

COMMUNITIES COMMITTEE

Wednesday 13 December 2006

Session 2

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COMMUNITIES COMMITTEE **34th Meeting 2006, Session 2**

CONVENER

*Karen Whitefield (Airdrie and Shotts) (Lab)

DEPUTY CONVENER

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

COMMITTEE MEMBERS

*Scott Barrie (Dunfermline West) (Lab)
*Cathie Craigie (Cumbernauld and Kilsyth) (Lab)
*Christine Grahame (South of Scotland) (SNP)
*Patrick Harvie (Glasgow) (Green)
*John Home Robertson (East Lothian) (Lab)
*Tricia Marwick (Mid Scotland and Fife) (SNP)
*Dave Petrie (Highlands and Islands) (Con)

COMMITTEE SUBSTITUTES

Chris Ballance (South of Scotland) (Green)
Alex Johnstone (North East Scotland) (Con)
Christine May (Central Fife) (Lab)
Mike Rumbles (West Aberdeenshire and Kincardine) (LD)
Ms Sandra White (Glasgow) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

Professor Glen Bramley (Heriot-Watt University)

CLERK TO THE COMMITTEE

Steve Farrell

SENIOR ASSISTANT CLERK

Katy Orr

ASSISTANT CLERK

Catherine Fergusson

LOCATION

Committee Room 6

Scottish Parliament

Communities Committee

Wednesday 13 December 2006

[THE TEMPORARY CONVENER *opened the meeting at 09:39*]

“Local housing need and affordability model for Scotland—Update”

The Temporary Convener (Christine Grahame): Good morning. I call to order the 34th meeting in 2006 of the Communities Committee and welcome everyone, especially Professor Glen Bramley and David Watkins from the school of the built environment at Heriot-Watt University. As you can see, I am not Karen Whitefield; I am in the chair this morning by popular acclaim. [*Laughter.*] I ask members to calm down.

I apologise to the witnesses for the slight delay in starting the meeting. Professor Bramley, will you please provide some background to the development of your affordable housing model?

Professor Glen Bramley (Heriot-Watt University): Good morning, everyone. Some members might know more about the model than others, but the report that I believe has been circulated to the committee contains only brief details at the beginning of chapter 1 about how it follows on from my previous report.

The work has a longer history; indeed, I think that I have been working on variations of this local housing affordability and need model for about 18 years. Initially that work was mainly in England and then, from the mid-1990s, in Scotland in various projects for what was then called Scottish Homes and, more recently, through indirect involvement with a project for the planning side of the Scottish Executive. That work led in 2002 or 2003 to the first of a series of three reports, of which the report that we are discussing is the third. The report was commissioned by Communities Scotland to provide a benchmark to help its regional staff in planning housing investment and to assist local authorities in fulfilling what was then the new duty of preparing local housing strategies. In other words, the report sought to provide a common benchmark by applying a common model to data that are generally available from secondary sources in Scotland.

The Temporary Convener: Thank you. Mr Watkins, if you want to chip in at any point, please do so.

How does the model work? Does it have any limitations?

Professor Bramley: That is a big question, but I should probably give you the short answer.

On page 6 of the report, there is a diagram—for those who like that sort of thing—showing how the various elements of need calculation have been brought together, some of the data sources that they have been based on and how a comparison with supply has been made. Annex A contains a lot more technical detail on the matter, but most of you will probably want to gloss over that.

Basically, the model attempts to work out patterns of household income for populations in different local areas in Scotland, with a particular focus on younger households—which, after all, comprise the sort of people who are trying to enter the housing market. We then compare those patterns with house price information and work out how many of those people could or could not afford to become homeowners in the normal way—in other words, by taking out a mortgage. Those data are then related to what one might call demographic numbers on the number of new households that form each year and the proportion of them that are able or unable to buy. We make various additional allowances for people moving between different areas, from other tenures and so on, and for what is called the backlog, which is made up of people who are already in housing need, whose housing situation is unsatisfactory and who have some claim to social or affordable housing. All that information comes from various sources.

We then compare need with the supply of available housing, which is mainly in the form of existing council and housing association property that is relet, and the difference between those large numbers gives a net need figure that might be positive—as it is for most Scottish local authorities—or negative, which, if a common basis for calculating is applied, indicates that there are more lettings than are needed.

In response to your second question, I direct you to the bottom of page 5 of the report, which highlights “Limitations of estimates”. The major limitation of the model is that it seeks to measure how much extra affordable housing is needed in different local areas in Scotland. We are not trying to measure how much needs to be spent to improve the condition, physical quality or suitability of housing, especially in the social rented sector, because doing so would involve different and more specialised techniques, and different types of data. We are not trying to provide a measure of how much investment might be needed for what we might call regeneration purposes. That is a slightly different issue. We are considering how much extra affordable housing is needed.

09:45

The Temporary Convener: So it is a numbers job—X houses and Y demand, or whatever.

Professor Bramley: That is exactly what it is—a numbers job.

Dave Petrie (Highlands and Islands) (Con): In the affordability equation, have you taken account of the fact that banks now seem prepared to lend up to five times a person's income?

Professor Bramley: That is an important question. We make assumptions about lending multipliers as a sort of norm of affordability, but we do not assume that people can borrow five times their income. Our central assumption is that someone on a single income can borrow three and a half times their income; the figure is lower when there are two incomes. We also apply secondary tests. We check whether people would be forced into poverty by making their mortgage payments after meeting their housing costs. For people in low-price areas and on lower incomes, that can make a difference.

However, you will find that the banks that trumpet the fact that they will lend five times someone's salary will not lend that amount to just anybody. To receive that amount, you would have to be pretty well up the income scale or you would have to have good prospects of increasing your income, a pretty good employment contract, a low loan to value ratio, and a good credit record. The lender will consider lots of factors, and will not offer five times the salary to just anybody.

We have to keep such issues under review. In the past, most lenders have used lending multipliers as a robust tool that takes into account the fact that interest rates might go up and down and that circumstances might change. Since the mid-1990s, we have had low and stable interest rates and low inflation, which was not the case in previous decades. That is the fundamental reason why average lending multipliers are going up.

We review the evidence on lending multipliers and consider what is happening across the market in different regions. Based on the evidence, we make certain recommendations. We discuss the implications, and measure what would happen if different assumptions were made about the appropriate norm for affordability. Such things should be kept under review. In the future, we might consider a slightly higher norm than the one we have now.

John Home Robertson (East Lothian) (Lab): It is interesting and important to have projections for supply, demand and affordability—although there are clearly many changing factors, such as interest rates and wages. Do you acknowledge the separate but crucial issue of the backlog of people

on waiting lists—the people whose housing needs are not being met just now? A politician picking up your report might look at figure 2.1, see that the net positive need is 6,860 houses a year, and think, "Fine, we'll just do that." That figure will clear only around 5 or 10 per cent of the backlog, which means that around 90 per cent of the people who are on waiting lists just now will stay on waiting lists, and in unsatisfactory housing, for an awful long time. Have you factored in the need to address the immediate problem that exists in some parts of Scotland?

Professor Bramley: As you imply, we make an allowance for the backlog. We try to estimate need annually and relate the figure to investment programmes. We all acknowledge that there is some sort of backlog. That backlog may or may not be well represented by waiting lists, but we try to measure it in other ways as well, bringing together three or four sources of information. A lot of work has been done on that aspect of the study, particularly in the previous round, although we developed the issue further this time. A lot of effort is put into measuring the number.

Ultimately, the issue is a policy question about how quickly the Parliament or local authorities feel that they can reduce the backlog, which is what the allowance is there for. We use an allowance of 10 per cent, which is the standard assumption. We consider the numerical impact of varying the assumption either way, but I do not recommend an allowance that is greater than 10 per cent. The primary reason for that can be seen when we look more carefully into the methodology of housing needs assessment and how we assess the implications of a backlog. Good local housing needs surveys identify households that have various kinds of housing problem or housing need, which gives an overall figure. That is roughly the figure that we have given in the report. As a next step, good surveys ask how many of those people who have a housing problem can afford to make a move, perhaps within the market, that would solve the problem; how many of the issues could be resolved by adaptation of the existing house, so that the people stay in situ; and how many of the households definitely do not want social rented housing, even if it was offered to them, and would rather live with whatever the problem is.

