Bedfordshire and Luton
Strategic Housing Market Assessment

Report of Study Findings
March 2010
In accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is provided only for the stated use and no responsibility can be accepted for any other use. Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.
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Summary of Key Findings

The Overall Housing Requirement

1. Over the 20 year period 2001-2021, the Government has set a target to deliver 59,100 dwellings within the Bedfordshire and Luton sub-region. The SHMA analysis is based on achieving this target. 13,300 dwellings had already been delivered by the end of March 2007, which is equivalent to an average rate of around 2,200 additional dwellings each year.

2. There is a requirement to deliver the remaining 45,800 dwellings over the period 2007 to 2021, which can partly be achieved through conversions as well as new build – but the average rate of delivery needs to increase to over 3,200 additional dwellings each year, which will require higher rates in later years given the slowdown in delivery during the economic downturn in 2008-09.

Affordable Housing Targets

3. The study has identified a shortage of both social rented and intermediate affordable housing. To meet the identified housing need, the following additional dwellings would have to be provided:

   - Bedford Borough: 3,800 social rented housing and 1,500 intermediate affordable housing out of a total of 14,100 dwellings.
   - Central Bedfordshire (North): 2,200 social rented housing and 1,600 intermediate affordable housing out of a total of 10,100 dwellings.
   - Luton Borough and Central Bedfordshire (South) combined: 7,700 social rented housing and 3,200 intermediate affordable housing out of a total of 21,600 dwellings.

4. The viability assessment has identified that the planning system will not be able to deliver enough affordable housing to meet all of this identified housing need, in particular the need for social rented housing.

5. The following affordable housing targets are recommended and these should be achievable under normal market conditions, subject to infrastructure funding requirements – although there will be a need for flexibility until normal market conditions return:

   - Bedford Borough: 35% affordable housing – comprised of 20% social rented housing; 15% intermediate affordable housing.
   - Central Bedfordshire (North): 35% affordable housing – comprised of 22% social rented housing; 13% intermediate affordable housing.
   - Luton Borough and Central Bedfordshire (South) combined: 35% affordable housing – comprised of 25% social rented housing; 10% intermediate affordable housing.

6. Given that the identified requirement for affordable housing is greater than that which might be delivered through the planning system, it will also be necessary to explore other ways of providing
affordable housing. This may require additional Homes and Community Agency or local authority resources.

7. The overall delivery of affordable housing should be monitored and the need for a review of targets should be considered in due course to address any imbalance in provision over time.

Housing in Rural Areas

8. Given that the target for development outside the growth areas falls largely within the villages and market towns of Rural Bedford and Central Bedfordshire, rural housing provision will continue to form part of the mainstream planning system in this area.

9. To maintain the flow of new affordable homes in rural Bedfordshire, it will be important to use all of the planning and housing mechanisms available.

Housing for Older Persons

10. As the population ages, a full range of housing options and support services will be required to meet the differing needs and aspirations of older households.

11. When considering the overall housing mix, developers and RSLs should also be encouraged to produce specialised housing especially for older people and other vulnerable households, and this should be a delivery priority within the overall housing requirement.

Existing Occupiers and their Homes

12. Whilst the study considers the requirement for new housing, there also remains a need for continued investment to deliver decent homes and improve thermal comfort in the private sector, focussing particularly on the needs of vulnerable occupiers.

13. To help tackle overcrowding in the social housing stock, opportunities should be identified for extending or converting existing affordable housing and purchasing larger market housing, as well as delivering larger affordable homes on new developments.

14. Under-occupation should also be tackled, providing housing that meets the aspirations of older people currently occupying larger family housing.
Chapter 1: Introducing the Study

What Is a Strategic Housing Market Assessment?

1.1 Strategic Housing Market Assessments (SHMAs) are a crucial part of the evidence base informing policy and contributing to shaping strategic thinking in housing and planning. They were introduced as the required evidence base to support policies within the framework introduced by Planning Policy Statement 3: Housing (PPS3) in November 2006.

*Strategic Housing Market Assessments and Strategic Land Availability Assessments are an important part of the policy process. They provide information on the level of need and demand for housing and the opportunities that exist to meet it (PPS3, Annex C)*

1.2 Alongside PPS3, Practice Guidance for undertaking Strategic Housing Market Assessments was published by the Department for Communities and Local Government (CLG) in March 2007 and subsequently updated with a minor revision in August 2007. The Practice Guidance identifies that SHMAs should work at three inter-related levels for spatial planning:

- **Regional**: influencing regional policy, including Regional Housing and Spatial Strategy reviews and the planned strategies in relation to sustainable development. In addition, they contribute to the regional evidence base.

- **Sub-regional**: deepening understanding of sub-regional and strategic housing markets and developing future strategy based on robust evidence.

- **Local**: shaping and assisting with the production of Local Development Documents which set out the spatial policy for a local area.

1.3 The Bedfordshire and Luton sub-region SHMA was designed to increase understanding of:

- Bedfordshire’s housing markets, the relationships between markets, and trends in housing demand, need and affordability.

- The influence of inward and outward migration and commuting patterns on Bedfordshire’s housing markets, and the implications of this for the delivery of housing and employment growth, and associated supporting infrastructure, in the study area.

- The links between the sub regional economy, employment strategy and the housing market, and the implications for the growth agenda, as well as links with wider regional and national strategies.

1.4 The SHMA also:

- Provides robust evidence-based forecasts of need and demand for housing of different types, sizes and tenures (including market housing, intermediate tenures and social renting) to inform local, sub-regional and regional spatial planning and housing strategies.

- Increases the capability of the commissioning authorities to monitor and forecast housing market activity and trends.
• Enables the commissioning authorities to develop their spatial planning policies and housing strategies so they may intervene positively in the local housing market, on the basis of sound knowledge of local economic, social and cultural relationships.

1.5 The study does not seek to determine rigid policy conclusions, but instead provides a key component of the evidence base required to develop and support a robust policy framework. It is important to recognise that the information from the SHMA should not be considered in isolation, but it forms part of a wider evidence base to inform the development of housing and planning policies.

The Key Research Tasks: Delivering the Core Outputs

1.6 The Bedfordshire and Luton sub-region SHMA Project Brief clearly sets out ten key tasks, including nine research tasks that form the basis for the study. In summary, these tasks are:

1. Clarify the geographical boundaries of the sub-regional housing market(s).
2. Provide an analysis of the current condition of Bedfordshire and Luton’s housing markets and historical trends over the previous ten years.
3. Identify the main drivers of Bedfordshire and Luton’s housing markets.
4. Provide a robust assessment of the scale of housing need and demand.
5. Forecast how Bedfordshire and Luton’s housing markets might look over agreed periods of time.
6. Identify the particular unmet accommodation need/demand amongst identified client groups.
7. Provide a robust broad-brush assessment of the viability of the recommended planning policy targets.
8. Recommend appropriate planning policy targets at borough/district level.
9. Recommend and help the local authorities to implement cost effective measures that will enable them to monitor and manage the operation of housing markets on a continuing basis.

1.7 The Practice Guidance also sets out eight core outputs that all SHMAs should produce and provides advice regarding the SHMA process, setting out a key process checklist items for SHMA Partnerships to follow. These core outputs and checklist items are important, especially in the context of supporting the soundness of any Development Plan Document:

In line with PPS12, for the purposes of the independent examination into the soundness of a Development Plan Document, a strategic housing market assessment should be considered robust and credible if, as a minimum, it provides all of the core outputs and meets the requirements of all of the process criteria in figures 1.1 and 1.2. (CLG Practice Guidance, Page 9)

1.8 The tenth key task identified in the project brief for the Bedfordshire and Luton sub-region SHMA requires that the core outputs, identified in the Practice Guidance, are also produced by the study. Figure 1 details the eight core outputs, and the way in which this report is structured around these.
1.9 Assessing the likely economic viability of land for housing is a separate requirement of PPS3. The findings of such an assessment would normally be considered alongside the SHMA core outputs when establishing planning policy targets for affordable housing.

