic development, for example, the Islands Deal with the UK and Scottish Governments which committed investment totalling £100m across eighteen projects, split equally between each Island group, and taking into account additional project partners' investment, the Islands Deal is forecast to be worth a total of £335m over ten years. We further considered how our population might grow to support this investment, and allocated household growth across the projection period accordingly.
- 2.25 Beyond 2027 it was difficult to project without up-to-date Census data to form a baseline, but NRS data published in summer 2021 showed positive net migration to the Outer Hebrides of 320, which had been contrary to previous trends, but which supported anecdotal information we were receiving across the Islands from estate agents and businesses.
- 2.26 In support of population initiatives and potential growth we allowed for reasonable margins across the projection period. The amended template was returned to Scottish Government with a more optimistic figure better reflecting the population aspirations and economic projections and intents for our area. The existing figure at the time of resubmission was 83 (via Homelessness data), we adjusted the newly forming household figure to 337 over the ten-year period, and worked in a flexibility allowance of 126, to give a MATHLR of 546, which was then rounded up to 600.
- 2.27 As the HNDA had not yet been completed by November 2022 when the Housing Land Requirement Explanatory Report Addendum was published, Scottish Government could not confirm the robustness of the revised figures submitted by the Comhairle, and the MATHLR remained at our initial submission of 192. Scottish Government stated that "the local development plan process provides the opportunity for evidence to be considered in detail and if appropriate, to inform the MATHLR being exceeded."

#### **PREVIOUS HOUSING SUPPLY TARGET**

- 2.28 The HST set for LHS 2017-2022 was set in 2017 and split as detailed below, with 460 new homes required in total across all tenures:
  - Social Rent – 35 units per annum
  - Below Market Rent/Shared Equity – 15 units per annum

- Private Rented Sector – 12 units per annum
- Buyers – 30 units per annum

2.29 Table 5 outlines outcomes against targets, with narrative below:

**Table 5 Housing Supply Target 2017-2022 Outcomes**

Housing Supply Target 2017-2022			
Tenure	Target	Actual	Achieved
Social Rent	175	256	✓
Below Market Rent/Shared Equity	75	51	X
Private Rent	60	See narrative	X
Owner Occupation	150	212	✓

- 2.30 The success of the Affordable Housing Supply Programme (AHSP) has resulted in a target of social rented homes that has been exceeded by approximately 57%.
- 2.31 In contrast, the Below Market Rent(BMR)/Shared Equity target was not achieved. Whilst there was steady demand for Shared Equity at the point homes first became available, the impact of the Pandemic/Brexit, confidence in financial markets, and fewer mortgage products available to first-time buyers, amongst other factors, saw demand contract. Some Shared Equity properties also took a considerable length of time to sell and there were fewer than half the expected number of applications for the most recent Shared Equity properties in 2023. Owing to the financial outlay required, there needs to be strong demand before a commitment may be made to proceed with Shared Equity.
- 2.32 Regarding the Private Rented Sector (PRS), the Previous HNDA reported “there are 710 registered landlords in the Outer Hebrides, an increase of 66 since 2014. This represents less than 5% of all housing stock.” It is unclear how many properties were available for rent at that point.
- 2.33 In November 2022, there were 618 registered landlords with 783 properties. A direct comparison can’t be made against numbers owing to data loss in the 2023 cyber-attack, but there is a clear reduction in landlord numbers.
- 2.34 If we triangulate against Scottish House Condition Surveys between 2016-2019, there was an estimated contraction of 2% in the PRS over the survey period.
- 2.35 We are also aware anecdotally, through survey, and in the local press, that there is considerable pressure on the PRS – not enough properties available to rent. Census data will be able to confirm tenure split with the Summer 2024 release, but in the interim the indications are that the target of 60 additional rental units has not been achieved, and for the purposes of this paper we will make that assumption.
- 2.36 The target for Owner Occupation was exceeded by 41%, despite the impact of the Pandemic on completions during Lockdown.
- 2.37 While targets for Social Rent and Owner Occupation have both been exceeded, there is more work to be done in the next LHS in respect of the “middle ground”.

### 3. FACTORS WHICH IMPACT THE DELIVERY OF HOUSING

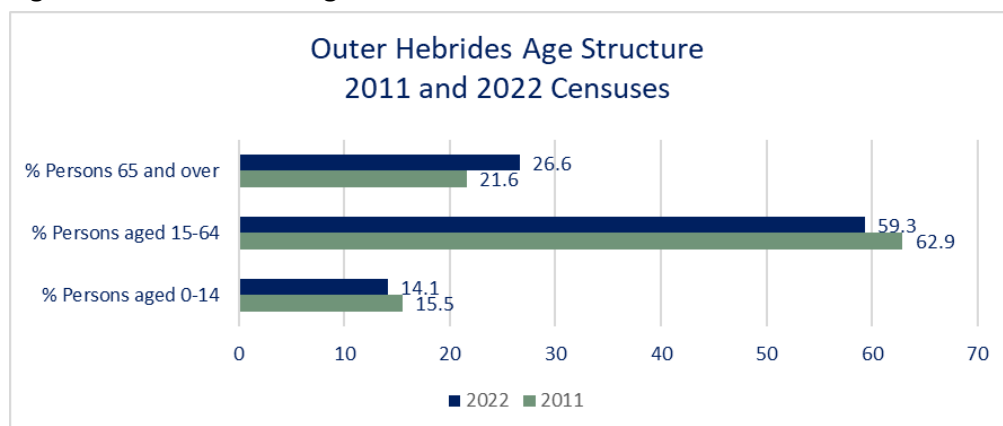
- 3.1 Housing to 2040 sets out the Scottish Government’s ambitions for how it wants the housing and communities of the future to be, with actions on how to achieve that. The strategy shows how integral housing is to the Scottish Government’s objectives of tackling poverty and inequality, creating and supporting jobs, meeting energy efficiency and decarbonisation aims as well as delivery of fuel poverty and child poverty targets, and creating connected, cohesive communities.
- 3.2 The Rural and Islands Housing Action Plan recognises “that delivering more homes in rural and island areas can be more complex than in urban areas, homes take time to come forward, development costs are higher, and the identification of affordable and deliverable land opportunities in the right places can be more challenging.” This has certainly been our experience in the Outer Hebrides.
- 3.3 While the HNDA gives a statistical indication of the number of additional units of housing required to clear demand over a specified timeframe, there are a number of factors which may have a material impact on the pace and scale of housing delivery, and which we must consider in full before a HST may be proposed. The HNDA Managers Guide (2020) and the LHS Guidance (2019) identify these factors as follows, and we will consider them in turn:
- economic factors which may impact on demand and supply;
  - capacity within the construction sector;
  - the potential inter-dependency between delivery of market and affordable housing at the local level;
  - availability of resources likely pace and scale of delivery based on completion rates;
  - recent development levels;
  - planned demolitions; and
  - planned new and replacement housing or housing brought back into effective use.