Once several such filters have been applied, we reach a much smaller number than the original total. The problem with the data sources that we use is that we cannot apply such filters to the extent that they would be applied in local studies. For that reason, a 10 per cent quota rather than a 20 per cent quota, for which some people might argue, is much more appropriate. That point emerges when we compare our study with local studies.

John Home Robertson: I am sure that the report is an excellent work for dealing with the projected future situation, but there is a slight distinction between elected politicians, who have to deal with constituents, day in, day out, and academics who crunch numbers. The roles are different. Do you acknowledge that the suggestion that a figure of 10 per cent is anywhere near enough to allow us to address the backlog is pretty worrying? In effect, that is saying that only one in 10 of the people whom we see day in, day out who may be in absolutely desperate circumstances—such as people living in overcrowded or unsuitable housing, pensioners living upstairs or people who are doubled up with their in-laws—will have any hope of getting a house in the future? Are you really saying that that is good enough?

Professor Bramley: I do not think that that is the case. The backlog comprises many households who have various types and degrees of housing need or problem, with varying degrees of urgency or criticalness. People enter the group, perhaps when new households form or circumstances change, and get into the situation, but then some of them are rehoused by social housing agencies and some of them manage to get housing through other routes such as the private sector and their situation improves. A lot of people move on to waiting lists each year and a lot of people move off them, not just those who go into social housing, because they find solutions and their situation improves. If local authorities review their waiting lists correctly, they find that many people—typically a third in a year—are deleted from the list because of a change of circumstances, although I accept that some people get into problems and go back into the cycle.

Local authorities and housing associations have priorities in deciding which people to house. They have points systems and generally give greatest priority to those who have the most acute and severe needs. People who are in the worst situations, for whom it would be damaging if nothing was done, probably get an offer of accommodation quite quickly. It is the people who do not have pressing issues who are likely to have to wait a fairly long time. The situation also depends on supply and demand in the local area.

I remind you that there are also the obligations in relation to homelessness under the legislation that has been developed on that in Scotland, which we will probably talk about later. Quite a lot of people who are in the most acute need will be rehoused fairly quickly via that route if rehousing turns out to be the right solution for their situation. It is a bit misleading to paint the situation in the way that you did, Mr Home Robertson, if I may say so.

The Temporary Convener: I suspect that most of us round the table have a rather heavy inbox of housing problems. From my experience, lists seem to be pretty static. People are on them for years and it can be extremely difficult to move. However, that might just be my experience.

Tricia Marwick (Mid Scotland and Fife) (SNP): I share the experience of Christine Grahame, John Home Robertson and others, but I will move on. Have you defined the word “affordability” in your report, or can you have a stab at doing that now? Can you explain what you mean by the term “affordable housing”?

Professor Bramley: The main criterion for affordability that is applied in the report is whether people are likely to be able to afford to buy a home from the cheaper end of the second-hand market. Typically, that would be a home of sufficient size to meet their household requirements, given their income and the normal lending practice that we discussed a few minutes ago, which takes into account lending multipliers and so on. We make some allowance for people who might have access to wealth, too.

We make a secondary test—I am repeating myself slightly here—to ensure that people will not have less than 120 per cent of the minimum income that the social security system would give for their size of household, after they have paid their housing costs and taxes. There is a secondary check on affordability in the model.

Affordable housing is that which is significantly lower in cost than that market threshold, which is at the lower end of the home ownership market or, usually, the private rented market, which is similar. The report also discusses the private rented market, which might be a weeny bit cheaper in some areas of Scotland than home ownership; there are other areas in which it is not. It is of the same order, anyway.

The major component of affordable housing is local authority or housing association rented housing. There is also a component of low-cost home ownership, shared ownership schemes and the new homestake scheme. There are some limited developments in so-called mid-market rent. That is another possible option. To be called affordable, housing must be significantly cheaper than what is available on the market.

Tricia Marwick: I think that you mentioned 120 per cent of social security income less housing costs. Are you proposing that people on that level of income or below are in need of affordable housing? Is that your definition of affordable housing?

Professor Bramley: No. I am—

Tricia Marwick: I am speaking about what is available to those who have the income stream that you have described.

Professor Bramley: I am suggesting that we should not expect people to go out and buy houses and take out mortgages to do so if the repayments on those mortgages would push their remaining income below that level. That is part of the standard that I apply in my model.

The question of how we ensure affordability for people in the rented sector is essentially one about how the housing benefit system operates. I am fully aware that the housing benefit system tends to operate in a way that keeps an awful lot of people very close to 120 per cent or less of the minimum income from the social security system. However, that is how the system is designed. That is a different issue, which is about the design of our social security and housing benefit system.

Tricia Marwick: The problem that I have grappled with, like some of my colleagues, is that we bandy around the words "affordable housing" without defining what is meant by them. You are right to suggest that we cannot force people to buy when they do not have the income to support a mortgage. However, I am trying to get from you a definition—your 120 per cent test of the minimum social security income less housing costs is probably the only definition that I have heard that puts money into the frame.

10:00

Professor Bramley: I do not want to get into too academic a debate about that because there has been a bit of discussion about affordability norms, about which there are two main schools of thought: one looks at the residual income comparison and the other looks at the ratio of outgoings to income. I spoke earlier about lending multipliers, which can be translated into a ratio if the prevailing interest rate is known. My view is that we need to apply both those criteria. There have been debates about affordable rent levels for housing associations—for example, should the norm be 25 or 20 per cent of income, or higher? What is an appropriate norm for people who buy property? That figure might be somewhat higher because those people are also making an investment.

Some of the academic literature that I have written is related to that research and reviews those matters in more detail. It presents some evidence about the extent to which, for example, people are much more likely to get into financial difficulties if those ratios are beyond a certain level. There is evidence in that literature to support some of the norms that I have spoken about today.

The Temporary Convener: Let us move on slightly. What are the key differences between this model and the previous one? As I understand it, the Scottish Federation of Housing Associations argued that your previous report assumed a level of mobility that just does not exist, which reflects what is in my in-tray. Would you care to comment on that?

Professor Bramley: Two points are lurking in your question. Was the general question about the key differences?

The Temporary Convener: Yes. Might you first address that particular criticism? In my experience, the level of mobility that you assume of people who are in housing need does not exist for a variety of reasons and circumstances. Such people simply do not move from one region to another.

Professor Bramley: We are not assuming that anybody moves from one region to another; the question is whether the local authority is the right unit for analysis or whether something a bit larger should be used, such as a metropolitan or conurbation housing market—greater Glasgow, for example—or an enormous unitary authority such as Highland, which has a lot of different settlements that are a long way apart. The study addresses that by taking the unitary authorities—the local authorities—as the primary unit for most of the analysis. We use those units because they usually have an underlying logic in terms of how people live their lives, but they are also formally responsible for housing issues and local housing strategies, so that approach seems to make sense.

We looked at slightly wider regional units in the previous study and we were asked to do that again in the current study. Communities Scotland and its predecessor Scottish Homes used that approach to some extent in their planning work and consideration of resource allocation.

It is clearly the case that people further up the income scale show a degree of mobility in the general housing market in areas such as greater Glasgow. That movement is reflected in the boundaries of the so-called housing market areas. We looked at those as an alternative unit because it provides additional information that might be relevant for planning purposes.

Ultimately, however, how much account should be taken of mobility is a matter of judgment for those who are responsible for housing at a regional level within Communities Scotland's network and the local authorities that they work with. We made the cautionary comment, in both the previous study and the current one, that lower income groups in particular might be less able to

move far, although other people are similarly affected for other reasons.