1.10 For the Bedfordshire and Luton sub-region SHMA, the seventh research task set out by the Project Brief is to “provide a robust broad-brush assessment of the viability of the recommended planning policy targets” whilst the eighth research task is to “recommend appropriate planning policy targets at borough/district level”. The outputs from these two elements of the research are reported in Chapter 5 (Assessment of Residential Development Viability) and Chapter 6 (Housing Tenure and Size Mix).

### The Project Approach: Satisfying the Process Checklist

1.11 The Bedfordshire and Luton sub-region SHMA was commissioned in 2008 by the five Bedfordshire Councils - Bedfordshire County Council, Bedford Borough Council, Mid Bedfordshire District Council, South Bedfordshire District Council and Luton Borough Council and considers the whole of Bedfordshire and Luton.

1.12 Following Local Government re-organisation in April 2009 a new unitary authority, Central Bedfordshire Council has been established for the areas covering the former Mid and South Bedfordshire Districts.
The findings for Central Bedfordshire are reported for the former Mid Bedfordshire and South Bedfordshire areas as follows:

- Central Bedfordshire (North) refers to the area formerly covered by Mid Bedfordshire District Council, and;
- Central Bedfordshire (South) refers to that formerly covered by South Bedfordshire District Council.

1.13 Figure 2 details the seven criteria of the process checklist outlined in the Practice Guidance required for the SHMA to satisfy the requirements of Planning Policy Statement 12: Local Spatial Planning (PPS12) and therefore be considered robust and credible.

**Figure 2**
CLG SHMA Practice Guidance Figure 1.2 – Process Checklist

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1.14 The Bedfordshire and Luton sub-region SHMA fully complies with the required process checklist.

1.15 The approach to assessing housing market areas was informed by the Advice Note on “Identifying sub-regional housing market areas” which was issued by CLG in March 2007 and was consistent with approaches to identifying housing market areas adopted elsewhere within the region. This is further discussed in Chapter 2 (Identifying Local Housing Markets and Profiling the Housing Stock). The housing market areas identified provided an appropriate framework for the SHMA analysis, and information for these areas has been considered alongside information for the administrative areas of the sub-region’s planning authorities (Process Checklist: Requirements 1 and 2).

1.16 The project brief identified the need for a clear project management approach, which provided the necessary quality control mechanisms to ensure that the project successfully achieved its key objectives and ensured effective and ongoing engagement with stakeholders throughout the project (Process Checklist: Requirements 3 and 6).

1.17 Figure 3 identifies the key groups involved in preparing the SHMA. The membership and
The responsibilities of the groups are:

- **Project Board** – senior planning and/or housing officers from each of the commissioning authorities. It is responsible for seeing that the SHMA is a soundly based and agreed document. It signs off the contract documents and each stage of the project and has overall responsibility for decision making for the project.

- **Project Group** – planning and housing officers of the local authorities and the sub-regional lead for the project. It oversees the delivery of the project, ensuring that the SHMA is soundly based and is delivered within the agreed timetable. It ensures reliable data and other information is provided to the consultants.

- **Reference Group** – representatives from a wide range of local and regional organisations. It acts as a sounding board for the Project Board. Members comment on the development of the work programme and on the emerging findings. They provide insights on all policy areas that are relevant to housing. Membership of the Reference Group will be kept under review during the life of the Project, to ensure that the representation covers all relevant stakeholder groups, including house builders.

- **Consultant Team** – Opinion Research Services (ORS) working in partnership with Savills. They produced a full SHMA for the sub-region using both primary and secondary data, which sets out the information in an accessible form and considers the implications of that information for the sub-region.

1.18 The research is based on a wide range of information collated from many sources. These include:

- Existing policy documents and supporting information published by the Local Authorities and their partners;

- Primary data from a survey of recent movers within and surrounding the sub-region, and a general household survey previously conducted for the Luton and Bedfordshire housing requirement studies;

- Secondary data and official statistics from a wide range of local, regional and national sources; and

- Information gathered through consultation with a wide range of stakeholders.

1.19 This information was compiled and analysed in eight technical reports, which focus on the different research tasks previously outlined as set out in the Project Brief.

- Paper 1: Clarifying the Boundaries of the Housing Market Areas
- Paper 2: Profiling the Existing Housing Market and Historical Trends
- Paper 3: Identifying and Understanding the Key Housing Market Drivers
- Paper 4: Future Housing Need and Demand
- Paper 5: Understanding and Profiling the Future Housing Market
- Paper 6: Housing Requirements of Specific Client Groups
These reports (some with supporting technical documentation) clearly set out the methods employed and the associated assumptions, presenting the findings in an open and transparent manner (Process Checklist: Requirements 4 and 5).

Consultation drafts of these documents were circulated to the Reference Group before final versions were accepted by the Project Board, and final versions of all of the study reports together with other supporting documents from the study can be viewed online at www.luton.gov.uk/shma.

The final research task considers the requirements for the future monitoring of the housing market and updating of the SHMA. This is further discussed in Chapter 8 (Future Monitoring of the Market and Updating the SHMA) (Process Checklist: Requirement 7).

Summary of Key Points

- Strategic Housing Market Assessments (SHMAs) are a crucial part of the evidence base informing policy and contributing to shaping strategic thinking in housing and planning;

- The Practice Guidance states that a SHMA should be considered robust and credible if it provides eight identified core outputs and meets the requirements of all of the process criteria set out in a key process checklist that SHMA Partnerships should follow;

- The Bedfordshire and Luton sub-region SHMA provides all of the required core outputs and fully satisfies the process criteria;

- The research is based on a wide range of information collated from many sources, including existing policy documents, an extensive range of primary and secondary data, and information gathered through consultation with a wide range of stakeholders;

- The evidence base for the study is presented in eight technical reports, which focus on the different research tasks set out in the Project Brief. Final versions of all study reports together with other supporting documents can be viewed online at www.luton.gov.uk/shma.
Chapter 2: Identifying Local Housing Markets and Profiling the Housing Stock

2.1 PPS3 identifies that Local Planning Authorities should have regard to housing market areas when developing planning for housing policies. Housing market areas are defined as being:

*Geographical areas defined by household demand and preferences for housing. They reflect the key functional linkages between places where people live and work (PPS3, Annex B)*

2.2 In March 2007, the Department for Communities and Local Government (CLG) issued an Advice Note on “Identifying sub-regional housing market areas”. This note recognised that local authorities in several regions had already developed approaches to defining sub-regional housing market areas and it therefore sought to identify emerging good practice.

2.3 The CLG advice note identifies three sources of information which help to evidence local housing markets, namely:

- House prices and rates of change in house prices, which reflect household demand and preferences for different sizes and types of housing in different locations;
- Household migration and search patterns, reflecting preferences and the trade-offs made when choosing housing with different characteristics; and
- Contextual data, such as travel to work areas, which reflect the functional relationships between places where people work and live.

2.4 It is important to recognise that no one single approach (nor one single data source) can provide a definitive answer – but through considering the range of available data, it is possible to form a judgement on an appropriate geography for local housing market areas.

**Defining Housing Market Areas for the Sub-region**

2.5 ORS completed preliminary analysis of the Bedfordshire and Luton local housing market areas in 2006, and suggested that the authorities considered a total of seven areas when seeking to understand the operation of the local housing market. These areas included Luton, Dunstable, Houghton Regis and Leighton Buzzard to the south of the sub-region, Flitwick towards the central area, and Bedford and Biggleswade to the north of the sub-region.