#### STRATEGIC AND ECONOMIC FACTORS

##### DEMOGRAPHICS

- 3.4 Following the initial Census 2022 release we now know that between 2011 and 2022 the population of the Outer Hebrides decreased by 5.5% - the highest percentage decrease of all the Local Authority areas in Scotland. We have the third highest percentage of those aged 65+, the fourth lowest percentage of those in the 15-65 age group, and the lowest population density at 8.6 (usual residents per square km) – an important consideration in the delivery of, and access to services, particularly for the most vulnerable. The chart below shows how much the population has aged in the past 11 years.

**Figure 1 Outer Hebrides Age Structure Census 2011 and 2022**



- 3.5 Despite the drop in population the number of households has increased by 1.1% – 100 households since 2011 – and while we await data on household composition in Summer 2024, we expect to see more single person households, in line with 2018-based NRS projections which indicate that by 2028,

42% of households in the Outer Hebrides will be single adult. They also indicate that 52% of households will be aged 60+, with 26% aged 75+. In effect, our households are getting smaller and older.

- 3.6 The Comhairle's Corporate Strategy sets out the priorities and strategic direction for the period 2024-2027. It outlines the environment in which we are currently operating and references the impacts of the Pandemic, cost increases caused by, among other issues, high levels of inflation, particular increases in energy, food and construction costs, Brexit and the Ukraine war.
- 3.7 Population decline and an ageing demographic were highlighted as a key issue in the previous Corporate Strategy, and in the Local Outcome Improvement Plan 2017-2027, which stated "We face significant challenges. Our economy is fragile, and we need to attract and retain our working population to grow our economy, increase our population and provide the services they need to all of our people, including our older people."
- 3.8 The sustaining and growing of our population is at the heart of the Comhairle's Corporate Strategy and is the overarching outcome of all the work that we do. This, in turn, underpins the work of the Local Housing Strategy.
- 3.9 The Convention of the Highlands and Islands (COHI), of which the Comhairle is a member, seeks to strengthen alignment between the Scottish Government and member organisations in order to support sustainable economic growth. It has sought to explore options and approaches around population issues and began to explore the concept of "Repopulation Zones". In the Outer Hebrides the Repopulation Zone has been defined as Uist, and a Settlement Officer was appointed in June 2022.
- 3.10 Much of the discussion around Repopulation Zones has sought to reframe the discussion away from the negative connotations of depopulation onto a more positive, development-orientated focus on repopulation. There are five critical areas where interventions will be focussed, with the initial focus on the first three:
- Housing;
  - Jobs;
  - Critical Infrastructure – especially Digital and Transport;
  - Access to Services – health, education, childcare etc.; and
  - Talent Attraction and Retention.
- 3.11 To date there have been 25 successful relocations to Uist supported by the Settlement Officer and there are more who are in the process of relocating. The Project reports that:
- "Within 79% of general relocation and housing queries, 34% are awaiting suitable housing. These are waiting for properties to become available on the market for either purchase or long-term rent. Additional evidence of the housing issue is provided by data and statistics acquired in the Settlement Officers' questionnaire. 49% of relocators to Uist stated that finding suitable and affordable housing was the biggest barrier when settling in Uist.*
- A worrying statistic is that several non-residents are successful in accepting job offers in Uist but later find themselves unable to take the position since there is no accommodation available. This housing crisis is something that needs immediate action, not only locally but also nationally."*
- 3.12 We reported earlier that we were aware of pressure on our very small PRS. If households are unable to rent homes or have a stop-gap solution available in times of relocation (or, indeed, crisis), this can have a negative effect on population stabilisation and renewal and must be considered carefully when preparing targets for different tenures.
- 3.13 This has particular significance when we consider our approach to Homelessness. As the PRS is so small, there are few options available to individuals who find themselves in housing crisis other than to move into temporary accommodation via assistance from the Comhairle's Homeless Services Team. The Comhairle's strategic housing priorities will be aligned and consistent with the priorities of the Rapid Rehousing Transition Plan.

3.14 A further aspect we need to consider strategically is the health of our population, and indeed, our ageing population. The Outer Hebrides Health and Social Care Strategic Plan 2021/22 was prepared in terms of The Public Bodies (Joint Working) (Scotland) Act 2014. The vision underlying the Plan is that:

*'by 2020 the people of the Western Isles will be living longer, healthier lives at home, or in a homely setting. We will have an integrated health and social care system, which focuses on preventing ill-health, anticipating care needs and supporting recovery.'*

3.15 The previous Housing Contribution Statement detailed the areas of work which housing partners undertake to provide support of this Strategic Plan. The Housing Contribution Statement will be updated to reflect the new LHS.

3.16 The development of Housing with Extra Care (HWECC) remains a key component of the SHIP in the coming years. The HWECC development at Goathill Farm has recently completed and there are on-going proposals to develop HWECC in Castlebay, Barra.

