

West of England Partnership

Bath & North East
Somerset Council

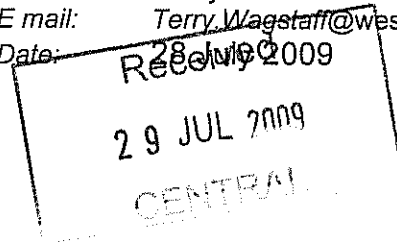


North
Somerset
COUNCIL

South Gloucestershire
Council

Mike Day
Director of Development & Home Ownership
Knightstone Housing Association Ltd
Station road, Worle,
Weston-super-Mare, BS22 6AP

Your Ref: MD/jc
E mail: Terry.Wagstaff@westofengland.org
Date: 28 July 2009



Dear Mike Day

West of England Strategic Housing Market Assessment

Thank you for your letter dated 22nd June. I apologise for the delay in replying. I understand your concern to ensure that the findings in the Strategic Housing Market Assessment (SHMA) which highlight the need for one bedroom accommodation, is not transferred directly into policy.

The West of England Partnership have been very clear on this matter. The SHMA is not a policy document itself; it is an evidence base to inform policy development and policy developers within individual authorities will have to balance the evidence in the technical report with other considerations.

For clarification the report conclusions are correct in that there is a high need (actual numbers) for one bedroom accommodation. However because there is more stock and re-lets of this type of accommodation, the need can to some degree be met more easily than the need for larger accommodation. Actual levels of need for larger accommodation identified in the SHMA are relatively lower because there is less larger housing stock, and less re-lets of this stock. As a result the need for this type of accommodation is more difficult to meet and the pressure for this type of housing more intense.

I support your suggestions that policy considerations need to take this factor into account, along with other considerations including the flexibility of accommodation, aspirations of residents, and the principles of creating mixed and sustainable communities.

The identification by the SHMA of the high level of one bedroom need was raised at the SHMA stakeholder event in March 2009. The response of the Housing Market Partnership can be found in the published SHMA Appendix 1(attached to this letter).

A copy of this letter has been sent to Heads of Planning and Heads of Housing Strategy.

Yours sincerely,

PP. Terry Wagstaff
Chief Executive West of England Partnership

Wilder House
Wilder Street
Bristol
BS2 8PH

0117 903 6868
www.westofengland.org

Received

29 JUL 2009

CENTRAL

WEST OF ENGLAND STRATEGIC HOUSING MARKET ASSESSMENT

APPENDIX ONE – CONSULTATION

- 1.1 Two stakeholder events were held in order to consult on the project. The first, in February 2008, offered stakeholders the opportunity to feed information into the research and consider the processes and modelling. The second event included presentation of the findings, and the opportunity to discuss these and raise any concerns or issues.
- 1.2 Over 60 people attended each event, including representatives from the Home Builders Federation, Housing Corporation, Regional Assembly, developers, surveying practices, RSLs and local authorities. At the first event key partners, including the HBF and the Housing Corporation, made short presentations about the importance of the work, to underline their support.
- 1.3 Feedback from each event was collated into a table together and these are included below, together with the responses from the Partnership. An important piece of feedback from stakeholders at the second event was that the report generally confirms the affordability issues that were already known; it illustrates a similar (but worsening) picture to previous housing market studies and housing needs assessments.

Table One – Issues raised by stakeholders in February 2008 and Responses from Partnership

	Issue Raised	Response from the Partnership
1	People don't necessarily behave in the way that the model predicts	We agree that people can and do exercise choice in their housing, both in terms of location and size. However the model is robust and evidence based, drawing on both past behaviours and expressed preferences. The Partnership will be agreeing a set of indicators which will be used to monitor what happens over a period of years, so we will see if people are making choices which we had not predicted.
2	The model predicts housing supply as an outcome of land availability, but developers are also mindful of demand and prices	In the medium term there is a clear relationship between land availability and housing supply. We understand that developers will only build where there is demand and where costs and values make this feasible. We will consider in the report the impact of the current