2.6 Each of these areas showed that a significant proportion of the workplace population (i.e. the people that worked in the area) were also local residents. When considering the commuting patterns of all residents in paid work, it was apparent that a large number were employed in the same area – but given the size of the workforce in both Bedford and Luton, many still travelled to these larger employment centres.

2.7 At the outset of this study, a more detailed analysis was undertaken to identify the housing market areas for the Bedford and Luton sub-region. The following graph (Figure 4) shows the inter-
relationships between the urban areas within the sub-region. Surrounding areas outside the sub-region are also included for completeness.

2.8 The figure inside the settlement denotes the number of residents who both live and work in that urban centre. The colour represents this as a proportion of all workers living in the area (excluding those who commute to London) as an indicator of the areas self-containment, on the basis of the following bands:

- **Green** = above 65% of employees living in the area also work in the area;
- **Amber** = 50 to 65% of employees living in the area also work in the area; and
- **Red** = below 50% of employees living in the area also work in the area.

2.9 The links that exist between the urban centres are also illustrated by the joining lines, with stronger links having heavier lines.

*Figure 4*
**Identifying the Links between Urban Centres in the Study Area** (Source: UK Census of Population 2001 combined with DEFRA Classifications)
2.10 Within the sub-region, only the Bedford and Luton urban centres have been classified in green – i.e. they are the only areas which have at least 65% of the employees that live in the area also working in the area. The remaining larger settlements in Bedfordshire have fewer than half of their resident employees working in the area, so cannot be considered to be independent housing market areas.

2.11 Given that many of the identified settlements have relatively low levels of self-containment, the next step is to combine them to form larger housing sub-markets. Whilst there is no definitive answer to the final groupings, the following observations were influential in the final outcomes.

- Inside the study area, Luton links strongly with Dunstable and Houghton Regis but these areas have no strong links to outside towns such as those in Hertfordshire. Therefore, these areas appear to link together to form the core area for a housing sub-market.

- Leighton Buzzard shows a close connection with Milton Keynes while it does not appear to link to Luton, Houghton Regis or Dunstable. Therefore, Leighton Buzzard appears to fit most naturally within the Milton Keynes housing sub-market.

- The Central Bedfordshire towns of Ampthill and Flitwick link equally strongly to Luton and Bedford and could potentially link to either of these areas to form a larger housing sub-market.

- When the settlements of Biggleswade and Sandy are considered together, a significant link becomes apparent between this group and the Stevenage-Letchworth-Hitchin group of settlements; whilst the links between Sandy and Bedford are no longer significant when considered relative to all flows identified within the system.

- There is also a strong link evident between Henlow and Shefford and the amalgamated Stevenage-Letchworth-Hitchin grouping. When these four urban centres are considered as a single group, the links with Sandy-Biggleswade become even more apparent – so it is clear that this is the most appropriate linkage for these areas.

2.12 Figure 5 illustrates the outcome of the computer aided analysis following the process above.

2.13 The urban areas of Bedford and Luton form the central points for the two largest housing market areas in Bedfordshire. A significant part of the western side of Central Bedfordshire falls within the housing market centred on Milton Keynes, while to the east a large area of Central Bedfordshire falls into a housing market centred around the A1(M) corridor originating in Stevenage.

2.14 Three further housing markets cover small areas of the sub-region – Northampton to the north west, Huntingdon & St Ives to the north east and St Albans to the south – but each of these areas has very limited populations.
Introducing the Housing Market Areas

Bedford Housing Market

2.15 Bedford is the County Town of Bedfordshire. It is located within easy reach of the A1 and M1 and also has good rail connections to London (Figure 6). The population is concentrated in the urban areas but there is a large rural hinterland with market towns and smaller villages.

2.16 Disadvantaged communities are centred in the urban areas, although there is some rural deprivation particularly in the north east of the area. Specific measures of poor private sector house condition are also concentrated in the urban areas, but there are notable concentrations in some rural wards.

2.17 Town centre regeneration is underway in Bedford. The Castle Quays development will bring city living to Bedford. The University of Bedfordshire has recently refurbished its campus in Bedford, including on-site provision of 500 new student bedsits. The student population in Bedford also helps to sustain the town’s private rented sector.

2.18 Bedford is an area of growing population and ethnic diversity in the urban centres - BME populations represent 15% of Bedford Borough’s residents, with people from around 60 different ethnic groups including significant communities of people from Ireland, Poland and Italy and many eastern European migrant workers.

2.19 The local economy is growing and employment rates are high, with unemployment close to the regional and national averages. The area has higher than national averages of senior managers and professionals, and strong education, health, real estate and wholesale and retail sectors. Bedford has maintained its role as a service centre for the surrounding small towns and villages. In rural areas agriculture remains significant but the economic base in the urban areas has changed in recent years. There have been reductions in engineering and manufacturing industries, although the latter, linked to the food chain, remains higher than the national average.

2.20 The East of England Plan 2008 identified a target of 27,000 additional jobs across the growth area and the draft Regional Economic Strategy for the East of England stresses the importance of achieving “a better balance between housing and employment opportunities contributing to effective and affordable places”. The planning requirement for the Bedford, Kempston and Northern Marston Vale Growth Area is 19,500 dwellings over the period 2001-21, with the majority of this growth (16,270) located in Bedford Borough. Providing sufficient affordable housing is a challenge across the area, but particularly in more rural areas.
Luton Housing Market

2.21 The Luton housing market covers the urban areas of Dunstable and Houghton Regis in Central Bedfordshire as well as Luton town (Figure 7).

2.22 The area has strong strategic transport links - the M1, A6 and A5 all pass through the area providing strong north-south routes and there is also a reasonable east-west network. London Luton Airport is linked by train both to London and the Midlands, and its planned expansion will create large economic and employment benefits for the sub-region.

2.23 Luton is emerging from a period of major economic restructuring. It has already attracted major developers with £4 billion invested in funding infrastructure and private development – the largest for any town in the UK.

2.24 Luton itself is a sub-regional shopping destination and it also has a town centre university campus which is part of the University of Bedfordshire. A masterplan for Luton town centre has already been developed to improve key locations, such as the rail and bus stations.

2.25 The area is ethnically diverse, having well established Indian, Pakistani, Bangladeshi and Black Caribbean communities. In 2001, a quarter of residents across Luton housing market area were from BME groups. The proportion of BME residents is higher in Luton borough, with 35% of the 2001 population and more than half of current school pupils coming from minority groups, which indicates a young and growing population.

2.26 The area has the highest proportion of single people and the lowest proportion of pensioners in the sub-region, and both of these populations are projected to increase by 2021, despite a projected decrease in the working age population over the same period.

2.27 Although there has been a move of jobs to the service sector in recent years, the number of manufacturing jobs remains above the national average. The population of the area has lower qualifications compared to regional and national averages. Earnings for people working in Luton are higher than for workers who live in the borough (which are the lowest earnings in the sub-region) suggesting that many of Luton’s higher paid workers live outside of the borough.

2.28 Large parts of the Luton housing market suffer from deprivation and specific measures of poor private sector house condition are also concentrated in the urban areas. The current deficiency of high quality accessible green space in certain areas of the town is also an issue affecting the health, wellbeing and overall quality of life of people.
2.29 Urban areas of Luton’s housing market are designated as a growth area, with a projected minimum of 26,300 new dwellings for the period 2001-21. A review of the greenbelt around the Luton, Dunstable and Houghton Regis area is proposed to find the room for development that is needed to accommodate the planned growth in urban extensions in the area.

2.30 There is a focus on Luton as the ‘engine of growth’ for the area and a priority for economic regeneration, improving the skills base of local people and making the most of its proximity to London, but unless Luton is perceived as an attractive place to live by people who can exercise choice, and the quality of new housing compliments this, then the policy aim of less net out-commuting will be frustrated.

