1   Local Housing System Analysis: an introduction

Introduction

This chapter provides a general introduction to Local Housing System Analysis (LHSA). In particular it explains:

- What LHSA is (and isn't) about, and where LHSA came from.

- The purpose of this guide and how to use it.

- Some 'Dos and Don'ts' of LHSA.

- What will be found in later chapters.

What is LHSA?

LHSA is essentially an approach to understanding how local housing systems operate and change over time. Researchers at the University of Glasgow and staff at Scottish Homes (which became Communities Scotland in 2002) jointly developed the LHSA approach in 1993 and updated it in 1998 (Maclennan et al 1998).

The key issues addressed by LHSA are:

- What does 'local' mean in a housing context?

- How do different parts of a local housing 'system' interact, and what happens as a result?

- How do broader social and economic trends affect the operation of the housing system?

Regarding the first of these, both social and private housing markets have an important geographic structure, but this can be difficult to identify. LHSA involves working out what that structure is. Regarding the second and third, LHSA involves recognising that specific changes in housing demand or supply can often have effects that are quite broad and far reaching, and that things happening in society or the economy at large can affect housing in quite fundamental ways.

More formally, the term 'system' refers to an integrated but discrete network of different elements or components that operate together creating something that is more than just the sum of its parts. When a system is operating effectively it is in 'balance'; otherwise it can be said to be 'imbalanced'.

The concept of a local housing system as used in LHSA is based on the following underlying principles:

Household Behaviour defines the spatial extent of functional housing systems: The prime purpose of any housing system is to provide good-quality suitable accommodation for all households. In assessing whether and to what extent this is being achieved, it is important to take account of households' own views on where they want to reside. These views are the correct basis for defining the geographical limits of a local housing system, not the administrative boundary of a local authority. Consumer views are not only relevant in the private housing system: some households seeking social rented housing may want to move to a neighbouring local authority area if this is where their employment or family is located but may find it difficult to do so because of the existing administrative rules governing allocations. If analysis is focused solely on local authority areas, the degree of balance between supply of and requirement for housing will not be correctly understood.

Housing is a diverse system: The housing system consists of a large number of elements and players. It is highly differentiated in terms of the variety of housing available and the neighbourhoods in which housing is located. There are also wide variations in composition, income, lifestyles and attitudes of households who occupy or are seeking accommodation Aside from consumers, other players in the housing system include government bodies (central and local), financial institutions, landlords, regulatory bodies, the construction industry and estate agents. Housing outcomes and imbalances generally reflect the many decisions and transactions of the different players.

Housing is a system of complex flows: These include construction, demolition, allocation and transaction processes. It is through these flows that different elements and players interact and influence each other. For instance, a sharp decline in construction may lead to housing shortages and spiralling house prices, and increasing problems or imbalances such as affordability and homeless. By contrast, high levels of construction can lead to falling houses prices for older less popular stock leading to problems of low demand and, in extreme circumstances, housing abandonment. Unless it is recognised where a particular element or component sits in the bigger housing system, it is not possible to have a clear understanding of what is happening to it and why it is happening.

Housing is part of a wider economic, social and political environment: Just as a hifi system must be plugged into the electrical system in order to function, so the housing system is not isolated A housing system is influenced by economic, demographic and policy changes. In particular, socio-economic trends shape the overall scale and spatial pattern of demand for housing. For instance, a large increase in the number of unemployed will reduce the demand for home ownership and adversely affect the ability of some households to sustain their mortgage repayments, putting them at risk of repossession. If a down turn in the economy is sustained over a long period of time, out migration by economically active households and falling demand for housing in some neighbourhoods is likely to occur. Any analysis of a housing system must be accompanied by an examination of the local economic environment, and broader socio-demographic trends. The importance of these external drivers is discussed in chapters 5 and 6.

Housing is a dynamic system: The housing system is not static but changes over time. These changes are influenced by the actions and choices of households, builders and other players. If imbalances created through the operation of the housing system are to be addressed, then it is important to consider possible forward scenarios as well as looking at the recent past.