#### ECONOMIC GROWTH

3.17 The Office for National Statistics (ONS) has published subregional productivity information up to 2021. As part of this release, they also produced experimental statistics at Local Authority level. The Outer Hebrides has dropped from 79.8 in 2019 to 76 in 2021 (the UK average is equal to 100), the second lowest in Scotland. The drop is disappointing but not unexpected owing to the impact of the Pandemic during this period.

3.18 Whilst we do face significant challenges, over the next decade there will be an unprecedented level of investment happening across the Outer Hebrides, particularly on the Isle of Lewis where a series of significant renewable energy and supporting deployments are anticipated. These deployments include:

- a 1.8GW HVDC interconnector, sub-station and supporting infrastructure to be constructed by Scottish and Southern Energy Networks;
- depending on final build-out, circa 450MW of terrestrial on-shore wind on three sites - Druim Leathann Wind Farm, Stornoway Wind Farm and Uisenis Wind Farm; and
- depending on final build-out, circa 2.8GW of Offshore Wind (bottom-fixed and floating) with option to lease subject to consent on three sites. The options residing with Northland Power and Magnora Offshore.

3.19 This will represent the largest ever private sector investment into the Outer Hebrides and will coincide with a further series of investments, such as the activity being delivered through the Islands Growth Deal and the Levelling-Up Partnership.

3.20 The Islands Growth Deal, signed on 20 January 2023, is forecast to be worth a total of £393m over ten years between the three island areas (Outer Hebrides, Orkney, Shetland) and represents the highest per-capita investment of any of the Scottish growth deals. In the Outer Hebrides the Islands Deal proposals are based around the following five projects which are anticipated to create several hundred sustainable jobs throughout the Islands:

- Outer Hebrides Energy Hub;
- Outer Hebrides Destination Development;
- Spaceport 1;
- Primary Industries Development; and
- Outer Hebrides Campus Redevelopment (commenced August 2023).

3.21 This activity offers a transformational economic opportunity for the Outer Hebrides. It will offer significant construction and operational phase benefits for local supply chains and will stimulate new local jobs. It will also create logistical challenges as projects seek to go into construction to broadly similar timescales.

3.22 To that end, the Comhairle has developed an Approach to Worker Accommodation Framework, the main Objective of which is that local agencies and developers will work collaboratively, in a place-based

manner, to deliver a housing legacy that will see quantifiable numbers of new homes, new facilities and new infrastructure being made available as a direct result of the build-out of renewable energy projects and associated infrastructure.

3.23 In seeking to deliver the above Objective, developers will seek, where possible, to:

- identify opportunities to repurpose and regenerate vacant, disused, or surplus assets;
- ensure any new build is constructed in a manner that will support a local regeneration objective;
- ensure any new build can be transferred to a local agency or local community at the end of its accommodation use; and
- identify opportunities to work with the local construction sector to ensure local supply chain opportunities are maximised.

3.24 This Framework will sit under the umbrella of the Local Housing Strategy, but it will sit parallel to the Housing Supply Target in light of the timing of emerging workstreams, many of which are currently in the planning phase.

### **CAPACITY WITHIN THE CONSTRUCTION SECTOR**

3.25 At its meeting of 17 March 2021, the Outer Hebrides Community Planning Partnership discussed construction issues in the Outer Hebrides. There were over 700 workers in the construction sector across the Islands at that point. Severe shortages and significant price increases in building materials were raised, and it was felt that this could impact confidence and contracting. It was noted that there was an increased number of off-island contractors and labourers in the Islands which could indicate a lack of available labour, or a lack of skilled people in the local workforce. In addition, concerns were raised that construction was no longer viewed as an attractive career area with many young people moving off-island for the college/university experience.

3.26 Currently there are construction issues country-wide that are also common to the Outer Hebrides, some of which are outlined below:

- Skills shortages and vacancies across the trades, but particularly in the bricklaying and painting/decorating trades locally;
- Not enough young people considering construction as a career;
- Older age profile of smaller family run businesses with succession planning proving difficult;
- Fewer people in the working age group, and this is projected to decrease further;
- Higher construction costs of rural builds disincentivising competition for rural jobs;
- Tender process favouring larger businesses and smaller businesses (local to an area of development) losing out;
- Rising cost – labour and materials – The Royal Institute of Chartered Surveyors' Building Cost Information Service suggests labour costs may increase by up to 8.1% in 2024;
- Scarcity of materials;
- Increasing freight costs; and
- Reliability of transportation infrastructure – particularly the ferry network.

3.27 The Scottish Academy for Construction Opportunities in partnership with the Construction Industry Trade Board (CITB) and the Comhairle are working together to offer support, guidance, and training to encourage people into the Construction Industry. It is estimated that 100 extra construction staff will be required by 2025.

3.28 The Comhairle's Employability Team has worked proactively with local contractors to increase the number of apprentices coming into construction. Currently there are 26 apprentice posts to be filled across 9 different trades. Within the sector, there are over 100 apprentices across the different year groups, though whether they remain in the local trades following qualification is uncertain, as there has been a pattern of young tradespersons moving off-island at that point.

3.29 While this is heartening, we still do not have a clear picture of the local construction requirement of forthcoming economic investment in our islands and there is a real possibility that there may not be

enough capacity in the local Construction Sector to support both that and housing development at the same time. Engagement continues with partners to determine requirements.

### **INTER-DEPENDENCY BETWEEN DELIVERY OF MARKET AND AFFORDABLE HOUSING**

- 3.30 The nature of house building in the Outer Hebrides is via the AHSP or self-building on windfall sites; we have no large-scale speculative build, so we are not in the same position as mainland local authorities in respect of inter-dependency between delivery of market and affordable housing.
- 3.31 With 26.4% of the local workforce employed in skilled trades between October 2022-September 2023 (NOMIS), however, and a considerable proportion of these likely to be engaged in affordable housing delivery, there will be an element of inter-dependency via those employed in affordable housing (building and administration) in turn supporting the local economy and building industry.
- 3.32 We know that house building does support the local economy and we are keen to see this continue in accordance with the resources we have available to us and our strategic priorities.
- 3.33 House condition in the Private Sector may have an increasing impact on the demand for Affordable Housing in future. This is considered later in the report.