The Housing Markets of Central Bedfordshire

2.31 Central Bedfordshire is influenced by four different housing markets (Figure 8). It is a largely rural area centred around the market towns of Sandy, Biggleswade, Ampthill, Flitwick, Leighton Buzzard, Houghton Regis and Dunstable.

2.32 The population is growing faster than the national average and is projected to continue to grow. The area has a higher proportion of adult couples with children than Bedford and Luton housing markets, consistent with a good supply of family sized accommodation in the area. There is a low BME population (less than 3% of the population in 2001) with the largest group being Indian.

2.33 The area ranks low in terms of deprivation, and Government improvement targets for the condition of private sector housing occupied by vulnerable households seem to be achievable.

2.34 Fuel poverty appears to be a challenge in the area, given the higher proportions of detached and semi-detached housing than elsewhere in the sub-region.

2.35 Central Bedfordshire residents have the highest average earnings in the sub-region. Nearly 80% of the housing stock is owner occupied and there is less social rented stock than elsewhere in the sub-region. This suggests that high income households and retirees are taking advantage of the higher quality of life offered by this sub-market.

2.36 There will be challenges for future housing development as existing residents can be resistant to housing growth if it may compromise the quality of life which is currently enjoyed. Providing sufficient affordable housing will be a particular challenge across Central Bedfordshire given its rural nature, and it will be important to maximise the level of affordable housing delivered throughout the district using the full range of planning and housing routes.
The Existing Housing Stock

2.37 The distribution of the dwelling stock across the identified housing markets is summarised in Figure 9.

Figure 9
Number of Dwellings in each Housing Sub-market by Local Authority (Source: Valuation Office Agency, September 2008. Note: Figures may not sum due to rounding)

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<th>Housing Sub-Market</th>
<th>Within the Sub-region</th>
<th>Outside sub-region</th>
<th>Overall Total</th>
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<td></td>
<td>Bedford</td>
<td>Luton</td>
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<tr>
<td>Bedford</td>
<td>62,700</td>
<td>7,500</td>
<td>70,200</td>
</tr>
<tr>
<td>Luton</td>
<td>-</td>
<td>44,000</td>
<td>123,000</td>
</tr>
<tr>
<td>Milton Keynes</td>
<td>-</td>
<td>21,600</td>
<td>120,300</td>
</tr>
<tr>
<td>Stevenage</td>
<td>-</td>
<td>32,900</td>
<td>116,500</td>
</tr>
<tr>
<td>Northampton</td>
<td>800</td>
<td>-</td>
<td>151,600</td>
</tr>
<tr>
<td>Huntingdon and St Ives</td>
<td>1,400</td>
<td>-</td>
<td>94,300</td>
</tr>
<tr>
<td>St Albans</td>
<td>-</td>
<td>200</td>
<td>56,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64,900</strong></td>
<td><strong>75,800</strong></td>
<td><strong>732,100</strong></td>
</tr>
</tbody>
</table>

2.38 The general character of the dwelling stock is important in understanding the type of housing available to residents of an area and the relationship that dwelling type, age and location has on dwelling condition. The mix of properties will have a bearing on home-owners’ choices in terms of accommodation and the type of investment properties available to landlords.

2.39 Figure 10 illustrates the mix of existing properties across the Bedfordshire and Luton sub-region in terms of property type. The colour shown for each area reflects the most common type of dwelling.

2.40 The map shows that detached housing is the predominant type across large areas of the sub-region. However, most of these areas are in low housing density rural areas. Within the urban areas there are greater concentrations of terraced housing and flats.

2.41 Figure 11 shows the overall distribution of the stock. Across the entire sub-region, detached housing comprises around a quarter of the stock, similar to the proportion across England and Wales but lower than the proportion for the Eastern region. Flats accounting for 14% of the stock across the sub-region, similar to the proportion across the Eastern region but lower than the proportion for England and Wales.
2.42 The dominant form of housing across the sub-region is owner occupation. At the time of the 2001 Census, 74% of all properties across the area were owned outright or owned with a mortgage, 15% of the stock was rented from social landlords with the remaining 11% in the private rented-sector. Luton and Bedford Borough have the highest proportion of private rented stock in the sub-region.
Figure 13 identifies an increase of 18,600 dwellings within the sub-region over the 7.5-year period from April 2001 to September 2008, which is equivalent to a rate of almost 2,500 dwellings each year. Nevertheless, the local authorities in the sub-region have some concerns that the Census possibly underenumerated the population in some areas, therefore this may be an over-estimate of the number of additional dwellings actually provided.

Over the 6-year period April 2001 to March 2007, data from the Local Authority Annual Monitoring Reports identified that 13,300 additional dwellings were delivered across the sub-region, equivalent to a rate of 2,200 dwellings each year. Over 11,000 of these dwellings were provided as market housing with 425 intermediate affordable homes and around 1,750 social rented homes being delivered.

Whilst over 1,750 new social rented properties were delivered during this period, there were almost 1,800 losses from the social stock through Right-to-Buy. The overall size of the social rented sector has not significantly changed, and has proportionately reduced. The overall proportion of social rented housing in the sub-region is also lower than averages for both England and the Eastern region (15.8% and 18.0% respectively).

There has been a large growth in the private rented sector in the last five years, and the legacy of the credit crunch is that there is likely to be less lending to lower income households and households unable to provide a substantial deposit in future years. This is likely to accelerate the structural change in the housing market from owning to renting, as fewer households are considered to have the financial standing to access a loan.
Figure 14 shows the difference in property type which exists between owner-occupied and social housing in the Bedfordshire and Luton sub-region. 30% of owner occupied housing is detached with a further 40% being semi-detached. In contrast, 29% of all social housing is terraced and 38% flats or maisonettes, while 38% of all private rent dwellings are also flats.

Figure 14
Property Type by Tenure (Source: UK Census of Population 2001)

There is also a strong relationship between number of rooms and tenure. Owner occupiers have a much higher proportion of larger homes (6 rooms plus) at 52% compared with 17% social rent and 25% private rent.

Figure 15
Number of Rooms by Tenure (Source: UK Census of Population 2001)

Figure 16
Estimated Number of Households by Tenure and Property Size (Source: UK Census of Population 2001. Notes: All figures rounded to the nearest 100. Figures may not sum due to rounding)
Condition of Private Sector Housing

2.49 In examining stock condition in the private sector, of key importance is consideration of the Decent Homes Standard. It is Government policy that everyone should have the opportunity of living in a “decent home”. The Decent Homes Standard contains four broad criteria that a property should:

A. Be above the legal minimum standard for housing;
B. Be in a reasonable state of repair;
C. Have reasonably modern facilities (e.g. kitchens and bathrooms) and services; and
D. Provide a reasonable degree of thermal comfort (i.e. effective insulation and efficient heating).

2.50 If a dwelling fails any one of these criteria it is considered to be “non decent”. Decent homes targets focus on the extent to which vulnerable people occupy non-decent homes in the private sector, and are set out under Public Service Agreement (PSA) 7. Obligations under PSA 7 are based on the overall stock for England and then at the level of each local authority. No requirement is made on individual wards, but it is useful to consider concentrations by area in order to target resources to try and achieve the targets under PSA 7.

2.51 The Authorities have commissioned modelled analysis of stock condition in their areas, and are able to use this evidence to guide decent homes investment programmes. This provides detailed area based information based on the probability of different types of housing in different areas passing (or failing) a range of criteria, including the decent home standard and the associated information about PSA7 (Figure 17 and Figure 18).