That was the motivation for the other thing that we did this time, which was to look at smaller units in the bigger authorities. We did that by adopting the pragmatic expedient of using the former local authority district areas and a few other areas that were left over, where the boundaries had moved quite a lot. We think that that exercise has provided additional information that goes some way to meeting the concerns about the previous report of the bodies that you mentioned, which were worried about the larger rural and mixed local authorities, in particular.

The results show that in the Scottish Borders there seems to be more of a shortage in Tweeddale and Berwickshire than there is in other districts. In Highland, there is a greater concentration of need in the Inverness and Nairn areas and less of a concentration in the northern areas such as Caithness. In Aberdeenshire, Gordon district has much more of a shortage than Banff and Buchan.

Although that work provides additional information, we sound the cautionary note that our information sources are less robust at that smaller scale, where we are at the limits of what we can do with modelling that uses generally available and secondary data sources. At that point, the local authorities should take over because they have their own administrative information systems on waiting lists and relets, which will be better than the information that is available to us and which will certainly supplement the more aggregated estimates at the unitary authority level.

Patrick Harvie (Glasgow) (Green): That was more or less what I was going to come on to. I recognise the case for examining the wider area—the housing market area, as you put it—in a place such as Glasgow, where there are people who, at different times of their lives, might be quite happy to consider moving to somewhere on the other side of the city or outside it, but is it not important to keep an eye on the local level—the level below local authority level—at the same time? There might be some parts of a local authority area that have a slight surplus, but others—those where there are small-town communities, for example—that do not. Do we not need to keep an eye on both scales?

Professor Bramley: That is quite right. In Glasgow and the surrounding area, people should be asking whether the different local authorities are, to an extent, playing different roles when they could be taking complementary action to meet the housing needs of the region as a whole. There is a degree of co-operation, particularly through the regional and strategic planning process, of which the Glasgow and Clyde valley exercise is a part.

The committee might want to think about the categories of household for which moving to Glasgow might be an appropriate solution. Our model makes some allowance—although not in great detail—for movement between areas.

It is certainly an important part of the job of a local authority to think about the relative needs, pressures and opportunities for supply in different parts of its area. That will obviously be the case in the larger rural and mixed authorities, but even in a council area such as East Dunbartonshire there might be issues between the different settlements. If there is an absolute constraint such that it is simply not possible for much more housing to be built in one part of a district, there will probably be a recognition that some people will have to move to other parts of the district. Perhaps some of them might hop across the border into Glasgow as well.

Scott Barrie (Dunfermline West) (Lab): I want to stick with the boundary issue. The analysis is presented at local authority level, housing market area level and old district council level. Why do we still use the old district council boundaries, given that they have not existed for more than 10 years? What is the purpose of providing three different levels of analysis?

Professor Bramley: I think that I covered the purpose in my response to the last question but one.

We believe that the information is useful in meeting some of the demands and questions that arose from previous versions of the report. Essentially, the approach seeks to provide relevant and informative data for local housing strategies without trying to pre-empt the more detailed work that local authorities will undertake or the decisions that they will make. Most local authorities make comments such as, “Yeah, that’s okay. That’s useful information” or, “That confirms what we thought” or, “We don’t agree with that because we have better information.” At least it starts the process.

We use former district authority areas in the report because they are convenient units for supplying data. Indeed, quite a few local authorities still use those units as subdivisions for organising many of their services, including housing, because they are locally recognisable. Moreover, because they are usually based on one or more distinct major settlement, they have a geographic logic. That said, experience has shown me that there is never a right answer to the question, “What is the right geographical unit to use?” Every approach is a bit arbitrary.

Scott Barrie: Indeed. There is nothing wrong with collating this information—after all, all information is useful—but I wonder how useful it is to the areas in which it is being collated. Most local

authority areas outside our cities are made up of many different communities, and any housing surplus or need in an area is not universal throughout it. If we are serious about finding out exactly what is available and exactly what is needed, do we not need to find a different approach—rather than use what are to some extent artificial local authority boundaries?

Professor Bramley: Local authorities are free to take other approaches that are appropriate to their settlement patterns and to the data and resources that they have. Although we could well take our analysis down to the level of the elemental settlement—for example, the village—all the experience of attempting to analyse and organise housing provision at that level suggests that we cannot always meet all need in a particular settlement, estate and so on and that a hierarchical approach must be taken. If need cannot be met in an area, the people affected will accept a tenancy in another settlement or town rather than remain in desperate housing conditions for years on end. Common sense must prevail.

Moreover, with most data sources, we usually run into problems with small numbers. Numerical exercises on very small settlements will raise additional issues of statistical reliability. I have to say, though, that I am not sure whether you are suggesting that I should use very small areas in my analysis.

Scott Barrie: I think that I am asking that you look at smaller, rather than very small, areas. I accept your point about using village communities but, as I have pointed out, most of Scotland outside the four major cities is made up of medium-sized towns, which themselves contain different communities. I am not sure that the report's analysis of housing need fully takes that into account and I am not sure that in the long run it is helpful simply to expect people to go to where the houses are.

Professor Bramley: At the end of the day, that is a policy judgment for those who are responsible for making local housing investment decisions—and, indeed, a judgment for individual households. I might be straying into different territory, but I do not think that our local communities are so territorial or so fearful of straying across each other's boundaries. Fortunately, we do not face the same situation that people face in parts of Northern Ireland.

Scott Barrie: That is not the case. Even in my constituency of Dunfermline West, people do not want to go to live in another area for whatever reason—although not, I hasten to add, for the same reasons that people in Northern Ireland do not want to live in certain areas. There are key territorial reasons why people want to live in a particular community.

10:15

Professor Bramley: That might be described as a matter of preference, rather than a matter of need. We have to be practical about where there are opportunities to provide extra housing and where there are not easy opportunities. There are questions of limited resources and so on.

Local authorities will generally have much better information. If they have reasonable management information systems for their waiting lists, their lettings and their stock, they will be able to conduct a much more localised analysis than I am presenting to you. That is their job—that is what I would expect them to do, certainly at the level of townships such as Haddington, Prestonpans, Tranent or Musselburgh in East Lothian. That is relatively straightforward. The authorities would expect to do that, and I would expect them to do that—but not necessarily at the level of one particular estate in Musselburgh, for instance.

Scott Barrie: What were the key results for each different level of analysis? I refer to the old district council level, the housing market areas and the local authority boundaries.

Professor Bramley: I have partly begun to answer that question. The analysis shows—predictably, and as in the previous study—that there is a pooling effect in large metropolitan housing market areas such as greater Glasgow: shortages in some local authority areas are offset by surpluses in other local authority areas. That means a reduction in the overall net need and, in terms of the national totals, something like a halving of the net need—assuming greater Glasgow can sort out its problems within its overall boundary, which is quite wide. I would not particularly recommend that as a policy assumption; I am just citing it as information. It is what we were asked to look at.

If the smaller former districts are used, the effect is a certain increase in the national net need of about 1,500, from 8,000 to 9,500, because of the effect of revealing shortages in districts or parts of local authorities that had overall surpluses or of increasing the size of those surpluses. I mentioned some examples of that in my previous remarks.

Scott Barrie: I return to the premise of my earlier question. You used the example of greater Glasgow, but then seemed to say that you would not necessarily expect the effect that you described to happen. I am not entirely sure how useful the task that you were set by Communities Scotland is in giving us a realistic picture of what the actual need is, not so much in small villages or estates within towns, but more generally in the areas that we represent. Most of my constituency falls into the greater Edinburgh market area, which is under severe pressure. In the Fife context,

however, it roughly balances out. I am not sure what the information actually tells us.

Professor Bramley: You probably know intuitively that the situation in your area is subject to pressures and influences from Edinburgh. The information tells you, additionally, that there are opportunities on the wider Fife horizon, if you look a little further east from Dunfermline to other parts of Fife, for instance—west as well, possibly. You need to consider all those factors in weighing up a strategy, and that is primarily the responsibility of Fife Council.