### **AVAILABILITY OF RESOURCES**

- 3.34 In July 2021, Scottish Government confirmed Affordable Housing Supply Programme (AHSP) grant allocation of £16.883m for the first two years of the Strategic Housing Investment Plan (SHIP) 2023/24-2027/28, with a further £15m estimated for the final three years, as follows:

**Table 6 RPA 2023/24 – 2027/28**

<b>Year</b>	<b>SG RPA</b>
2023/24	£8,343,000
2024/25	£8,372,000
2025/26	£5,000,000 (est)
2026/27	£5,000,000 (est)
2027/28	£5,000,000 (est)
<b>Total</b>	<b>£31.883m</b>

- 3.35 Following Scottish Government's announcement of a 26% cut in the AHSP for 2024/25, we have yet to receive confirmation of future grant allocation, but the current SHIP (2024/25 – 2028/29) has made a Resource Planning Assumption (RPA) as follows, though this was prepared prior to the announcement and may have to be adjusted in line with any shortfall:

**Table 7 RPA 2024/25 – 28/29**

<b>Year</b>	<b>SG RPA</b>	<b>Potential Units</b>
2024/25	£9,993,708	67
2025/26	£5,640,000	63
2026/27	£5,440,000	34
2027/28	£4,680,000	38
2028/29	£4,960,000	36
<b>Total</b>	<b>£30,713,708</b>	<b>238</b>

- 3.36 The financial resource we have available will have a significant impact on the pace and scale of the AHSP, in addition to the financial facility available to HHP (currently £25m), which they hope will enable the delivery of their strategic goals, including, but not limited to, housing supply.
- 3.37 The preparation of the SHIP has taken account of the high cost of delivering affordable housing in rural areas. Costs have always been high outwith Stornoway, but recent tender returns for rural areas have been very high and have required detailed financial appraisal to assess whether these developments

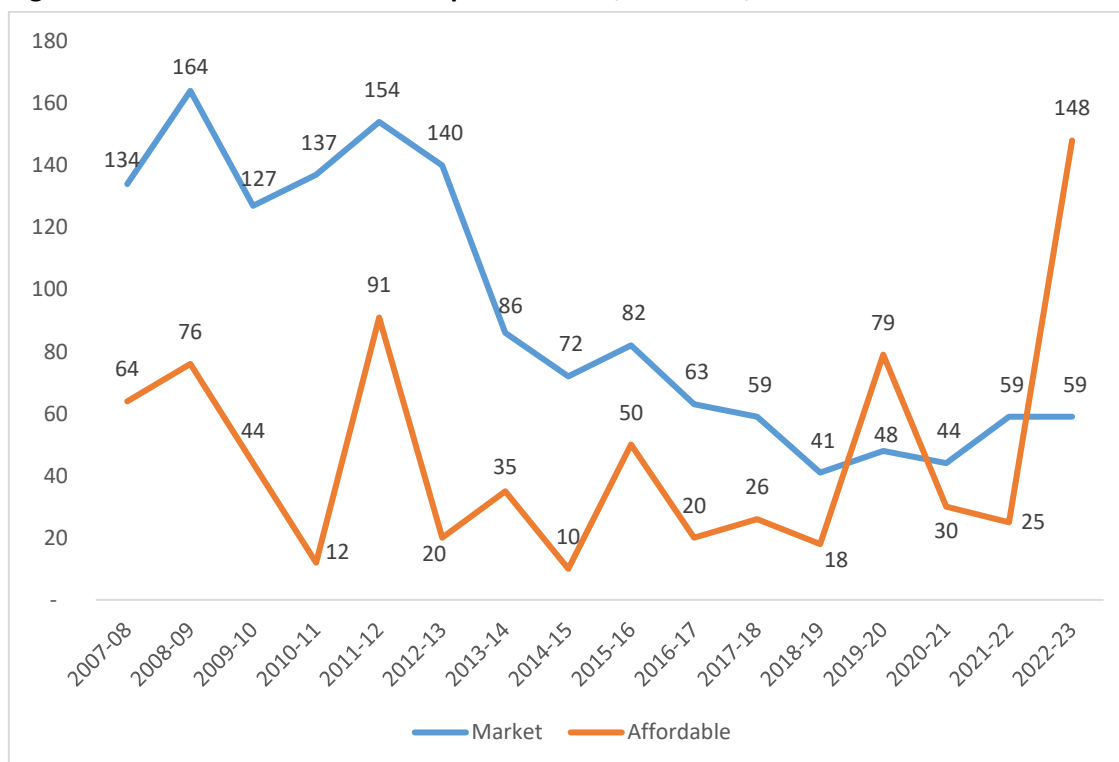
are feasible. As well as the financial challenge, the additional time required to carry out appraisals has added substantial amounts of time on to the overall AHSP.

- 3.38 The Scottish Government has been very supportive in increasing benchmark grant levels where possible in order to make developments work financially. In many cases the grant level awarded to a development has been substantially higher than the £95,500k per unit benchmark.
- 3.39 Resourcing is not limited to funding, however. With the initial surge of construction projects once lockdown was lifted, the impact of Brexit, and now the war in Ukraine, there has been a shortage of materials such as steel, cement, timber, roof tiles and even some electrical components. This has led to an increase in the cost of raw materials nationally with the annual growth rate of construction costs reaching nearly 10% in 2022 (Statista). Inflation has fallen from 14.2% in Q3 2022 to 5.2% in Q3 2023, and according to Government figures, the construction industry in the UK saw the sixth consecutive month of declining prices in December 2023, so this is encouraging.
- 3.40 In addition to the actual availability of physical resources, there have also been severe challenges with transportation infrastructure, primarily the lack of resilience within the ageing ferry fleet. This is a key component in ensuring resources are available when they are required and the contractor does not incur penalties.
- 3.41 It is likely to be extremely challenging to deliver the number of units in the current SHIP – 55% of which are in rural areas, in line with Comhairle policy of a 55/45 rural-urban split – if grant funding is reduced substantially and cost of delivering homes remains high. Longer lead-in times or reduced delivery may have to be considered.