Figure 17
Non-Decent Private Sector Dwellings by Ward
(Source: BRE Stock Modelling System)

Figure 18
Proportion of Private Sector Households with Vulnerable Occupiers in Decent Dwellings by Ward (Source: BRE Stock Modelling System)
2.52 It is apparent that the outputs from the BRE model showed that only five wards in the sub-region currently meet the Government’s 2011 target that 70% of all private sector dwellings occupied by vulnerable households should be decent, with a further 11 wards having met the 2006 target of 65%. It is also notable that all of the wards meeting the 70% target and many of those with scores of 65-70% are in Luton.

2.53 The main reason that most dwellings are determined as non decent is because of poor thermal comfort, which can result in households being in fuel poverty. The occupiers of a dwelling are considered to be in fuel poverty if more than 10% of their net household income would need to be spent on heating and hot water to give an adequate provision of warmth and hot water. Not only do dwellings where households are in fuel poverty represent dwellings with poor energy efficiency, they are, by definition, occupied by residents with low incomes least likely to be able to afford the necessary improvements.

2.54 The BRE model estimated there to be 8,320 (6.0%) dwellings with households in fuel poverty in the Bedfordshire and Luton sub-region based on evidence about the local housing stock, incomes and fuel costs at the time of the analysis. This compares to 11.0% in England based on 2001 EHCS data (although the figure for England is likely to have reduced since 2001). It should be noted that increases in fuel prices that have been experienced since the analysis was undertaken will clearly have an impact on both of these estimates.

2.55 Areas of greatest fuel poverty correlate mainly with areas of detached dwellings where the housing is owned outright. A detached home is less thermally efficient than other types due to it having a greater surface area. High proportions of this housing is occupied by older people, and if retired they will have lower income than when working.

2.56 Achieving the Decency standard is an example of a policy focus to address unsuitability without an impact on the overall housing requirement. The evidence supports the case for continued investment in decent homes in the private sector, focussing particularly on the needs of vulnerable occupiers.

2.57 Whilst households on lower incomes living in poor quality housing may be awarded grants from the Local Authority for adaptations or improvements, it is important that such investment is targeted effectively. The Authorities should develop their partnership networks with voluntary sector providers and review the use of home improvement agencies.

2.58 Some households living in non-decent housing will have the financial capacity to fund improvements to their home, especially owner occupiers if they can release some of the equity in the property. The
Authorities should provide residents with information about where they can receive impartial advice about equity release to fund repairs or adaptations.

2.59 Responsive support from a local handyperson service has proved a very popular and cost effective way of dealing with small repairs that occur from time to time. The Authorities should review where such initiatives could effectively assist local residents (especially vulnerable occupiers) to avoid more significant housing needs arising in future.

Summary of Key Points

- PPS3 identifies that Local Planning Authorities should have regard to housing market areas when developing planning for housing policies. Housing market areas reflect the key functional linkages between places where people live and work;

- Analysis of the Bedfordshire and Luton sub-region identified four key housing market areas – Bedford and Luton housing market areas centred within the sub-region, and Milton Keynes and Stevenage housing market areas centred outside the sub-region but covering substantial parts of Central Bedfordshire;

- The dominant form of housing across the sub-region is owner occupation. At the time of the 2001 Census, 74% of all properties across the area were owned outright or owned with a mortgage, 15% of the stock was rented from social landlords with the remaining 11% in the private rented sector;

- Over the 6-year period April 2001 to March 2007, 13,300 additional dwellings were delivered across the sub-region, equivalent to a rate of 2,200 dwellings each year. Over 11,000 of these dwellings were provided as market housing with 425 intermediate affordable homes and around 1,750 social rented homes delivered;

- Whilst over 1,750 new social rented properties were delivered during this period, there were almost 1,800 losses from the social stock through Right-to-Buy. The overall size of the social rented sector has not significantly changed, and has proportionately reduced;

- There has been a large growth in the private rented sector in the last five years, and the legacy of the credit crunch is that there is likely to be less lending to lower income households and households unable to provide a substantial deposit in future years. This is likely to accelerate the structural change in the housing market from owning to renting, as fewer households are considered to have the financial standing to access a loan;

- Only five wards in the sub-region currently meet the Government’s 2011 target that 70% of all private sector dwellings occupied by vulnerable households should be decent, with a further 11 wards having met the 2006 target of 65%. All of the wards meeting the 70% target and many of those with scores of 65-70% are in Luton;

- 8,320 households (6.0%) are in fuel poverty in the sub-region, compared to 11.0% across England — although the increases in fuel prices that have been experienced since the analysis was undertaken will clearly have an impact on both of these estimates. Areas of greatest fuel poverty correlate mainly with areas of detached dwellings where the housing is owned outright and occupied by older people;

- Achieving the Decency standard is an example of a policy focus to address unsuitability without an impact on the overall housing requirement. The evidence supports the case for continued investment in decent homes in the private sector, focussing particularly on the needs of vulnerable occupiers.
Chapter 3: Past and Current Housing Market Trends and Housing Market Drivers

Population and Household growth

3.1 Nationally, the population has been increasing through a combination of increased births, fewer deaths and a sustained net inward migration from overseas. Locally, the population of the sub-region increased from 510,000 to 590,700 people in the 25-year period from 1981 to 2006, a growth of 15% in line with growth across the Eastern region as a whole.

3.2 Population in all districts is expected to continue to rise. There will be a significant increase in the population aged 60 years and over and a reduction in the proportion of people aged 30-49.

3.3 In Luton the ratio of estimated growth in households to the growth in population is approximately one to one, signifying the growth in single person households.

![Figure 20 Change in Population and Household Numbers 2001-2021 by Local Authority (Source: Census 2001 and Bedfordshire County Council Population Projections 2007)](image)

<table>
<thead>
<tr>
<th></th>
<th>Bedford</th>
<th>Luton</th>
<th>Central Bedfordshire (North)</th>
<th>Central Bedfordshire (South)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>147,900</td>
<td>184,400</td>
<td>121,000</td>
<td>112,600</td>
<td>565,900</td>
</tr>
<tr>
<td>2021</td>
<td>173,800</td>
<td>193,300</td>
<td>144,100</td>
<td>143,800</td>
<td>655,000</td>
</tr>
<tr>
<td>Net Change 2001-21</td>
<td>25,900</td>
<td>8,900</td>
<td>23,100</td>
<td>31,200</td>
<td>89,100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Bedford</th>
<th>Luton</th>
<th>Central Bedfordshire (North)</th>
<th>Central Bedfordshire (South)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>59,600</td>
<td>70,800</td>
<td>48,600</td>
<td>45,700</td>
<td>224,600</td>
</tr>
<tr>
<td>2021</td>
<td>76,500</td>
<td>77,700</td>
<td>62,300</td>
<td>65,000</td>
<td>281,500</td>
</tr>
<tr>
<td>Net Change 2001-21</td>
<td>16,900</td>
<td>6,900</td>
<td>13,700</td>
<td>19,300</td>
<td>56,900</td>
</tr>
</tbody>
</table>

Migration

3.4 There is strong in-migration to the sub-region, with a net gain of almost 2,000 people annually from London and over 1,500 people each year from Hertfordshire. There is also a high volume of international migrants, in particular to Luton which has a net gain of more than 2,000 people from overseas each year.

3.5 Between 2001 and 2006, a net 17,600 international migrants moved to the Bedfordshire and Luton sub-region from overseas. Most migrants moved to Luton. In 2006/07 a total of 8,400 new National Insurance numbers to non-UK nationals were issued, nearly half being issued to Polish nationals which represents around 1% of the total population of the sub-region.

3.6 Out-migration from the sub-region is more dispersed, although Milton Keynes has an annual net gain of almost 500 people from the sub-region and Northamptonshire gains around 750 people each year, with
many migrants moving to Northampton and East Northamptonshire. Within the sub-region, Bedford and Central Bedfordshire both gain population from Luton.