Tricia Marwick: You are suggesting that areas where there is a net surplus could be helpful for the surrounding areas where there is a net loss. You said in your opening remarks that you take no account of house conditions or of the need for regeneration. Is it not the case that some of the areas with a net surplus are also areas with houses in the worst condition? To utilise housing as you suggest, a great deal of money will need to be spent on regenerating it. How will that money be found? Do you expect local authorities that have surplus houses to be responsible for regenerating them, or will areas that are exporting people to areas in which there are surplus houses have that responsibility? Why should housing conditions be ignored in creating such a model?

Professor Bramley: Clearly, the overall investment strategy that the Executive and Communities Scotland follow must include a regeneration and house condition element as well as a housing shortage and affordability element. We debated whether my report should go into that matter in more detail. It was agreed that it should not, because it is not part of my brief. The Executive and Communities Scotland have information sources such as the Scottish house condition survey, which we use for other purposes, and there are agreed cross-cutting regeneration programmes. Elements of the housing investment programme clearly relate to regeneration. My report states that there has been new investment in around 2,500 units a year in what the model suggests are surplus areas. One's interpretation is that that investment will essentially be regeneration investment. Other commitments have been made in relation to the Glasgow housing stock transfer, for example.

There are house condition problems in Scotland outwith the concentrated urban public housing areas in Glasgow and Dumbarton, for example, which have surplus houses. I do not have the data at my fingertips, but there are problems in rural Scotland, for example, particularly in the private sector. That said, I accept that there are quite a lot of houses in poor or mediocre condition in unpopular areas, or areas in which people do not aspire to live, in Glasgow, for example. The poor

condition of public housing in surplus housing areas can result from a high turnover of people and high vacancy rates—houses can consequently be damaged and can rapidly deteriorate. Persistent surplus conditions can lead to an accelerated depreciation of our housing stock, so there is also an interaction with house conditions in that respect. However, we are straying slightly from my research brief.

The Temporary Convener: What was your brief? What exactly did you have to do and what did you not have to deal with? You produced a report as instructed. You have said that you were not to factor the state of housing into that report. Perhaps it would assist members if you told us what your brief was. We would then know whether we were straying into areas that you were not meant to cover.

Professor Bramley: My brief was summarised on the first page of the report.

The Temporary Convener: Okay. I am sorry, but will you say what your brief was for the record?

Professor Bramley: I have already alluded to the limitations of the estimates. Those limitations are dealt with on page 5, which mentions house conditions. Essentially, my brief was to provide an update on the previous study of affordability and affordable housing need and to make certain improvements to and to develop the local housing need and affordability model in response to the debate that had taken place. The work included consideration of different geographical areas and looking at household formation and homelessness in more detail.

The Temporary Convener: So you were not meant to deal with the state of housing?

Professor Bramley: No.

The Temporary Convener: That key area was not covered.

Professor Bramley: To be fair, the state of housing in the private sector affects to some extent the backlog of people who are trying to get houses in the affordable housing sector. Therefore, we must take account of it.

Patrick Harvie: This is a related question. I accept that making recommendations on regeneration is not part of your brief, but it struck me that the report seems to register a surplus as a surplus as a surplus, implying that a surplus has the same impact wherever it is. Should there be some recognition of the condition of housing where there is a surplus, not necessarily as a policy issue but to see whether larger housing markets operate in the same way in all parts of the country? For example, if Glasgow has a surplus because there is a large amount of poor quality stock, will that not reduce the pull factor and give

people a lower incentive to enter that housing market area from other local authority areas?

Professor Bramley: Yes, to some extent. There are a couple of points to make. If we are talking about housing market areas, it is also worth bearing in mind that we are looking at a broad spectrum. We are looking not just at the poorest people on the income continuum, who live on benefits and expect social housing to provide the solution, but at a spectrum of people who work and have moderate incomes but struggle to get into the housing market because of current market conditions. For that group, it is important to think about the situation in neighbouring districts if they are within commuting distance, because it may be £50,000 cheaper to buy across the boundary in Glasgow than it is in East Dunbartonshire. Many may choose that solution—and private rented accommodation may be offered in a neighbouring district, too.

If we take the whole spectrum of affordability, the question of mobility becomes significant for the people who are in the middle income group, especially when we look at what really happens. What happens to all those people in East Dunbartonshire whose needs we are not meeting at the moment? I suspect that they go to Glasgow or North Lanarkshire, where there are cheaper options in the market, even if they are not happy with or eligible for what is on offer in the social rented sector.

The Temporary Convener: I will demit the chair and pass over to the convener. It has been a delight.

The Convener (Karen Whitefield): Thank you. I am sorry for being late. It has taken me three and a half hours to get here. I do not know what happened on the M8 this morning.

Dave Petrie: Can you explain what factors have contributed to Glasgow's surplus housing increasing by 50 per cent since 2003?

Professor Bramley: Yes. Incidentally, I prepared a response to all the questions that were supplied to me previously. I can perhaps provide that information to the committee. The answer to the question is that there is a mixture of factors. The largest factor is an apparent increase in re-lets, but there has also been a reduced allowance for owners moving to social renting and some reduction in the measure of the backlog.

I must say that we experienced more difficulty estimating some of the numbers for Glasgow, essentially because the effects of the stock transfer that are being worked through. The traditional statistical returns that we use as our main source of information for re-lets of local authority stock in most of the country ceased to be completed following the stock transfer. The data

system that we use for most housing associations is the so-called SCORE system—the Scottish continuous recording system—but when we were doing the work, either Glasgow Housing Association was not submitting the returns or the returns had not been processed. We did not have the data, so we had to use figures from an earlier date and make various adjustments. I cannot be as confident about the Glasgow re-let figures as I would like, but that was the situation that we were in. I do not think that people in Glasgow would dispute on the basis of the calculation that there is a surplus, but we could not be sure of its exact size.

10:30

Dave Petrie: But the surplus is potential accommodation for homeless people.

Professor Bramley: Yes. It is lettings that are becoming available and that may or may not be being taken up.

Dave Petrie: It alarms me that the figure has gone up by 50 per cent since 2003, in the middle of an affordable housing crisis.

Professor Bramley: I cannot be fantastically confident about some of the components of the figure. When we say that it has increased by 50 per cent, we must bear in mind that when we compare bar graphs for net need and net surplus, we are talking about a difference between two large numbers. Quite a small change in one or both of those numbers will make a big proportional change to the difference between them. The total number of re-lets in Glasgow is of the order of 10,000 a year, and the gross figure for new need is similar.

Dave Petrie: So it is not as simple as saying that there has been an increase of 50 per cent in the amount of surplus accommodation that is available to service housing need?

Professor Bramley: No. Each year, more lettings are available than would be needed to meet affordable housing needs, calculated on a standard basis for all areas of the country. That means that Glasgow should be in a position to make progress on reducing its backlog. There is some evidence that it has done that—until relatively recently, Glasgow waiting lists were falling steeply. Glasgow should also be in a position to dispense with its least desirable stock. It has been doing that and is planning to do more of it.

Dave Petrie: I represent the Highlands and Islands, so my next question is quite appropriate. It concerns housing need in rural areas. Lack of affordable housing is a massive barrier to recruitment and retention of staff, and is creating

depopulation in the Highlands and Islands. Would you like to comment on that issue?

Professor Bramley: The model suggests that rural authorities have significant housing need. I looked at two categories of rural authority: accessible rural authorities, which account for about 14 per cent of net need in Scotland, but only 8.5 per cent of the surplus; and remote rural authorities, including the Highlands and Islands, which account for 16 per cent of need and only 1.2 per cent of the surplus. If we take the two types of authority together, it is clear that much housing need is associated with rural Scotland.

Quite a few rural authorities have relatively high net need per 100 households, for example Argyll and Bute, East Lothian—although I do not know whether that counts as rural—Perth and Kinross, the Western Isles, Moray and Highland. However, on that index, the highest-scoring authorities tend to be what one might call affluent suburban districts such as East Dunbartonshire, which was mentioned earlier.