#### LIKELY PACE AND SCALE BASED ON COMPLETION RATES

- 3.42 Market and Affordable (Social Rent, Shared Equity and Rent-to-Buy) completions since 2007/08 are detailed in Figure 2 below and a percentage breakdown is detailed in Table 8.

**Figure 2 Private and Affordable Completions 2007/08 – 2022/23**



Source: Scottish Government

**Table 8 Percentage Market and Affordable Completions 2007/08 – 2022/23**

Sector/Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Market	134	164	127	137	154	140	86	72	82	63	59	41	48	44	59	59
%	68%	68%	74%	92%	63%	88%	71%	88%	62%	76%	69%	69%	38%	59%	70%	29%
Affordable	64	76	44	12	91	20	35	10	50	20	26	18	79	30	25	148
%	32%	32%	26%	8%	37%	13%	29%	12%	38%	24%	31%	31%	62%	41%	30%	71%
<b>Total</b>	<b>198</b>	<b>240</b>	<b>171</b>	<b>149</b>	<b>245</b>	<b>160</b>	<b>121</b>	<b>82</b>	<b>132</b>	<b>83</b>	<b>85</b>	<b>59</b>	<b>127</b>	<b>74</b>	<b>84</b>	<b>207</b>

Source: Scottish Government

- 3.43 Private Sector completions have reduced dramatically since the economic downturn of 2007/08, though they remained higher historically than affordable housing completions until 2019/20, when increased levels of grant funding coupled with significant borrowing by HHP enabled a comprehensive development programme and the completion of more affordable than private homes.
- 3.44 Private completions saw a recovery to pre-Pandemic levels in 2021/22 and 2022/23, though they remain at approximately one third of the rate completed ten years previously. The cost of build and access to contractors remain challenging locally.
- 3.45 Between 2020-2022, the pace and scale of affordable completions was derailed by the Pandemic and subsequent recovery, but 2021/22 saw the highest level of affordable completions since the building boom of the late 1970s-1980s (though this includes the Housing with Extra Care (HWECE) element of the Goathill Campus Development). Whether this can continue is dependent on levels of grant funding and finance, population estimates and projections, and supply in the PRS – if access to Private Sector homes to rent dwindles further there is likely to be greater demand on HHP's waiting list.

#### RECENT DEVELOPMENT LEVELS

- 3.46 Between 2018/19 and 2022/23 there was an average of 50 Market and 60 Affordable homes completed annually. The Affordable level will be skewed slightly by HWECE, so if these are removed the average falls to 50.

**Table 9 Recent Development Levels 2018/19 – 2022/23**

Sector/Year	2018-19	2019-20	2020-21	2021-22	2022-23	Average	No HWECE
Market	41	48	44	59	59	<b>50</b>	<b>50</b>
Affordable	18	79	30	25	148	<b>60</b>	<b>50</b>

Source: Scottish Government

- 3.47 There have always been Private Sector fluctuations depending on confidence in the local economy, but these are the lowest development levels we have seen in two decades. This partly reflects the economy and cost-of-living/access to finance pressures, but it also reflects the demographic issues we have where the section of our population that traditionally builds a family "home for life" (25-45 age group) is steadily being depleted. There will also be a percentage of Private Sector new build that is going directly into the tourist market.
- 3.48 There have also been considerable fluctuations in the Affordable Housing Market recently, partly due to the Pandemic and issues previously highlighted in this paper. More recently, there has been an increasing requirement to carry out detailed feasibility studies, particularly when developing rural sites, as groundworks, drainage, access and other infrastructure issues, can often render a site unfeasible for affordable development and benchmark grant funding, even with Scottish Government uplift.
- 3.49 The above averages give some indication of the level of Market and Affordable housing that may currently be supported.

#### AVAILABILITY OF LAND

- 3.50 The acquisition of land is an integral part of the local housing system and must be considered when making an assessment on the level of housing that may be supported and the pace and scale of delivery.
- 3.51 Housing supply is monitored by the Housing Land Audit which is produced on a biennial basis, its main function being to demonstrate that an effective supply of land is continuously available and to provide a snapshot of that resource at any point in time.
- 3.52 Further sites are identified as part of the Strategic Housing Investment Plan (SHIP) either through specific 'call for sites' exercises or through 'ad hoc' offers of land which become available from individuals, landowners and organisations. The Comhairle's Planning Service assists the Housing Services Team in the assessment of potential affordable housing sites to realise delivery of the Housing Programme and future land supply.
- 3.53 The Housing Services Team also works closely with Hebridean Housing Partnership (HHP) to identify and assess suitable sites for affordable housing. Jointly funded feasibility studies are commissioned on potential sites and the findings of these studies help inform the prioritisation of the Housing Programme. Feasibility studies examine a range of factors including location, ownership, infrastructure, utilities, ground conditions, development costs, as well as further, more detailed study by the Planning Service.
- 3.54 Land acquisition can be complex, problematic and time consuming, particularly so in the Islands, where the majority of potential land for housing is within crofting tenure. Agricultural law has gone through significant reform and has increasingly become a very challenging area in terms of timescale for resumption, i.e., the removal of land from crofting tenure, causing, in a number of cases, considerable delay to development site starts.
- 3.55 A further aspect of land availability is the perception that locals will not be housed despite land being made available by Common Grazings or community groups. The Comhairle has a statutory duty to house homeless applicants who are assessed as being unintentionally homeless, and these applicants are required to make an application to HHP for housing. HHP awards more points to homeless applicants in accordance with their Allocations Policy in order to assist with the Comhairle's statutory duty, and as a result, these applicants are often accused of "jumping the queue", particularly in more rural areas where housing developments tend to be smaller.
- 3.56 Key to these challenges, going forward, is early collaboration with communities, landowners, and the Scottish Land Court.
- 3.57 Despite these challenges, there is a future land supply of 1,298 units, with an effective five-year land supply of 508 units over the period 2021 to 2026. This consists of Consented, Local Development Plan and Strategic Investment Plan (SHIP) sites. Beyond 2026 there is a potential supply for up to 586 units, although a number of these sites are constrained. Recent work carried out by the Comhairle's Housing Development Officer has yielded several sites with the potential of a further 27 units.