		turbulence in the market but the assessment looks forward over almost 20 years so we need to look at the short, medium and longer term impacts.
3	What happens to low cost home ownership in a falling market? Does demand go up or down?	As suggested above, we believe that the market will stabilise in the medium term and any impact on low cost home ownership demand will stabilise with it. It is too early to say whether the falling market will increase or decrease demand.
4	Will we see rising levels of repossessions? What impact might this have?	There is already some evidence of rising levels of repossession. We will need to monitor this closely over the next few years and also factor in the historic data from the early 1990's. Some housing associations are developing mortgage rescue packages to try and restrict the damage caused by repossessions.
5	The model may suggest high numbers of households who can afford low cost home ownership but that does not mean they will choose this option. There is still a lack of knowledge and understanding about this sector.	We agree that more needs to be done to make people aware of the low cost home ownership products – and that more needs to be done to make low cost home ownership products attractive to those in this group. We will be monitoring take-up so we will be able to see if people are choosing not to buy low cost home ownership products.
6	Will the model reflect the housing needs of particular groups?	The report will highlight the housing needs of particular groups. We have identified older people, disabled people, migrants, students and gypsies, travellers and travelling show people as significant groups for the West of England and the report will look at the needs of each group.
7	Will the model reflect current and future travel to work patterns?	We will include information on current travel to work patterns and will look at changes in these in our future monitoring.
8	Will the model include those who do not live in the area currently but who want to do so?	The model covers both housing need and demand for all tenures.
9	Is information at the zone level reliable?	Zone level information draws largely on local data, although it is checked against nationally available data to ensure

		consistency. The numbers included in most zones are sufficient to ensure that the data is reliable, where these numbers are low then this will be highlighted in the report.
10	Are the zones the right ones?	The zones have been chosen by each local authority to reflect their understanding and experience of the housing market in their area. There are practical restrictions on the number of zones that we can model, also the zones have to be of a sufficient size to ensure that zone level data is valid. At the same time, they need to be small enough to make some sense locally. The local authorities are also looking at how we can make the zones consistent with other information sources in future – to make it easier to map our data against other data held in the local authorities (such as private sector housing data) and also data held by others (police, health service etc).
11	Will rural issues be adequately reflected in the report, given that inevitably housing supply will be dominated by the larger urban areas.	We are very conscious of this and keen to ensure that rural issues are given adequate coverage. We have looked at other housing market assessments for examples of good practice.
12	The model is likely to demonstrate the need for a very high level of affordable housing, with expectations that S106 will deliver a significant proportion of these. However, schemes must be viable to proceed, is there a danger that you will stifle supply by imposing very high targets?	It is likely that the housing market assessment will evidence a need for high numbers of affordable housing and this will be reflected in planning policies. However, all local authorities recognise the need for schemes to be commercially viable to proceed, and viability tests will be a key part of setting any new policies.
13	The infrastructure needs to be in place before we develop large numbers of new homes. We want to build communities not just cram in lots of housing	Yes, it's critical that good infrastructure is developed alongside new housing and that we create the right living spaces for vibrant and cohesive communities. The housing market assessment will inform each authority's Local Development Framework which will set out the vision for each area, including the infrastructure that will be needed.
14	Reduced grant rates for social housing	We agree that this is a challenge.

	make it difficult to deliver the quality which is required.	Constrained grant rates are a fact of life, and we have to find ways of delivering good quality housing with high eco standards within these.
15	How do we build a true partnership across different sectors that by definition have some common interests and some differences?	The whole idea of creating a Partnership to oversee the development of the Strategic Housing Market Assessment is to identify and overcome differences wherever possible, and to build consensus, as set out in the Guidance. The Partnership acknowledges that an open and honest dialogue is the basis for all good partnership working.
16	How do we change attitudes to tenure in this country so that home ownership is not always seen as the only choice?	The Partnership recognises that most people aspire to home ownership even where this may not be a viable option for them in the short term. The assessment looks at demand for home ownership, and how we can ensure that people have the best opportunities to meet those aspirations. We can also ensure through the Homebuy agents that those entering low cost home ownership are made well aware of the costs and responsibilities they are taking on. The recent turbulence in the housing market may start to change people's attitudes to renting vs home ownership.
17	Should the policies that are developed in response to the housing market assessment offer flexibility or certainty?	This is a debate that we hope will be ongoing as we move from gathering information to responding to what the assessment is telling us. Certainty would give developers confidence that they knew what was expected of them across the whole sub-region and across a period of time, which could be very attractive. However, flexibility would mean that we could look at things on a site by site basis, taking more local factors into account. We'd like to hear more from stakeholders which is most important to you. However, it will be up to each local authority to take forward the outcomes from the strategic housing market assessment and set their own policies.

18	<p>What should be the income multipliers used in the model for home ownership? Should we use the higher income multipliers that reflect what has been happening in the market, or should we go for lower ratios that are consistent with the guidance?</p>	<p>This is a big issue for the assessment and one which has been debated by the Partnership. At the moment we are favouring using the historic slightly higher multipliers because we can evidence these – although we recognise that this could be risky as those higher multipliers may not be available in the market over the next few years. Using the higher multipliers produces a lower level of need for social housing (because we are assuming that more people can afford to buy) so we feel this is a prudent assumption based on robust information. We have also modelled a slightly lower multiplier, in line with the guidance, to assess the impact of this. We will monitor this assumption and reassess regularly.</p>
19	<p>What assumptions should we make about entry costs for low cost home ownership? Some models are very expensive to the purchaser, others may offer a lower entry point but are not yet widely available.</p>	<p>The Partnership have debated this issue and believe we should include those models which are widely available, rather than speculative models which reduce the entry cost but may not be deliverable in large numbers on the ground. This means that we will be using shared ownership models which are available in the housing market area. We will include information about the new models that have been recently announced to assess the impact they might have on housing need. But we won't assume that lots of shared ownership will suddenly be available at much lower equity purchase levels.</p>