In short, a 'local housing system' is a largely self-contained or independent area, where different elements and players (consumers, developers, etc.) are linked together by a variety of flows (property sale and purchase, household movement, etc.). The scale and direction of these flows depends on the impact of various forces, some of which might arise in the wider environment. It is the combination of these flows and wider forces that influence the shape of the local housing system over time and space. It is vital to be aware of and understand these flows or processes in order to consider how to intervene to modify resulting imbalances in housing supply and demand.

The LHSA Good Practice Guide

The purpose of this good practice guide, which updates the 1998 guide, is to provide practical assistance on how to carry out LHSA. The specific purposes of this guide are to:

- Provide a description of the policy contexts within which housing analysis needs to be undertaken in Scotland.

- Explain why it is essential to adopt a system based perspective in undertaking housing analysis.

- Describe what a systems based perspective on housing analysis involves.

- Provide a framework for identifying, assessing and monitoring imbalances in a local housing system over time.

- Review the techniques and data sources that can be used to undertake LHSA.

- Provide examples of good practice in LHSA and information on how to follow up specific issues.

It would be impossible for one guide to provide an exhaustive or definitive discussion of every analytical, methodological or data issue that those undertaking LHSA may have to confront. While we have sought to be as comprehensive as possible, there will be situations where further reading will be necessary. The Bibliography at Annex 1 provides a list of references that cover most situations, and hyperlinks have been provided throughout the guide.

What LHSA is not

Users of this guide should be clear at the outset what LHSA is not, and what is not covered in the following chapters.

LHSA is not policy analysis, although it must inform it. The prime purpose of LHSA is to help identify where the housing system isn't working well and to indicate where some kind of action is needed. LHSA therefore has to be relevant to housing policy concerns. However, strategy development and options appraisal is a separate activity to housing analysis, and the two should not be mixed up. An example may help make this distinction clear. LHSA might be used to identify problems of affordability or low demand in terms of their location, scale and underlying causes. What to do about these problems can be informed by such analysis, but is still a matter for separate consideration involving political and value judgements. LHSA cannot typically be used to provide self-evident solutions to specific problems. No analysis of a local housing system can determine what action should be pursued, and where or how much to invest. These decisions will vary from one housing body to another, reflecting their different organisational and political priorities. Option identification and option appraisal are not covered in this guide.

Policy and planning frameworks are discussed later in this guide to provide an overview of the types of issues and imbalances that are of particular interest from a policy perspective. The scope and complexity of these frameworks has increased through time. Equally, local authorities' role in the housing system has steadily extended beyond the traditional landlord role to incorporate an enabler role. Resources and effort have been targeted at a wide range of concerns including:

- The economic and social regeneration of disadvantaged neighbourhoods, which often exist alongside affluent areas.

- Implementation of care and support packages for an increasingly wide range of vulnerable groups in community settings.

- Improvement of the physical quality and suitability of stock both in the social rented sector and in the private sector, including the eradication of fuel poverty.

- Encouragement of private sector provision of new affordable housing.

- Housing affordability in the social rented sector, reflecting the fact that housing absorbs a significant proportion of household income.

- Preventing and alleviating homelessness.

- Improved investment decisions and management of housing across all tenures.

LHSA should allow analysts to collect and interpret information required to inform the distribution of local resources, provide a good basis for making medium to long-term social and private investment decisions, and help them identify the scope for making better use of the available housing stock.

LHSA isn't a monitoring and evaluation framework, although the same information used within such frameworks is often required for LHSA work. Monitoring and evaluation is activity specifically undertaken to assess the quality of particular policies and strategies. LHSA is about getting a better understanding of how a housing system works. Establishing monitoring and evaluation frameworks are not therefore covered in this guide.

Dos and don'ts of LHSA

Particularly for those coming to LHSA for the first time, the size of this guide may well appear daunting! In preparing for, and undertaking LHSA, it is helpful to keep a number of principles in mind.