The other interesting issue that the model shows up when we do the forward projection is that the deep rural authorities seem to have more persistent need. If we project forward, with reasonable expectations of how the situation will change, it is likely that in the future their net needs will continue to be apparent year after year, whereas in some other areas there will be more rapid catching up or improvement.

Dave Petrie: I know that infrastructure restraints are not part of your brief, but do you think that they are a significant factor in your results? I am thinking of issues such as water services.

Professor Bramley: Possibly. We have looked, in other research, at the difficulties of delivering affordable housing in rural areas. There is a battery of difficulties, including infrastructure and environmental constraints. Rural areas are also affected by the sheer difficulty of building small housing schemes.

The basic structural problem of rural areas is that they tend to have less social rented housing stock. Rural areas did not have as much social rented housing stock built in them as urban areas did. The stock that they had has been popular with people exercising the right to buy; what is left is popular with its tenants and therefore has a very low turnover rate—I see that the member for East Lothian, which is an area with popular council housing, is nodding.

Dave Petrie: I can hear the nod.

Professor Bramley: In essence, there is a big supply problem that reflects those factors and a pretty high price level that reflects the market popularity of rural areas among affluent

commuters, retirement migrants and purchasers of holiday homes.

The Convener: Having only just arrived at the committee, I hate to be harsh but, before Tricia Marwick starts her questions, I ask that members keep their questions short if they want to get through everything. I am conscious that Professor Bramley needs to get away because he has commitments at 11:30 and we still have a number of areas of questioning to go over.

Tricia Marwick: Convener, you know that I always keep it short.

Professor Bramley, you suggest in your report that

“a national imbalance is beginning to emerge”.

Will you briefly summarise your reason for saying that?

Professor Bramley: I think that those words are from the summary document that Communities Scotland prepared to cover the report. They simply refer to the fact that the 2005 local authority results show that net needs are greater than surpluses whereas, in the 2003 results, it was the other way round and, if we run it forward into the first year of the projection—2006—the net needs have gone up quite a bit more and the surpluses have gone down. If we take the 2006 figures, that trend is certainly apparent.

Tricia Marwick: So the statement:

“a national imbalance is beginning to emerge”

is not your words but the Executive's?

Professor Bramley: I think that they are the Executive's words.

Tricia Marwick: What do the results show about the affordability of owner-occupied housing, particularly for first-time buyers? Are there any implications for schemes that provide for low-cost home ownership, such as homestake?

Professor Bramley: The model is intended to measure affordability for new households that are entering the market. There are plenty of detailed results on that for the local authority areas and other geographical groupings. The headline is that we reckon that, in 2005, only 47 per cent of younger households would have been able to buy. That is even after making a judicious allowance for some people whose income would not have been sufficient having access to wealth and savings through their families.

The headline figure from the 2003 study was 54 per cent, so we could say that the 2005 figure is 7 per cent worse but, if we compared the figures on the basis of the income calculation alone and did not consider the wealth factor, the change would be 13 per cent. Therefore, there has been a big

deterioration in affordability since 2003 and, if we examine the 2006 projections, for which some recent information on house prices was factored in, we can see that affordability has got worse again.

There is a wide range of affordability in the baseline figures—from 26 per cent, which is the lowest rate, of younger households in Glasgow being able to buy, up to 66 per cent in Aberdeenshire. That is a measure of the scale of variation throughout the country.

There is clearly a role for low-cost home ownership schemes such as the new homestake scheme. In a sense, the worse the affordability problem and the more middle-income households are excluded by high market prices, the bigger the role will be for such schemes. In the report, we attempt to measure the scope of the new-build version of homestake in the different areas of the country. We find that there is scope for it in most areas, but the scope tends to be the greatest in the most pressured areas.

The affordability of the new-build homestake scheme is somewhat limited because the houses are new and their market value reflects that. It might not reflect the cost of upmarket private sector provision but they are houses of a good standard in moderate areas so they will cost more than the cheapest properties that people could buy on the second-hand market. That provides a limitation, so the open-market homestake scheme is interesting.

My comment on the open-market scheme is based not on the report but on another piece of work that we have just completed for Communities Scotland, which is an evaluation of the pilot open-market homestake scheme. However, we use the same affordability model in that work, so I suppose it is reasonable to comment on it today. It suggests that, in Lothian, about 10.5 per cent of younger households could afford the new-build homestake scheme and another 10.5 or 11 per cent could afford the open-market scheme but not the new-build scheme. The open-market scheme would enable the latter group to buy cheaper tenement flats and so on. The figures for Scotland as a whole are about 7 per cent and 9 per cent. If the scheme were available throughout Scotland, it could meet a net need of about 1,500 households per year. However, I am perhaps anticipating the next question.

Tricia Marwick: So you support an extension of the open-market homestake scheme, which has been piloted in Edinburgh. Is the homestake scheme helping to keep house prices high? People are able to afford perhaps a 60 per cent stake, but not much more. Would extension of the scheme underpin the rising housing market?

Professor Bramley: If the scheme did underpin a rising housing market, it would be counterproductive, so it would be irrational to support it.

Tricia Marwick: That is why I asked the question.

Professor Bramley: I support the extension of the scheme, but with some reservations. We need to consider the basket of provision, which varies among local authorities. It is the job of the people who draw up local housing strategies to figure that out. If they can deliver new build, it is probably better to do that, but that will not necessarily meet everyone's needs. If there is a lot of pressure and there are limited opportunities to deliver new build, it might make more sense to have the open-market scheme, but we need to consider who is targeted. We should not subsidise all first-time buyers because that would take us back to the mortgage tax-relief scenario. We should prioritise people who have a certain level of housing need and people who might release a social rented property that can be allocated to somebody in acute housing need.

The schemes in England are heavily used for key-worker provision. The Scottish Executive's view is that there is not a big problem with provision for key workers in Scotland, but its position might change if prices continue to rise. Anything I say on the matter is my personal opinion and not necessarily the view of the Executive or Communities Scotland. The report that we did for Communities Scotland, which is in draft and has not been published yet, contains an estimate of the impact of the scheme on house prices. It has an impact, but not one that negates the value of the scheme, which is still worthwhile.

The other interesting point about the open-market homestake scheme is that it might be possible to follow up an initiative in England called open-market homebuy, which is now half funded by mortgage lenders and therefore economises on the use of public money.

Tricia Marwick: How do the number of homelessness applications that are made to local authorities and the number of people whom local authorities rehouse relate to the broader housing need that is analysed in the report? What are the long-term implications for housing need of the commitment to abolish priority need by 2012? If there is no increase in the number of affordable houses that are being built, will local authorities achieve the 2012 target to abolish priority need—if it is achieved at all—at the expense of people who are not homeless but who need houses of their own?

10:45

Professor Bramley: In general, I see homeless households as a subset of a broader group of people who are in housing need or come into housing need and merit attention or response from local authorities and housing associations. They are not a separate category that we should add to the numbers that I have calculated. By and large, they ought to be represented within the figures.

Big numbers are involved; I could go into them if you like. I point out that not all the people who apply as homeless are found to be homeless. Such people have not all hitherto been accepted as households for which the local authority will take responsibility, although the proportion is likely to increase in the light of the commitments that the Executive has made. Not all of those for whom the local authority accepts responsibility are subsequently rehoused by social landlords—only about half take up a tenancy. People's circumstances change and other solutions are found: they go back to live with someone else, move away or whatever. We must be cautious about taking the number of applications or even the number of those that are accepted as a measure of the number of tenancies that will be required by that group.

In the model, I attempt to make some projections of homeless numbers to see how they fit within the overall picture. It is a mixture of statistical modelling that tries to establish what factors are associated with higher or lower rates of homelessness presentation, and an examination of various statistical series, comparisons with England and so on, to try to form a view about the impact of the changing policy regime in Scotland. My broad conclusion is that the changing regime is leading to an increase in the number of homeless households for which local authorities accept responsibility. We can expect that to continue to work its way through to full implementation of the commitment to abolish priority need in 2012, but quite a bit of the increase has already happened in the past five years.