#### **PLANNED DEMOLITIONS**

- 3.58 There are no planned demolitions currently.

#### **PLANNED NEW & REPLACEMENT HOUSING; HOUSING BEING BROUGHT BACK INTO EFFECTIVE USE**

- 3.59 The Outer Hebrides has a high volume of empty homes. Many of these are legacy homes to family members who live off-island, and some are tied into care provision with their owners receiving long-term care in residential homes. In 2021, empty homes comprised approximately 8% of housing stock (1,138).
- 3.60 The Comhairle's Empty Homes Project has been underway since October 2018 and assistance is provided to help the property owner either restore, sell, or rent their empty property. A lot of data has been gathered in respect of the condition of empty homes throughout the Outer Hebrides and the Empty Homes Officer (EHO) has been able to provide advice and assistance to renovate 270 properties

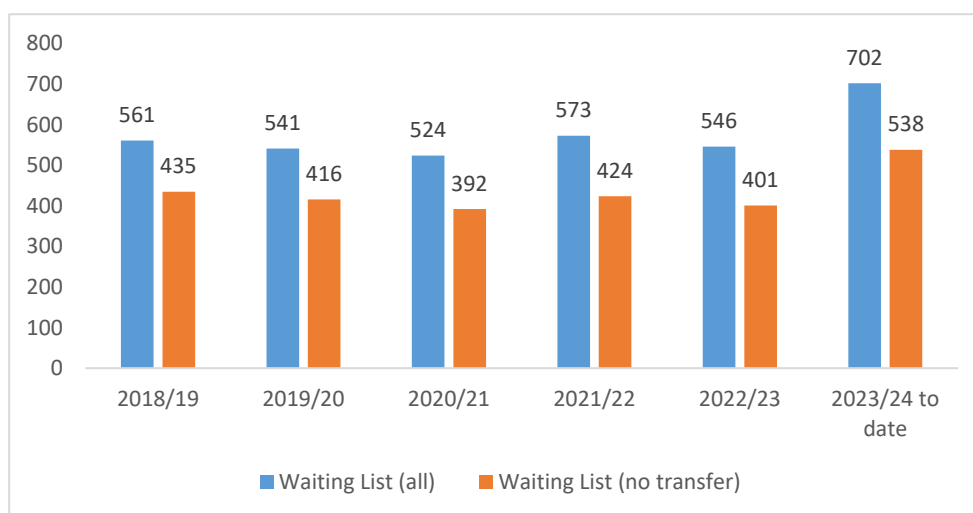
and bring them back into use. A further 150 property owners have asked for advice to assist them in keeping their property on the rental market due to legislative changes, and the EHO has over 320 active cases throughout the Outer Hebrides at the moment.

- 3.61 The EHO is also working with Tighean Innse Gall (TIG) in respect of finding properties that may be suitable for the Rent-to-Buy Scheme. We hope that 12 homes will be brought back into effective use for affordable housing over the period of the next LHS.
- 3.62 There are no plans for open market purchase of existing housing stock in the SHIP.

### HHP'S WAITING LIST

- 3.63 Another factor which is a significant driver of the pace and scale of affordable housing delivery is the number of applicants on HHP's Waiting List. The trend is outlined below in Figure 3.

**Figure 3 HHP Waiting List on 31 March**



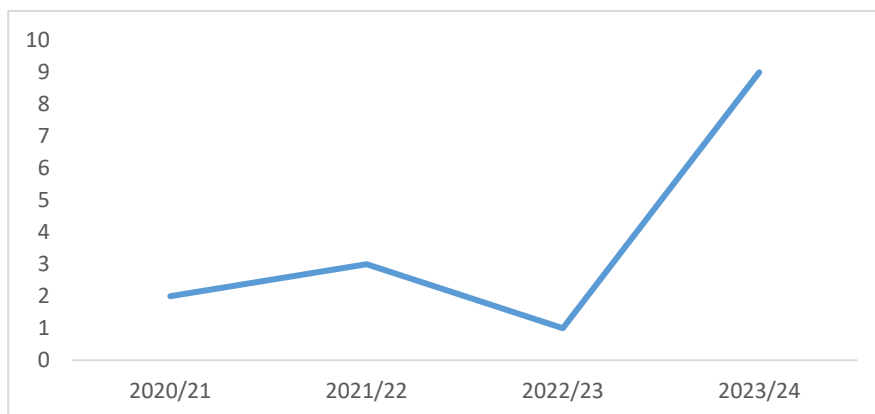
Source: HHP (2023/24 data at 1<sup>st</sup> March yet to be verified)

- 3.64 There are currently more applicants waiting for an affordable home than there have been over the previous six years. This can be attributed to a number of factors:
- High price of Market homes;
  - Supply of Market homes contracting;
  - Access to finance for those on lower incomes;
  - Access and cost of land;
  - Cost of self-build;
  - Cost-of-living pressures and desire for security of tenure;
  - Low volume of homes in PRS;
  - Economic development throughout the Islands placing pressure on Market;
  - Impact of Pandemic – more people have option to work from home, including the rural location they belong to; and
  - Desirability – HHP are building homes to a very high standard and crucially, they are future-proofed.
- 3.65 Whilst we acknowledge the number of Waiting List applicants, HHP must balance what they can build, with access to finance and repayments, in addition to their commitments to current tenants, and the increasing cost of compliance with targets.
- 3.66 In light of population projections, if the Development Programme is too radical, HHP may be left with void properties they can't rent and a large facility to repay. If too conservative, and not balanced with availability of Market homes, our population and economy may contract further.