Firstly, it is highly unlikely that the framework presented here can be uniformly implemented, and it would not be sensible for anyone to try to do this. The user needs to decide how to adapt the framework to suit local circumstances in terms of the nature of their local housing system, and the level of resources available to undertake LHSA.

- Not all parts of the LHSA framework will be equally relevant to all users. For instance, tied private rented housing is unlikely to be of relevance to someone analysing an urban housing system.

- The availability and quality of information varies across Scotland. This may preclude certain types of analysis being carried out in some localities.

Where analysis is likely to be labour intensive, require special skills, or be costly to complete, this has been highlighted. This is to help users of this guide make informed decisions about which tasks to prioritise in the short- to medium-term.

Secondly, it is best to think of LHSA as something to be done continuously not as a one off exercise. Available resources mean that analytical tasks have to be prioritised. Over time however change will be continuously occurring, and data, information and evidence will become increasingly dated. A structured approach to LHSA work over time, addressing the biggest and most urgent information gaps and updating work as required, allows analysts to improve the overall quality of intelligence to support policy decisions from year to year. One of the most important things LHSA should be about is improving intelligence over time. In this regard, LHSA offers real opportunities for collaborative working across organisations. In publishing this updated and expanded LHSA framework, Communities Scotland hopes to facilitate greater co-operation and sharing of analysis between different housing bodies. Charting the changing nature of any local housing system is a complex, costly and time-consuming process. Very real benefits can therefore be obtained from drawing on each other's expertise, sharing information sources and jointly commissioning research wherever possible.

Thirdly, while much of the process of analysing local housing systems involves data collection, integration and analysis, and data sources, and the main issues to bear in mind in using data, are detailed in Annexes 3 and 5, it is often the case that data gaps, or just the sheer complexity of a local problem, means that analysing local housing systems is as much an art as a science. The ability to make assumptions and judgements, to employ imagination and scepticism, and to make conditional judgements and be prepared to change them as more information becomes available is as integral to LHSA as numeric, analytic and computing skills. It also means that 'soft' information sources are often as important (if not more so) than 'hard' data. Professional opinion can often provide insight where data is lacking – particularly on trends and changes in trends. Solicitors and surveyors know which areas, property types and price bands are under most pressure, and how this is changing. Housing

management officers know which property and areas is more or less popular, and why, and often provide a very different picture of what is happening in an area to that drawn from waiting list information.

Often, data limitations can be at least partially addressed through what is known as 'triangulation'. Essentially this just means that if more than one source can shed light on a problem it's better to consider them all than to use just one. For example, evidence on the geographic boundaries of a local housing system might be identified using evidence on movement patterns, evidence from surveys of recent movers and evidence based on the opinions of local planners, estate agents and solicitors. Each evidence source will through a different light on the issue. Each will have its strengths and weaknesses. Together they are likely to offer a better solution than using them separately will.

The structure of the LHSA Good Practice Guide

The remaining chapters in this guide deal with the various components of LHSA work. They follow a common format. Each chapter:

- Begins with an explanation of what will be covered.

- Deals, where necessary, with matters of definition.

- Explains what analysis is appropriate and how to go about doing it.

- Discusses key data sources and issues.

- Ends with a summary of the outputs that should be produced through analysis.

Throughout the chapters extensive examples are provided to illustrate key points.

Chapter 2 provides information on the policy and planning context for LHSA work in Scotland. It outlines the requirements of the land planning and housing planning systems before going on to consider Community Planning, and the independent living and homelessness policy frameworks that currently exist. These and a number of other planning and policy frameworks that are also discussed, set the context in which outputs from an analysis of a local housing system are to be used and also often provide direct inputs to LHSA. For example the statutory land use system has a major influence on the volume and location of land available for housing. In providing an overview of these planning and policy frameworks, the chapter covers recent policy developments, for example with regard to housing quality standards. The main purpose of the chapter is to cover the significance of these various frameworks for LHSA work.