My statistical models suggest something that people might find surprising in relation to the other drivers of homelessness, which is that we should expect the homeless numbers to fall. Homeless people are mainly younger and we have an aging population. Elderly and middle-aged people do not generate such large rates of homelessness. We are also becoming better off as a society: income levels are rising and poverty levels are falling. If the economy continues to perform in anything like the way that it has over the past few years, or maintains its position, that should lead to a reduction in homelessness. That may seem to be a slightly surprising finding, but it is one reason

why I suggest in the projections that the number of homeless people will level off then fall.

The other reason is evidence from research that colleagues of mine have been involved with—most of which has not yet been published—about homelessness prevention. That research has found that there is quite a lot of potential in policies and practices that aim to prevent homelessness and to provide other solutions and routes for households. The evidence on that from England is striking. Such policies have been pursued more energetically there. I am not assuming that they would be pursued as energetically, or in quite the same way, in Scotland, but they could be pursued.

The qualitative and statistical evidence suggests that active prevention policies can reduce homeless numbers significantly, relative to what the trend would otherwise have been. That is the other factor behind my expectation that numbers will level off then fall. The numbers will depend on the overall scenario. If we have a scenario of high need and high house prices, we will have higher numbers of homeless people.

Tricia Marwick: Did you factor into your analysis the possibility that interest rates could rise and that those who are borrowing five times their income or buying a house that they simply cannot afford are the people who are most vulnerable to bankruptcy and repossession? Have you considered the potential impact on homelessness levels of a 1 per cent or 2 per cent increase in interest rates?

Professor Bramley: The picture is complicated. The short answer is that I have not carried out detailed sensitivity tests for variations in interest rates. Most economic pundits are not expecting interest rates to do anything like what they did in the late 1980s and early 1990s—or on earlier occasions—when they rose to 10, 12 and 14 per cent. You asked about a rise of 2 per cent, which is conceivable. The monetary policy committee takes small steps: so far, it has not had to make dramatic variations in interest rates to achieve a fairly stable regime, but I acknowledge that things might be destabilised by what is happening in other countries. The effects of interest rates are complicated. House prices in Britain are quite sensitive to interest rates. If there was a 2 per cent rise in interest rates, we would see what I would describe as a significant house-price correction, which would in itself make housing more affordable. There would be an offsetting effect.

There is a group of households that are highly geared with debt at the moment and which could be affected adversely by a rise in interest rates, although we should bear it in mind that most people now take out mortgages with rates that are fixed for several years. A minority within a minority would be affected immediately by a 2 per cent rise

in interest rates. There are now better protocols for forbearance by lenders, so I do not think that there would be the same quick rush by some lenders to repossess houses that we saw in 1991; they would be more cautious.

I accept that the safety nets that are in place, such as mortgage protection insurance and income support for mortgage interest, are still not adequate, so there would be additional problems for people who might ultimately present as homeless, but I do not think that a massive number would do so.

Tricia Marwick: You did not factor into your analysis the effect of such a rise in interest rates.

Professor Bramley: My analysis assumes that interest rates are relatively stable and slightly higher than they have been, but not much higher.

John Home Robertson: I refer to the assumptions and variables that you used in the model as set out in the document, which include affordability, wealth adjustment and purchase-assistance schemes. How closely do the assumptions and variables that have been applied to the model relate to those that have been applied in other studies and analyses of the housing market by HBOS and others? In a nutshell, are we comparing chalk with cheese? How different are your assumptions and variables?

Professor Bramley: When I was given notice of that question, I was not sure which other studies were being referred to. There are two types of study.

John Home Robertson: How new is the study? Are there major elements in it that other people have not been factoring in?

Professor Bramley: There are two kinds of model that we could talk about. One is on affordability estimates—estimates of how many people can and cannot afford to buy a house. The other is on projections of house prices, which are the key driver of affordability. I am not sure whether you are referring to econometric models or predictive models.

John Home Robertson: I mean across the board.

Professor Bramley: Okay. Let us take the affordability models first. I am aware that there has been a proliferation of studies by various commercial, representative and other organisations that have purported to provide affordability estimates for different localities throughout the country. I have not reviewed all of them. I am familiar with the work of Steve Wilcox for the Joseph Rowntree Foundation, although I have not reviewed in detail his latest published version, which came out only about a couple of

weeks ago. I made a detailed comparison with an earlier version of his work and concluded that my model and his model produce quite similar results for higher-priced areas and areas of pressure, but somewhat different results for poorer and lower-priced areas, such as urban areas in the north of England. That is basically because my model allows for what I was talking to Tricia Marwick about earlier—people on low incomes who might be pushed into poverty. That is a refinement in my model that I do not think exists in his model—at least, it did not when I made the comparison—and which I am sure does not exist in some of the models that have been produced by commercial organisations.

I cannot vouch for the robustness of the way in which other organisations analyse incomes. The basis of my model and its calculation of income distribution was gone into very carefully in my previous report, which contained a chapter about that and detailed comparisons with the best official surveys. To some extent, I stick to my guns about the robustness of the income distribution side of my work. The other difference between my model and Wilcox's study is that he talks about the intermediate market but adopts quite a broad definition of what that might be. His definition includes anybody between those who can afford only social renting and those who can afford to buy in the open market, whereas I try to look more specifically at who can afford to buy under specific schemes that are available in Scotland, within defined parameters, such as homestake. That is another difference.

There are always varying opinions among commentators and economic analysts about prospects for house prices. There are always lots of jokes about that, but the jokes are clearly on us. Most economic pundits—myself included—have been predicting a downturn in the housing market trend for the past two years at least, if not for longer. It is fair to say that we have had to revise our expectations upwards. The downturn has not arrived; it is slower in coming than I expected. Why is that? I think it is because continuing low interest rates and reinforcement of the belief that low interest rates are here to stay lead to the phenomenon of higher lending multipliers, which we talked about earlier. Those are major factors.

The economy has not really experienced any sort of recession: we have had continued economic growth. Okay—the level of unemployment has risen a bit, but we still have a pretty favourable economic scenario. That is another important factor. There has also been additional investment in the market under the buy-to-let banner; increased investor demand; and the phenomenon of Christmas bonuses being paid to people who work in the City—perhaps in this city, too—which puts an extra spin on the top end of

the housing market. Those are some of the reasons why, in the short term, house prices are still rising.

On pages 28 and 29 of my report, I discuss the reasons behind the central assumption in my projection model that house prices will experience a correction at some stage in the next five years—that they are above their fundamental long-term trend, even allowing for the factors that I have just described, and that they will fall back a bit in real terms. That is certainly consistent with what I consider to be the most sophisticated economic model, which was developed by Geoff Meen and colleagues for the Office of the Deputy Prime Minister—which is now called the Department of Communities and Local Government—to support the establishment of affordability targets for housing at regional level in England. That model, which was published in December 2005, predicted price falls in the medium term, by which I mean the next five years.

11:00

John Home Robertson: That is helpful. It confirms that punditry is involved in the key elements of the model.

In terms of affordability, how sensitive are the results to changes in the assumptions on which the model is based? What changes will show the biggest impact in terms of estimated housing need?

Professor Bramley: Section 3 is on sensitivity results and there is also a table that summarises a number of the sensitivity tests. If I were to give you a brief summary of the results, it would be that the model is sensitive to house prices. As we have just discussed, prices can vary quite a lot. One of the key assumptions is the lending multiplier, which we have also discussed. Recent evidence shows that there has been a steep rise in lending multipliers across the country—certainly, it is different in different regions. That relates to the low interest rate regime. Re-lets have also been shown to be important. The model that we use to predict changes in re-lets in response to economic factors is fairly robust. I hope that we have covered our bases there in terms of the projection.