3.7 Overall, migration accounted for a drop in the sub-regional population of 9,370 people from 2002 to 2007. A net population gain came from London and the rest of the Eastern region but net population losses occurred to every other region of England and Wales.

3.8 The area has experienced a net loss of 4,900 migrants in the 16-24 years and 1,700 migrants in the 45-64 years categories. This highlights that many young adults leave Bedfordshire, as do many who are in the latter stages of their working careers. The area has also been losing smaller numbers of adults aged 25-44 years and children aged 0-15 years to the rest of England and Wales.

Housing and the Local Economy

3.9 National regional and local economic development strategies are closely aligned and have sustainable development as a core principle. Housing and job growth are closely linked to reduce the need for commuting and strengthen the local economy.

3.10 Whilst the local economy is a main driver for the housing market, skill levels and education amongst the workforce are also key factors if the local economy is to develop. In particular, low achievers tend to be low earners, with implications for the affordable housing requirement as well as the aspirations of future generations.

3.11 In-migrant households to Bedford and Central Bedfordshire (North) tend to have higher incomes than existing residents and out migrant households.

<table>
<thead>
<tr>
<th>Household Income (£ pa)</th>
<th>Bedford</th>
<th>Luton</th>
<th>Central Beds (North)</th>
<th>Central Beds (South)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Households</td>
<td>30,600</td>
<td>22,800</td>
<td>34,600</td>
<td>31,200</td>
</tr>
<tr>
<td>In-migrant households</td>
<td>37,000</td>
<td>25,400</td>
<td>38,800</td>
<td>33,700</td>
</tr>
<tr>
<td>Out-migrant households</td>
<td>32,100</td>
<td>27,300</td>
<td>34,800</td>
<td>38,100</td>
</tr>
</tbody>
</table>

3.12 When moving, very few households changed jobs – but the evidence below suggests that lower house prices are the major driver of the housing market and commuting is a consequence. So even though commuting may not be seen as a main driver, it is certainly an important factor when choosing to live in the sub-region.
3.13 Figure 23 shows a detailed view of relative house prices across the Bedfordshire and Luton sub-region in relation to the main travel to work origins and destinations. This identifies that the larger urban centres such as Bedford and Luton have lower average house prices than the rural areas which surround them. It shows the significant differential in prices between Bedfordshire and the London Commuter Belt.

![Relative House Prices Bedfordshire & Luton and Surrounding Area](Source: UK Land Registry)

3.14 It is interesting to examine the economics of commuting from Bedfordshire. In Figure 24 we combine mortgage costs and season ticket prices from various places of residences to the nearest main line station. This suggests that house prices are a major driver of in-migration when the economics of commuting is taken into account.

![Notional Monthly Housing and Travel Costs by Location](Source: Land Registry and National Rail Enquiries. Note: House prices as at Q1 2008. Mortgage calculations based on 6% interest only basis. For Central and Greater London, season ticket prices are based on underground prices. For locations outside London, season ticket prices exclude additional underground costs)

<table>
<thead>
<tr>
<th>Place of Residence</th>
<th>Average House Price</th>
<th>Monthly Mortgage</th>
<th>Monthly Season Rail Ticket</th>
<th>Monthly Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central London</td>
<td>461,700</td>
<td>2,309</td>
<td>93</td>
<td>2,402</td>
</tr>
<tr>
<td>Greater London</td>
<td>357,675</td>
<td>1,788</td>
<td>159</td>
<td>1,947</td>
</tr>
<tr>
<td>Chelmsford</td>
<td>263,479</td>
<td>1,317</td>
<td>286</td>
<td>1,603</td>
</tr>
<tr>
<td>Central Bedfordshire (N)</td>
<td>235,641</td>
<td>1,178</td>
<td>322</td>
<td>1,500</td>
</tr>
<tr>
<td>Reading</td>
<td>233,965</td>
<td>1,170</td>
<td>309</td>
<td>1,479</td>
</tr>
<tr>
<td>Bedford</td>
<td>202,919</td>
<td>1,015</td>
<td>322</td>
<td>1,337</td>
</tr>
<tr>
<td>Central Bedfordshire (S)</td>
<td>204,674</td>
<td>1,023</td>
<td>290</td>
<td>1,313</td>
</tr>
<tr>
<td>Luton</td>
<td>171,633</td>
<td>858</td>
<td>290</td>
<td>1,148</td>
</tr>
</tbody>
</table>
3.15 It is clear that London households find the cost of housing in the sub-region is lower than much of Greater London, even after the additional costs of commuting have been taken into account. The financial advantage over other locations such as Reading and Chelmsford are more marginal – although costs in Luton are still considerably cheaper.

3.16 London employees on lower to moderate incomes are attracted to the good value offered by housing in the Luton housing market. More wealthy households tend to be attracted to areas with rural characteristics, especially the northern areas of Central Bedfordshire. The greatest concentrations of high earners in the sub-region live in this area and much of the commuting from here is to Central London.

Property Prices and Affordability

3.17 Figure 25 shows the average property prices in each of the local authorities. Between 2000 and 2008, the average property price in Bedford Borough rose by 101%, in Luton by 128%, in Central Bedfordshire (North) by 111%, and in Central Bedfordshire (South) by 94%.

3.18 Figure 26 shows the ratio of median full time earnings to average house prices in each of the local authority districts between 2000 and 2007. The figure clearly shows a worsening affordability trend. Affordability for single first-time buyers has declined sharply since mid 2004 with below 5% of all sales at less than £100,000 and 65% selling for over £200,000. A large number of households are not able to afford owner occupation in the sub-region, based on the evidence of incomes.

3.19 Over the year from April 2007 to March 2008, there were 12,500 property transactions across the sub-region of which only 1,600 (12.7%) were below £125,000. At least some of the properties at the very lowest prices wouldn’t be fit for habitation in their current state and would require significant investment to bring them up to an appropriate standard.

3.20 Despite these significant rises, house prices remain below the average for the Eastern region – lower than prices in the Hertfordshire and Essex area, but higher than those in many parts of Milton Keynes, Northamptonshire and north Cambridgeshire, as previously illustrated in Figure 23. The evidence suggests that house prices are a major driver for migration.
Since 2008, the housing market has reacted to the banking crisis and recession. This has resulted in a reduction in house prices and a reduction in the volume of sales due to low seller confidence and a shortage of mortgage finance. The consequence is that many potential first time buyers are unable to take advantage of lower house prices.

Given this context, the SHMA analysis of housing requirements is based upon an estimate of long term house price and income trends. Figure 27 shows that income levels are less volatile than house prices, house price changes are cyclical and the long term trend is likely to be that house prices grow more quickly than incomes, reducing the affordability of housing.

Supply Side Drivers

The RSS has set targets for new house building seeking to increase the supply of housing to meet the needs of a growing population, its changing demographic structure and its changing aspirations. As a consequence Bedfordshire and Luton now has two growth areas. The housing targets set for both growth areas are established to address growth of the local population and to accommodate in-migration/national population growth and the overspill from London. For the sub-region housing growth on the scale envisaged means a step change in completion rates to achieve a significant additional supply of new housing.

Developers have clearly been influenced by demographic drivers and other pressures to achieve high densities and the use of brownfield land. A higher proportion of smaller dwellings and flats have been produced nationally. This is highly visible in urban areas especially town and city centres. However supply of new build and second hand market housing for sale is severely curtailed by the economic downturn. Between 2001 and 2007 the annual rate of new build delivery was below that required to meet the RSS target in Bedfordshire.
Chapter 3: Past and Current Housing Market Trends and Housing Market Drivers

Impact of the Credit Crunch

3.25 The SHMA has considered the future housing market and the impact of the credit crunch. Domestic and international migration is a main driver of demand and both are forecast to reduce until later stages of recovery are reached. Prices are unlikely to recover to their peak levels for many years and recovery rates will be different depending upon a number of factors. An important conclusion is that market recovery rates will differ according to location and property type. Last to recover will be older cheaper housing that is often popular with lower income first time buyers.