The purpose of chapter 3 is to provide a firm understanding of the 'systems' part of local housing systems analysis. It provides an operationally focussed introduction to what is meant by 'a housing system'. In doing this it covers the issue of distinguishing 'demand' and 'need', and considers how changes in these over time should be dealt with. The chapter introduces the idea of imbalance and lays the groundwork for later discussions of housing pressure and low demand in chapters 8, 9, 12 and 13. The aim of chapter 3 is to discuss the idea of a system in an intuitive and practical way. A more rigorous and extended treatment of the concept of a local housing system has also been included in this guide in Annex 2.

Chapter 4 provides guidance on how to define and describe the structure of a housing system. A key element of any LHSA is establishing and mapping the physical boundary of the functional local housing system and understanding the relationships between this and important administrative boundaries such as those used by public sector agencies. Chapter 4 discusses alternative approaches to defining the structure of the housing system.

A wide range of external forces can influence a housing system, but the main two are local economic and demographic trends. Chapter 5 explains the key interactions between the local economy, the local labour market and housing and offers guidance on assessing how the

economic environment is influencing the housing system over time. Chapter 6 discusses how to assess the potential impact of demographic trends on the demand and need for housing.

Chapter 7 looks at establishing flows in the available supply of housing as a whole, including additions, demolitions, improvements and deterioration.

A local housing system is typically highly complex. Often it can help to think of it operating as a number of lower level sub-systems that interlink, and to consider these sub-systems one at a time. The main sub systems include each of the main tenures. Chapter 8 focuses on social renting, chapter 9 on owner occupation and chapter 10 on private renting.

Chapter 11 focuses on community care housing needs assessment, reflecting the growing involvement of housing bodies in care in the community. Chapter 12 considers the important topic of general housing needs assessment and the links between this and LHSA more generally. These topics have been treated separately because of their overall importance, and because they are technically very complex. However, in reality both issues link closely to the operation of individual tenures and the ways in which these interact. More generally, housing need (general and for particular groups) is strongly affected by both economic and demographic trends, as discussed in earlier chapters. In practice this means that issues can't be compartmentalised as neatly as one might wish. The discussion of housing need in this guide culminates in chapters 11 and 12 but starts in chapter 3, and is also addressed in part in virtually every subsequent chapter. Chapters 11 and 12 must therefore be read in this context.

The purpose of the final chapter is to recognise the need to bring the 'sub system' level analysis together into an overall understanding of how well a housing system as a whole is operating. Having gathered, assembled and analysed the relevant data, the final stage of LHSA is to analyse this material in order to identify balances and imbalances between the supply and requirement for housing both at present and potentially in the future. Chapter 13 provides a framework for tackling this complex matter.

At the back of the guide a number of Annexes have been provided. These predominantly cover technical issues in more detail than would be appropriate within the main chapters.

Annex 1 contains a list of references to allow users of the guide follow up specific topics.

Annex 2 provides an extended discussion of the concept of a local housing system.

Annex 3 deals with the key data sources for LHSA work. The first part of the annex summarises the key data sources. The second part of the annex deals with accessing online data sources, including the 2001 Census.

Annex 4 provides a list of the abbreviations used in the main body of the guide, and a glossary of terms, particularly economic terms used in chapter 5.

Annex 5 covers data processing and assessing the quality of data being used. The first part of the annex summarises the generalist and specialist software packages that can be used to process data. It then provides an extensive discussion on general data quality issues. Thirdly, it provides specific advice on using and interpreting Census data. Finally, it looks at a number of issues regarding available income data.

Annex 6 deals with issues of geography. It covers the definition and measurement of travel to work areas, and the different ways of defining and measuring housing market areas. It also details the different administrative and statistical boundaries often used for housing analysis and where these can be sourced.

Annex 7 provides advice on how to go about commissioning and managing research and survey work.

Annex 8 provides extended examples showing how aspects of housing supply can be covered in LHSA work. Annex 9 looks specifically at issues relating to analysing social rented housing while annex 10 covers the use of Sasines / land register data. Finally annex 11 includes an example of a survey form for service providers and a worked example of a community care housing needs assessment for people with learning disabilities.