### CONDITION OF HOMES IN THE PRIVATE SECTOR

3.67 One final factor that will have an impact of the pace and scale of delivery is the condition of homes in the Private Sector. Owing to the age and composition of the housing stock, coupled with an ageing population with reducing access to funds for repair and maintenance as they get older, we anticipate that there will be an increase in homes that fall Below Tolerable Standard (BTS) over the period of the next LHS.

3.68 The chart below shows the trend since 2020/21 in respect of Homeless presentations because the applicant's home was assessed as being Below Tolerable Standard.



3.69 Some of these presentations will have come via Health & Social Care or following a stay in hospital, where it has become apparent that the applicant's home is not fit to be lived in, or returned to, and is likely to compromise their health further. Many of these presentations are in the 65+ age group.

3.70 In addition to the obvious stress on the homeowner, BTS homes have implications for:

- HHP – once a homeless applicant is assessed as being unintentionally homeless and the Comhairle has a statutory duty to house them, the applicant must complete an application for housing to HHP if they have not already done so. This puts further pressure on the Waiting List;
- the Comhairle – the level of BTS presentations since July 2023 has put enormous pressure on an already pressured Homeless Service budget;
- Health and Social Care Services – as many homeowners with BTS homes are 65+, they will often be classed as vulnerable and will require input from Health and Social Care Services. The resource aspect of supporting vulnerable individuals, often with deteriorating mental health, is huge, both in terms of staff input and budgetary implications; and
- the NHS – if an individual cannot be discharged to their home, then they are likely to be stuck in the hospital system until such time as appropriate arrangements can be made for them, either via the Homeless Service or a care home. This leads to bed-blocking and has a knock-on effect on the whole NHS locally.

3.71 There has been no Comhairle Private Sector Repair Grant available to homeowners since 2013. In addition, there has been no Minor Works Scheme available since 2019. These grants were instrumental in assisting qualifying homeowners to maintain their properties and keep them wind and watertight. While there are also external factors at play, their demise has contributed to, for example:

- an inability to maintain homes so they ultimately fall empty and into further disrepair – we have the highest level of empty homes in Scotland at 7.7%, whereas the Scottish average is 3.4%; and
- fuel poverty rising to the highest level in Scotland.

3.72 Private Sector house condition, therefore, could affect the pace and scale of delivery in ways that could potentially be avoided if there was grant funding available to homeowners. As house condition decreases, there is likely to be a greater requirement for social housing solutions, particularly for the older age groups. When social housing providers have to bear the increasing cost of compliance with targets for their existing stock, however, it is difficult to see how they can continue to offer these solutions.

## **DELIVERY OF HOUSING**

- 3.73 The strategic framework to plan, balance, and manage all of these factors rests with the Comhairle, but with input from HHP, Scottish Government, TIG, IJB, community groups and other partners.
- 3.74 Our aim is to prepare a Local housing Strategy which enables households to access the housing they need at the time it is needed. At a local level we cannot change wider economic and market issues such as affordability, however, we can work in a targeted way with our partners across tenures, with the resources we have available to us, to improve supply via a considered Housing Supply Target.

## 4. PROPOSED HOUSING SUPPLY TARGET

### AFFORDABLE AND MARKET SPLIT

- 4.1 Table 10 below gives a summary of how the Housing Supply Target could be split between Affordable and Market housing across a range of different options. Sources are HNDA outputs, the previous Housing Supply Target and actual outputs, in addition to completions for the previous 10- and 5-year periods.

**Table 10 Options for Affordable and Market Split**

Options for Affordable and Market Split		
Options	Affordable	Market
1. Current LHS Target	54%	46%
2. Current LHS Actual	59%	41%
3. HNDA 2023-2042 Years 1-5	42%	58%
4. 10 Year Average 2013/14-2022/23	42%	58%
5. 5 Year Average 2018/19 - 2022/23	54%	46%
HST Option 1 - Average of 1, 3 & 4	46%	54%
HST Option 2 - Average of 1, 3 & 5	50%	50%
HST Option 3 - Average 2, 3 & 4	48%	52%
HST Option 4 - Average of 2, 3 & 5	52%	48%

- 4.2 The preferred split is Options 3, based on the following factors:
- actual outputs from the current LHS – many of the issues which stopped us from delivering, particularly in the PRS, remain so we need to consider what we were able to achieve and what will be feasible in the future;
  - we anticipate that Scottish Government funding will contract and the level of AHSP completions is likely to be lower. In light of the funding aspect, we believe that the 10-year average gives a more realistic tenure split as there have been inflated funding levels in the last five years;
  - we do not want to reduce Affordable options any lower despite historic completions favouring Market housing as Market conditions remain uncertain, and there is significant demand on HHP's Waiting List; and
  - we anticipate significant economic development over the period of the LHS and beyond which may require a higher level of Market housing.
- 4.3 At Appendix 1 we populated an Impact Template to consider whether we should increase or decrease the outputs of the HNDA for the five years of the Local Housing Strategy or leave them unchanged. The Impact Template is a simplified summary of the factors discussed in Section 3. We found that there were 8 negative impacts and 8 positive impacts associated with Market Housing delivery, in addition to 5 negative and 10 positive impacts associated with Affordable Housing delivery. There were 2 neutral impacts apiece.
- 4.4 Some of the impacts carry considerable weight and implications for the future of our Islands, such as the role of Housing in the stabilisation and renewal of our population, so we weighted it accordingly.
- 4.5 We found that there was enough evidence to increase the HNDA outputs for both Market and Affordable Housing, though considering the finance/funding element required to underpin Affordable Housing, we are not able to increase it to the level of the previous Housing Supply Target.