3.26 In order to better understand the potential impact of the recession, the SHMA explored a number of market recovery scenarios. This analysis undertook a quantitative assessment of the number of new homes likely to be delivered and a qualitative analysis of the impact of recession on the sub-regional housing markets.

3.27 The scenarios considered by the SHMA were developed using Savills Residential Research Forecasts (March and June 2009) which identify four stages of recovery, linked to a possible timeline. Stages 1 and 2 were combined in the exercise to account for the view that the London Premium market would be first to start recovery.

Figure 28
Stages of Recovery

<table>
<thead>
<tr>
<th>Recovery Stage 1</th>
<th>Recovery Stage 2</th>
<th>Recovery Stage 3</th>
<th>Recovery Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Green Shoots’</td>
<td>‘Gathering Momentum’</td>
<td>‘Mass market and depressed sector recovery’</td>
<td></td>
</tr>
<tr>
<td>Low demand, low supply</td>
<td>Medium mortgage demand and modest supply. Mortgage markets ease. The national and local economy is improving</td>
<td>Higher demand/higher supply. The most depressed sectors show signs of recovery and first time buyers and buy to let investors re-appear</td>
<td></td>
</tr>
<tr>
<td>Mortgage market constrained and accordingly prices bottom out. Modest demand from those with substantial equity, low supply. Mortgages available to this group. At the end of this stage the prospect of further price falls recede</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.28 The following timelines (Figure 29) were subsequently used in the scenario testing exercise in relation to the RSS target date of 2021.

Figure 29
Assumed timeline for recovery for each scenario (Note: Figures on chart represent length of period in years)
3.29 It is anticipated that the last sector of the market to recover will be smaller homes in lower market value areas normally purchased by first time buyers or property investors. The worst case scenario is estimated at the end of 2017 for recovery in these areas. The areas with highest levels of deprivation are likely to be most vulnerable to the impact of recession.

3.30 A number of households will be affected by the recession in terms of reduced income and uncertainty about job security and even job losses. There are two main consequences of this.

3.31 Firstly there is a risk that demand from domestic in-migrants may fall. As is referred to above, the underlying assumption behind the net growth in housing planned for Luton and Bedfordshire is that a proportion of the increased supply, whether new or second-hand housing will be taken by in-migrant households (typically from London) which is a key market driver. The Luton housing sub market has historically had the highest levels of in-migration.

3.32 Secondly, the Council of Mortgage Lenders warn that re-possessions are on an upward trend and may be as high as 65,000 nationally during 2009, although mortgage (but not landlord) re-possessions have reduced over the last year up to Q1 2009. This is possibly due to Central and Local Government bringing forward pro-active measures to prevent repossession. However this should be monitored as this may only be a temporary effect if the market does not recover quickly. However, repossession levels in the private rented sector are running at relatively high levels in the sub-region.

3.33 As a consequence of affordability issues and the restrictions on credit, a structural change is likely to occur in the market with fewer people seeking to become owner occupiers and more opting for market renting.

3.34 Social housing delivery is expected to continue as developers seek construction work to maintain their workforce. This is funded by the HCA and RSLs as S106 funding is likely to be scarce in the short term. S106 funding is likely to increase in later stages of recovery, within the context of the viability outlined in Chapter 5.

Impact on the Delivery of Newbuild Housing

3.35 Although annual rates of new market housing production will improve as demand improves, the building industry has had to reduce its capacity and it is unlikely that the RSS targets will be reached by 2021.

3.36 An outcome of the scenario testing is how delivery rates may play out over the recovery period and an estimation of the risk that RSS targets may not be achieved.

3.37 Figure 30 illustrates possible new house building completions for the three recovery scenarios over the period 2007-2021 compared to the residual completions required to meet the RSS target. It suggests that the target is unlikely to be reached under any of the
scenarios considered for housing market recovery. The worst case scenario indicates that less than 60% of delivery might be achieved.

3.38 A number of policy initiatives have been adopted locally to mitigate the effects of the credit crunch and support the house building industry;

- active dialogue between the Councils and their development partners
- options to see what can be done to deliver the infrastructure ahead of housing sales
- investigations into new models of housing joint ventures and best use of public land
- investigations into what additional sites may be made available for housing development that have good economic viability and are suited to the households sizes and types identified by the SHMA
- continued close working with the Highways Agency and Government departments to see what can be done to deliver the infrastructure acutely required to unlock many of the key sites
- Developer bids for HCA ‘Kickstart’ funding

**Impact on Neighbourhoods and Regeneration**

3.39 Certain neighbourhoods within Luton and Bedfordshire’s housing market may be more vulnerable to the impact of the recession than others. Risk is likely to correlate to deprivation, however a further risk is identified that mostly affects Luton. Here there has historically been a high level of inward migration from younger households and Luton’s apartment market has typically housed this group.

3.40 The Savills Research Bulletins identify that recently constructed apartments in some market areas may be affected most seriously by the recession. There are also wider implications with local shops and small business suffering as well as the housing market in lower value areas.

3.41 Initiatives to support areas most vulnerable to the impact of recession need to be intensified:

- Maintaining investment in regeneration schemes where feasible and exploiting where possible funding streams available from the HCA
- Boosting the support for communities and individuals at the neighbourhood level including the provision of advice and information, street cleaning and action against crime and anti-social behaviour
- Reacting to an increased demand for Local Authority services needed to protect individuals from poorly maintained buildings and those landlords who do not meet their statutory obligations
- Monitoring housing market indicators at neighbourhood level (e.g. vacancy rates and duration, prices, crime and anti-social behaviour levels)

3.42 Resources will be needed to provide advice and assistance to a large number of people who are being re-possessed or are worried about re-possesion.
The Legacy of the Credit Crunch

3.43 The legacy of the credit crunch is that there is likely to be less lending to households that might be considered to be sub-prime borrowers which may accelerate the structural change in the housing market described in the previous theme as fewer households are considered to have the financial standing to access a loan.

3.44 The recession may accelerate other socio-economic factors that affect the housing market and drive the structural change within it. The housing market from both a supply and demand point of view may look a very different place by 2021 to what it did in 2007/8:

- The pattern of employment shifting further toward labour mobility rather than long term permanent secure employment.
- Fewer households with capital in the form of housing equity to help fund retirement
- Inadequate portable pension funds
- Possible changes in international migration and (at least in the short-term) reduced demand for cheap shared accommodation.

3.45 The supply side is likely to respond and greater proportions of existing and new build housing may be for rent rather than owner occupation.

3.46 The slow-down in the delivery of new housing (especially market housing) during the recession will also have a long-term impact on meeting the RSS targets for dwelling delivery by 2021. The scenario modelling suggests that the RSS target is unlikely to be achieved in any scenario – although under the rapid recovery scenario (which is dependent upon the economy being fully recovered from the impact of recession by summer 2014) targets are close to being achieved. This clearly poses a real challenge for the Local Authorities.