I will repeat a point that I made earlier, when I was talking about Glasgow, because it also holds true, in a sense, for all the authorities. The net need is the difference between two large numbers. Quite a small change in one of the numbers can lead what appears to be a surplus into being a deficit—or vice versa—or to quite a big percentage change in the net figure. We need to bear that point in mind. Those are the most sensitive factors. We had to make those assumptions, particularly in looking into the future.

John Home Robertson: Also on affordability, have you given any thought to the need for a clearer definition of what is affordable to tenants, given their economic circumstances? All members have encountered tenants who have what appears to be nominally affordable houses in the social rented sector, when in fact they are affordable only if the people remain eligible for benefits. Does that worry you at all? Is there a case for moving away from that definition and for establishing in the formula a link to the national minimum wage as a baseline income indicator for people on low incomes?

Professor Bramley: One would have to separate slightly the discussion of affordability of rents in the social rented sector—that discussion is very much bound up with the housing benefit system and possible reform in that area—and rent restructuring, which has already happened in England and which may be initiated at some point in Scotland. The Government will have a macroeconomic view on how much it wants rents to change and so forth.

The critical affordability factor in this analysis is the affordability at the margins of getting into the market unassisted or with assistance—I refer to what people can reasonably be expected to afford if they are buying as first-time buyers and are taking out mortgages. We need to return to lending multipliers, or to something that performs the same function. It might be a net income to cost ratio, or something like that.

John Home Robertson: Is there a case for including the national minimum wage as one of the factors in the formula?

Professor Bramley: There is a case for including the national minimum wage in the formula for rent restructuring for the social rented sector, which is something that the report did not address. In “The Vexed Question of Affordability”, which is a useful report by Steve Wilcox that Scottish Homes published in 1999, the member will find a development of that argument. Some more work may have been done subsequently. There is a good argument in that respect, but it is beyond the scope of the report.

It is necessary for the Government to take a view about affordability at the margins of purchase, particularly when it engages in programmes such as homestake, whose rules are based on affordability assessment. The Government must come off the fence a bit—I think that it must do so a bit more—about what the right lending multiplier is and so forth for different households.

John Home Robertson: My first question was about comparisons with other work. What impact do the changes to the model have on the

comparability of results from the previous studies that the Executive has used?

Professor Bramley: Perhaps I have put the answer to that question in a different place in my notes. Are you asking what accounts for the main changes since 2003? That was an earlier question, but we have not covered it in the oral presentation. Excuse me, convener—I am just trying to find the relevant part of my note that deals with the question.

John Home Robertson: Relax.

Professor Bramley: Your question refers to the section around pages 20 and 21 of the report and to table 3.4. Between 2003 and 2005, we made technical changes to the model and real conditions changed. Both those factors make quite a big numerical difference to the results. The most important technical changes that had an impact on the numbers were an adjustment for access to wealth for first-time buyers and an adjustment in how we calculated household formation to make allowance in particular for students who stay for a short while in a city then go away and do not form households that stay in that city indefinitely or for a long time. Those effects reduced the measured level of need significantly.

As for real changes, increased house prices were the biggest factor between 2003 and 2005 and that change has persisted into 2006. That has led to quite a big increase in the level of need. Lower levels of re-let, which mainly reflect market conditions, have had an indirect effect. As members probably know, the level of migration into Scotland has been higher in the past two or three years. That is also reflected in the figures. Lots more detailed technical changes have been made, but I will not go into them.

Patrick Harvie: I will ask about the projections to 2021. Will you help me to see what is going on with figure 4.1? That figure shows the net positive need to 2021 on the basis of five categories. Is that net positive need a sum of the local net positive need? Does it ignore areas where a surplus exists?

Professor Bramley: Yes.

Patrick Harvie: So if Glasgow knocks down more of its tower blocks, that will not affect the figures.

Professor Bramley: You are correct.

Patrick Harvie: The most dramatic decline is in the four cities, but most of that seems to be accounted for by Edinburgh.

Professor Bramley: That is correct.

Patrick Harvie: What will happen that is different in Edinburgh between now and 2021?

Professor Bramley: I cannot give a very detailed account of all the figures for that authority without looking into them. We are talking about the difference between two large numbers again and how things work their way through over 15 years. The most important driver of longer term and more medium-term changes is usually reduction of the backlog.

We have assumed throughout the period that we will have 7,000 new units a year—we distribute half on the basis of the distribution over the previous six years and half on the basis of our snapshot of need, which shows that Edinburgh has a high level of need, so it will probably have got quite a lot in our notional allocation of resources. I presume that the backlog is being worked down and that as it goes down the allowance that needs to be made reduces. That is one of the factors, but I would need to check through the details to see what other factors bear on the situation.

It is not a matter of saying that there is no housing need, but that one of the numbers is gradually coming down to the same level as the other one.

Patrick Harvie: Questions were asked about house prices, and you mentioned the fact that you expect a correction, but perhaps not a dramatic one. Given that all the discussion about that is prefaced by questions that indicate we cannot say confidently what is going to happen, what is the role of house prices in the decline in net positive need by 2021?

Professor Bramley: It is cumulatively significant. There is a correction of 15 per cent in real terms in the first five years, which is why the correction is steeper in that period. After that, the central assumption is that there will be annual growth in house prices of 1.6 per cent above inflation, whereas income levels will go up by rather more than that, so affordability will gradually improve across the country as a whole. That is the baseline assumption.

If you look at figure 4.3, you will see the effect of alternative high and low scenarios. The high one differs mainly in respect of house prices. It assumes that there is no downward correction and that the trend increase is 1.85 per cent, which tends to slightly worsen affordability, at least in some areas, so it can make quite a cumulative difference over time.

Patrick Harvie: You must forgive me if I have not read absolutely every paragraph of the report yet, but the majority of the implications that I have noticed indicate that we need to carry on doing more research. Are there any policy implications from the projections to 2021 that should be acted on in the immediate future?

Professor Bramley: It is clearly the job of members of the Scottish Parliament and of the Scottish Executive to decide what the policy implications are. The brief for our research was to present various supporting evidence relating to the subject rather than get into a policy analysis, so I have to be cautious about what I say. Anything that I say is, of course, my opinion.

You can see the pattern. The central forward projection suggests that need has risen and will peak soon, perhaps next year, before falling off somewhat. That is the broad picture. Under the high scenario, the projection is that the situation will get worse and will plateau at a rather higher level of need than we have at the moment. Under the low scenario, the situation will be more favourable in terms of house prices and affordability, and need will fall off more quickly.

On the policy implications, although you may have teased me for saying that more research is needed, I think that further monitoring of affordability is needed. That can be done by the Executive and by local authorities, but the situation needs to be monitored quite regularly, because of the uncertainty about prices and some other factors that govern affordability.

There is clearly a role for forms of housing assistance and provision to target people in the middle range of incomes—people in working households who cannot afford to get into the market without some assistance. Any kind of innovative or cost-effective way of helping this group is worth examining closely, which is why it was a good idea to dwell on the open-market homestake idea earlier. Other initiatives might also work for that group, such as cheaper forms of middle-market renting.

11:15

If the low-interest-rate regime persists and new practices develop in the lending industry, we will need to review the norms of affordability that are used in the model and in policy. However, there will need to be discussion and debate about exactly what those norms should be.

One other point that emerges from the projection is that private renting will probably play a greater role in housing in Scotland, particularly if we have a high-price scenario. That will happen because, on the demand side, more people will be unable to afford to get into owner-occupation. Further, there will be a continuation of the buy-to-let investment enthusiasm, because the higher prices go, the better the investment.

Patrick Harvie: But presumably that would turn around if there was a correction.

Professor Bramley: To some extent, yes. The forward projection is quite interesting. It sets out what we think the level of private renting will be, what we expect rent levels to be and so on. It suggests that, on the central projection, private renting will increase while, on the high-price projection, it will go quite a bit higher and, on the low-price projection, it will probably drop off a bit. Private renting could play an important role. That is a reminder to examine the issue of regulation in the sector, which the Parliament has also addressed.