Table Two – Comments from stakeholders in March 2009 and Responses from Partnership

	Issues relating to modelling and/or figures in the report	Suggested response
1	Have we adequately accounted for the credit crunch? What will happen if the recession lasts longer than we have projected?	At this stage it is very hard to predict what will happen in terms of the recession and when the market will begin to recover. We don't think this undermines our overall findings as this is a study to inform strategies and plans over a medium to long term period. It is possible that the recovery may be later than we have assumed in our modelling but the overall pattern of housing need would be the same. We will be monitoring a wide range of variables which will help us to understand the impact if the recession does last longer than projected, and respond accordingly.
2	What will be the impact if mortgages are not available in the long-term on the basis assumed in the modelling?	<p>If we do not return to wide-spread availability of 95% mortgages it would have an impact on housing need but it is difficult to predict what the impact would be! In theory if people are borrowing less then more households would be able to afford owner occupation – but only if they can afford the deposit. If fewer people can afford the deposit more people would be in housing need. Our model includes a wealth adjustment to reflect the number of first time buyers who are given assistance to raise the deposit but in the current recession it may be more difficult for families to help out in this way. We need to monitor this position carefully over the next few years.</p> <p>The model assumes that households can meet their own housing need if they can buy or rent in the market, so if mortgage availability remains constrained this may increase numbers opting for the private rented sector.</p>
3	Why are there some apparent differences between some figures in the report?	There are some minor differences between figures in the local authority level model and the zone level model, as these come from different sources. In a sense, the two levels of the model provide a check on each other, and so long as the differences are minor the figures can be considered to be robust. Sometimes

		<p>there appear to be differences but on closer scrutiny the figures are covering different things or different time periods.</p> <p>A key difference in terms of projecting future housing need is that figures in chapter 4 have been calculated according the Guidance, but some figures in later chapters have explored the impact of changing some of these assumptions. This should always be clear from the text.</p>
4	<p>Number of 1 bed flats suggested by the study seems high, concern that 1 beds are not flexible and do not reflect aspirations. Should we present information to show 1 bed and 2 bed need pooled?</p>	<p>The high number of 1 beds needed in some areas reflects the increasing number of smaller households. However, there is a big difference between need and aspiration - many households who are modelled as having a 1 bed need will aspire to a 2 bed. This aspiration runs across all tenures but households who are able to meet their own need in the market are far more likely to opt for larger accommodation.</p> <p>We did consider pooling the information but decided that this would be less transparent. Local authorities may choose to implement policies which stress the need for larger accommodation, as this introduces opportunities for filtering up through the housing chain and can help to meet the needs of a greater number of households. Authorities may also consider whether some 1 bed need may be better met by the provision of 2 bed units.</p>
5	<p>Is there enough evidence provided on the needs of particular groups?</p>	<p>We chose the particular groups that we have focused on in chapter 10 carefully, to reflect needs and issues within the housing market area. The SHMA is not intended to replace other strategies, such as older person's housing strategies. One stakeholder raised a query about why we had not chosen BME groups as a special needs group; however we consider that while BME groups may have specific needs in terms of accessing services their needs are not significantly different in relation to planned supply. BME housing needs are included in the analysis, including size mix. We have also included a reference to</p>

		the BME housing strategies developed by a number of the local authorities. It is important that local authority services are delivered in a way that transparent and accessible to all groups.
6	Does a significant growth in the universities have an impact?	There is no doubt that it has done. During the past decade we have seen large growth in the number of students and large growth in the private rented sector, as well as in specialist accommodation. However, the 4 universities current plans for future growth are relatively modest and will not have a significant impact on the housing market.
	Issues relating to future policy	Suggested response
7	Will there need to be an over-allocation of land to meet future housing targets?	There is a formal development process to meet housing targets through Local Development Framework policies. The SHMA is informing the evidence base for this work.
8	Will site viability still be taken into consideration?	Site viability is not part of this study. The SHMA is informing the evidence base for each local authority to review a range of policies, which may include site viability.
9	Does intermediate housing need to be more flexible in future?	The SHMA has identified a clear need for intermediate housing in each local authority area, and some need for intermediate housing in most zones. It would be good to see more flexible intermediate products being developed and this is starting to happen in response to the current market conditions; if intermediate housing options become more affordable than more people will be able to meet their housing need through that route.