- 4.6 In light of the above and the impacts outlined in the Impact Template at Appendix 1, we propose the following Housing Supply Target to underpin Local Housing Strategy 2024-2029.

**Table 11 Proposed Housing Supply Target 2024/25 – 2028/29 and Related Data**

	<b>Proposed HST 2024/25 - 2028/29</b>	<b>Current HST</b>	<b>HNDA Scenario 2 5 yr (10 yr)</b>	<b>10 Year Proposed MATHLR</b>	<b>Average completions 2018/19- 2022/23 (5 year)</b>	<b>Average completions 2013/14- 2022/23 (10 year)</b>
Affordable	150 (30)	250	105 (205)	-	60 (- HWEC 50)	44
Market	160 (32)	210	145 (300)	-	50	61
Combined	310 (62)	460	250 (505)	600 (50 p/a)	110 (100)	105

- 4.7 There are many uncertainties in the local Housing market, however, as we have come to understand over the past four years, since the Pandemic changed the way we live and work. The above Housing Supply Target represents what we believe may be delivered on the ground over the course of the next Local Housing Strategy, in the current and projected environment.

## 5. SUPPORTING MATERIAL

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Local Housing Strategy 2017-2022

Housing Need and Demand Assessment 2023-2042

Local Housing Strategy Guidance 2019

HNDA Managers Guide 2020

National Planning Framework 4

The Planning (Scotland) Act 2019

SHIP 2024/25 – 2028/29

# APPENDIX 1 – IMPACT TEMPLATE

HST FACTORS		MARKET HOUSING (+/x)	EVIDENCE FOR MARKET HOUSING DELIVERY	AFFORDABLE HOUSING (+/x)	EVIDENCE FOR AFFORDABLE HOUSING DELIVERY
HNDA Estimates		145		105	
1	Strategic Factors	X	Drop of 5.5% since 2011 Census & populations projections indicate further decline. Housing development has a strategic role to play in stabilising population, though little control over when houses are built.	X	Drop of 5.5% since 2011 Census & populations projections indicate further decline. Potential for HHP to have a number of void properties into the future.
		++	Housing development has a strategic role to play in stabilising population, though little control over when houses are built. Housing identified as one of the five critical areas in Repopulation Zones.	++	Housing development has a role to play in stabilising population, particularly when we can develop strategically. We have more control over strategic placement with affordable housing. Housing identified as one of the five critical areas in Repopulation Zones.
2	Economic Factors	+	Transformational economic opportunities via Islands Growth Deal, Renewables, etc. These major projects are likely to stimulate need and demand for housing across tenures and new jobs.	+	The Islands Growth Deal is also focused on housing-led growth so there are clear opportunities for affordable housing development anticipated.
		X	Negative impact of Pandemic, Brexit, and war in Ukraine on cost and availability of raw materials driving inflation up and subsequent impact on tender costs.		
3	Capacity within in the Construction Sector	X	Concern over capacity to support house building in light of forthcoming economic development. Overall picture currently very uncertain.	X	Affordable housing is more price sensitive than market housing, so may struggle to compete against large-scale construction projects re securing contractors.
		+	Shortage of skilled trades being supported by apprenticeships.		

HST FACTORS		MARKET HOUSING (+/x)	EVIDENCE FOR MARKET HOUSING DELIVERY	AFFORDABLE HOUSING (+/x)	EVIDENCE FOR AFFORDABLE HOUSING DELIVERY
HNDA Estimates		145		105	
4	Interdependency between delivery of Market & Affordable Housing	0	Given completion rates there is currently a neutral impact on the setting of pace and scale of housing delivery. However, house condition in Private Sector may have an impact on Affordable Housing in future. Currently difficult to predict, though impacts included below at number 12 for planning purposes.		
5	Availability of Resources	X	Cost of building has increased.	X	Potential reduction in grant funding. Access to and cost of raw materials.
				+	Scottish Government support remains for affordable housing.
6	Likely pace and scale based on completion rates	+	Traditionally the Private Sector has had higher levels of housing completions with majority of new build on windfall sites. Though these have dropped significantly since 2007/08, they now equal pre-Pandemic levels.	X	Completions rates have fluctuated historically and they are dependent on grant funding. They have only overtaken Private Sector completions three times since 2007/08.
7	Recent development levels	+	Completions now at pre-Pandemic levels and suggest an average of 50 market completions could be achieved annually.	+	Strong development in the past 5 years. Affordable housing levels higher than Market, though dependent on grant funding.
8	Availability of land	+	Traditionally majority of market housing built on windfall sites or croft land. This is likely to continue.	+	Future land supply is sufficient for affordable housing.
				X	Decrofting timescales can be lengthy and can cause slippage in programme.
9	Planned demolitions	0	No planned demolitions.		
10	Planned new and replacement housing; housing being brought back into effective use	+	Empty Homes Project successful in bringing housing back into effective use.	+	Empty Homes Project with TIG aims to make several new affordable homes available over period of LHS.
		X	No control over usage of private housing brought back into effective use.		
11	HHP's Waiting List	X	Small and decreasing PRS likely to have impact on HHP's Waiting List.	+	Despite record levels of new build Waiting List remains high.

HST FACTORS		MARKET HOUSING (+/x)	EVIDENCE FOR MARKET HOUSING DELIVERY	AFFORDABLE HOUSING (+/x)	EVIDENCE FOR AFFORDABLE HOUSING DELIVERY
HNDA Estimates		145		105	
12	Condition of Homes in the Private Sector	X	Increasing number of homes that are Below Tolerable Standard, and no Private Sector Repair Grant to support bringing them back into effective use.	+	Increase of BTS homes amongst older homeowners likely to see pressure on Homeless Service and an increasing demand for affordable solutions.
		X	No Minor Works Scheme since 2019 which contributes to deterioration of house condition.	+	As above, deterioration of Private Sector homes can have increasing impact on requirement for Affordable Housing.
IMPACTS		8 negative 8 positive 2 neutral		5 negative 10 positive 2 neutral	