All of the scenarios suggest that great differences will remain in need and supply between different areas of the country. Attention will have to be given to dealing with surplus social housing in some areas, which requires careful management and targeting, as we touched on earlier.

The projection also suggests that vacancies will tend to rise. We debate this in the report, but our report is linked to the official household projections. As you may know, those projections predict a net increase of around 15,000 or 16,000 households a year, and we are building around 10,000 units more than that at the moment in the private and public sectors. The projection assumes that that discrepancy will continue, the logical consequence of which is that there will be more vacant housing. That underlines the issue about the demolition or removal of redundant stock and raises some questions about the level of new building in areas that have surpluses.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): Can we compare the results of your study with local authority information? Is it possible to make a fair comparison, given the different methodologies that are used across local authorities?

Professor Bramley: I was asked to make comparisons. A short chapter in the report—chapter 6—discusses that and uses a table to illustrate the situation. We were able to compare estimates of some sort or other in about half of the local authorities. Some of the comparisons were made with studies that were several years out of date or that used methodologies and forms of presentation that were not similar to the ones that I used.

Studies that follow the guidance on local housing needs assessment that was published in England in 2000, which is one of the recommended sources of guidance in Scotland, tend to be easier to compare with my model, because they use the same categories. In only a minority—possibly about a quarter—of cases that we consider do the local studies show serious differences in their bottom lines. In the majority of cases, the bottom-line net need figures are in the

same ball park as, and can be compared with, ours.

As I mentioned much earlier in the discussion, if we compare the main components of the studies, we find that the local studies often contain much more detail on the backlog. Local authorities are able to perform a more detailed analysis as a result of including the relevant households in their surveys. Their overall totals may be larger or smaller than ours, but they tend to apply—as the guidance urges them to—filters, such as whether someone's needs could be met in the open market or in situ, whether they really want affordable social housing or whether their need is serious or mild. Once those filters have been applied, the backlog numbers come down a lot. Typically, local authorities say that they will rehouse 20 per cent of those households. The fact that we are unable to filter down to the same extent in our calculations is my main justification for our use of a quota figure of 10 per cent rather than 20 per cent—although one could say that that is a bit crude. That is the main point.

As far as the other figures are concerned, the methods that are used to work out newly arising need vary but, on average, the numbers are not that different from ours. The relet numbers are, and should be, pretty similar, if not the same. It is not always true that local estimates are inflated in comparison with those in my model. Sometimes they are larger and sometimes they are smaller. The quality of local studies is somewhat variable. Over the years, there has been a general improvement in the standard and rigour of such studies, but the methodologies that are used and the way in which the results are presented vary quite a bit.

Cathie Craigie: Would you expect that situation to change now that local authorities have to prepare their own local housing strategy documents? How do you think that the results of your study will be used by local authorities? To refer back to a question that my colleague Scott Barrie asked, will local authorities be able to hone the figures to take account of geographical variations in need?

Professor Bramley: Yes. Communities Scotland and the Executive are quite keen that they should be able to reconcile the numbers from my model with the numbers from local studies. A parallel piece of work is being carried out by a consultant to develop a pro forma spreadsheet that local authorities will fill in, which will be supplied containing the relevant numbers from my model as a default. From that starting point, they will be able to enter their own figures and justify them with local evidence. They will be able to provide more detail on various aspects, such as the sub-areas and the size and type of dwellings.

The Government and Communities Scotland hope that more reconciliation will be possible.

A week ago, I presented the results of the study to most of the officers who are responsible for the local housing strategy work in their authorities and we dealt with some detailed questions. For the most part, they are aware of the work that we are doing and, on the whole, they find it useful as a benchmark. If they think that the numbers are different in their area, they should be able to give their reasons for saying so and to back that up with evidence. That is reasonable and would be accepted.

Cathie Craigie: As I am sure you are aware, your name has often been mentioned in the Parliament by MSPs and ministers, and the Scottish Executive has based policy decisions and house building targets on some of your previous research. What key points that emerge from the new study will be most useful to the Scottish Executive and Communities Scotland in informing them about housing investment needs and the strategy to which we should set our minds?

Professor Bramley: Taken together, my responses to previous questions probably answer that, but I will try to provide some kind of summing up.

I reiterate that I am cautious about making specific policy recommendations from the study as I was not asked to carry out a specific analysis of policy options. The study presents information on housing need, affordability and related issues such as homelessness, so it provides only pointers for consideration within policy.

Clearly, the results suggest that the housing affordability situation has deteriorated further in the past two to three years and that we can expect that situation to continue or get worse in the immediate future, which implies a greater need for affordable provision than might have been estimated a few years ago. However, there is a need—as I have pointed out several times—to refine and review the norms that we apply to affordability, so we might have to modify that conclusion somewhat. Consideration clearly needs to be given to the requirements of people in the middle who have some income from work but who still find it difficult to enter the market, so there is a broader spectrum of people for whom we need to think about affordable housing solutions. It is timely, therefore, that cost-effective and well-targeted mechanisms for such people are on the agenda.

It remains the case that wide variations exist in the relative balance between need and supply, so there are different policy challenges in different areas. I do not in any way suggest that areas of surplus do not face challenges and do not merit

investment of various kinds, but decisions on those need to be based on information that goes beyond what we covered in the report.

11:31

Meeting suspended.

Forward projections are obviously an uncertain business, so there needs to be an element of saying "Don't panic" when we deal with the projections. It would be dangerous simply to extrapolate from recent trends and some of the crude numbers to assuming that everything will get exponentially worse over the next 15 years. The projections lead one to a more cautious view than that. To some extent, what is happening now may be a bit of a bulge, and there may be a cyclical element to the situation. Given that there are quite a lot of uncertainties, it is not axiomatic that everything will get exponentially worse. It is important to bear that in mind.

That point is also significant when we consider that some of the current investment decisions will not produce any results, in terms of new houses for sale or let, for perhaps another three, four or five years. In addition, land-use planning decisions will be longer term than that. The medium-term projections are also relevant to the debate.

Tricia Marwick: If the number of new affordable homes that is required each year is between 4,800 and 9,500, what will be the impact if, for any reason, those figures are not met?

11:30

Professor Bramley: The forward projection model has to take a view of that and, although it is a bit arbitrary, the basic assumption is that for every 100 cases of unmet need per year, 50 would be added to the backlog. What would happen to the other 50? Well, there is a variety of adjustment mechanisms. People might move to other areas or decide in the end that they are happy to carry on living with others rather than live on their own. Some people might extend their mortgage a bit more than we think is prudent, and get away with it. There are several adjustment mechanisms in the market, which is why, although I cannot give strong evidence for 50 being added to the backlog rather than 60 or 40, it is not prudent to assume that 100 cases of unmet need will pile up in a backlog. People and markets adjust because of the various stresses and strains involved. It is a mixed picture, but we do not ignore unmet need; some of it will be a backlog that will have to be dealt with later.

The Convener: That concludes the committee's questions. I thank you for attending the committee. Your evidence will be valuable in our further consideration of affordable housing and in the preparation of our legacy paper.

11:32

On resuming—

Subordinate Legislation

Register of Sasines (Application Procedure) Amendment Rules 2006 (SSI 2006/568)

The Convener: The second item on the agenda is subordinate legislation. The Register of Sasines (Application Procedure) Amendment Rules 2006 amend the Register of Sasines (Application Procedure) Rules 2004 by replacing the prescribed form for the making of an application for the recording of a deed in the register of sasines. The amendment is being made to enable the details entered into the form to be captured by digital scanning, which will allow applications for recording to be processed more efficiently and accurately.

The Subordinate Legislation Committee did not make any comments on the rules. Do members have any comments?

John Home Robertson: I have never seen a barcode on a statutory instrument before.

The Convener: If there are no more comments, is the committee content with the rules?

Members *indicated agreement.*

The Convener: The committee will therefore not make any recommendations on the rules. I ask members to agree that we report to the Parliament on our decision. Are we agreed?

Members *indicated agreement.*

Meeting closed at 11:34.

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