Summary of Key Points

- The population of the sub-region increased from 510,000 to 590,700 people in the 25-year period from 1981 to 2006 and the population in all districts is expected to continue to rise;
- There is strong in-migration to the sub-region, with a net gain of almost 2,000 people annually from London and over 1,500 people each year from Hertfordshire. There is also a high volume of international migrants, in particular to Luton which has a net gain of more than 2,000 people from overseas each year;
- Average property prices across the sub-region more than doubled over the period 2000-08, and the ratio of median full time earnings to average house prices shows a worsening affordability trend. Below 5% of all sales are less than £100,000 and a large number of households are not able to afford owner occupation;
- Despite significant rises, house prices remain below the average for the Eastern region – lower than prices in Hertfordshire and Essex. This suggests that house prices are a major driver for migration;
- The credit crunch has led to a slowdown in house building, and whilst annual rates of housing delivery will increase as demand improves, the building industry has had to reduce its capacity and it is unlikely that the RSS targets will be reached by 2021.
Chapter 4: Profiling Housing Need and Future Housing Requirements

4.1 PPS3 defines that housing need exists when a household cannot access suitable housing without financial assistance. Figure 31 outlines the four main categories of unsuitable housing and the associated sub-divisions that are set out in the Practice Guidance.

4.2 It is apparent that most of the identified issues concern established households that will already be housed. Some of the issues around unsuitability will mean households need to move home but others could continue to live in the same property if appropriate changes were made. Typical examples of such changes would be to attend to disrepair or provide adaptations to suit an occupant with mobility problems.

Figure 31
Classification of Unsuitable Housing (Source: Table 5.1, CLG Housing Market Assessment Practice Guidance: Version 2, August 2007)

<table>
<thead>
<tr>
<th>Main Category</th>
<th>Sub-divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeless or with insecure tenure</td>
<td>i. Homeless households</td>
</tr>
<tr>
<td></td>
<td>ii. Households with tenure under notice, real threat of notice or lease coming to an end; housing that is too expensive for households in receipt of housing benefit or in arrears due to expense</td>
</tr>
<tr>
<td>Mismatch of household and dwelling</td>
<td>iii. Overcrowded according to the ‘bedroom standard’</td>
</tr>
<tr>
<td></td>
<td>iv. Too difficult to maintain (e.g. too large) even with equity release</td>
</tr>
<tr>
<td></td>
<td>v. Couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household</td>
</tr>
<tr>
<td></td>
<td>vi. Households containing people with mobility impairment or other specific needs living in unsuitable dwelling (e.g. accessed via steps), which cannot be made suitable in-situ</td>
</tr>
<tr>
<td>Dwelling amenities and condition</td>
<td>vii. Lacks a bathroom, kitchen or inside WC and household does not have the resources to make fit (e.g. through equity release or grants)</td>
</tr>
<tr>
<td></td>
<td>viii. Subject to major disrepair and household does not have the resources to make fit (e.g. through equity release or grants)</td>
</tr>
<tr>
<td>Social needs</td>
<td>ix. Harassment from others living in the vicinity which cannot be resolved except through a move</td>
</tr>
</tbody>
</table>

4.3 Even where a move is necessary, facilitating households to relocate from one property to another does not necessarily imply additional homes are needed. The characteristics of the newly occupied dwellings may differ, but the overall number of homes remains the same.

Analysing Housing Register Data to Determine Housing Need

4.4 A source for identifying local housing need suggested by the Practice Guidance is the use of local housing registers operated by individual local authorities and other social landlords. Figure 32 shows the trend in the total number of non-transfer applications on local authority housing registers in the sub-region.
The total number of applicants was 10,900 households in April 2009, following a peak of 16,900 households registered in April 2004.

The reduction in the numbers of households on the register in each Borough in 2009 is linked to the introduction of Choice Based Lettings in the county. All applicants were required to re-register in preparation for the launch of the new scheme in 2009, and the total number of applicants decreased as a consequence of this. Luton also saw a sharp drop in its register between 2004 and 2005 following a change in the registration process.

Whilst housing registers can provide invaluable information on current need, in particular in relation to specific localities, they do not normally provide a good basis for strategic analysis.

Modelling Established Households Living in Unsuitable Housing

Whilst a range of secondary data sources exist about some of the categories of housing need identified in Figure 31, there is no local information available about a number of the issues. ORS has therefore developed a predictive model that estimates the number of unsuitably housed households based on a range of correlated indicators.

Figure 33 shows the modelled results for the Bedfordshire and Luton sub-region. This shows a similar pattern to that observed for IMD 2007 with much of the predicted areas of unsuitable housing being in the urban areas. Many rural areas of Central Bedfordshire are shown to contain relatively low proportions of unsuitably housed households.

Figure 34 and Figure 35 show more detail about unsuitably housed households in the urban areas around Bedford and Luton. These highlight that both towns contain significant contiguous areas where the model predicts high levels of unsuitably housed households.
Figure 34
Modelled Unsuitably Housed for Bedford by Lower Super Output Area (Source: ORS Unsuitably Housed Model)

Figure 35
Modelled Unsuitably Housed for Luton by Lower Super Output Area (Source: ORS Unsuitably Housed Model)
4.11 Across the whole sub-region around 37,000 households are unsuitably housed, which amounts to 16.0% of all households (Figure 36). This ranges from 10.7% in Central Bedfordshire (North) up to 22.7% in Luton.

4.12 As previously noted, not all households in unsuitable housing need to move; and even where a move is necessary, some households will be able to resolve their problems without assistance – so the households in housing need will only form a proportion of those in unsuitable housing. In studies involving a household survey, ORS has typically found that only a small proportion of people in unsuitable housing both need and want to move.

4.13 Overcrowding is one cause of unsuitable housing that normally necessitates moving to more suitable housing rather than adapting the current dwelling – though extensions and conversions can sometimes provide an appropriate solution. However large households on low income, if overcrowded, are likely to have an urgent housing need.

4.14 Overall, 7.3% of households across the sub-region lived in overcrowded circumstances at the time of the 2001 Census, and overcrowding rates are substantially higher for some ethnic groups than in the population as a whole. The Authorities should continue to pursue the range of available measures to tackle overcrowding;

- Seeking the provision of larger affordable family units through the planning process to meet needs identified through CBL and HBA registers;
- Working with social landlords to identify opportunities where funding is available for extending/converting existing affordable housing and purchasing larger market housing (possibly focussing on former social homes previously sold through the Right-to-Buy programme);
- Continuing to pursue measures to tackle under-occupation in the current social housing stock, incentivising households under-occupying larger homes to move. This should include consideration of the particular housing requirements and aspirations of older people, and working with providers to meet these needs.

4.15 More generally, some households in unsuitable housing will not have the financial capacity either to move or achieve ‘in situ’ remedies. Other households on lower income may be awarded grants from the Local Authority for adaptations. In either case there are major policy and service delivery implications.

4.16 Many households in unsuitable housing are older person households. Many will rely on a combination of adaptations, ‘telecare’, low level warden support, or domiciliary care to enable them to live independently. Many will also rely on informal care and support provided by relatives, friends and neighbours. Some are assisted by means of care and repair schemes, voluntary sector agencies such as
age concern and from family members. Products such as shared ownership and equity release are becoming increasingly important and acceptable mechanisms for funding solutions.

4.17 It should be noted that the projected future housing requirements for affordable housing does not specifically add unsuitably housed households into the calculation. The modelling analysis is based on long-term trends. Any existing households in housing need who may not have been housed due to shortfalls in affordable housing delivery will still be counted, as the necessary affordable housing provision will be included within the requirements for the remainder of the projection period.

**Acute Housing Need: Homelessness**

4.18 A key duty of local authorities is to provide a service to households who become homeless or are at risk of becoming homeless where they are satisfied that the applicant has a priority need.

4.19 Figure 37 shows that the total number of claims and acceptances for homelessness has been falling since 2003. The number of households housed in temporary accommodation rose until 2005, but has been falling since this time.

4.20 Figure 38 shows that acceptances for homelessness have been significantly reduced since 2003. The number of households housed in temporary accommodation rose sharply in Luton between 2003 and 2006, but has declined significantly since this time.

4.21 From 2004 onwards, Bedford has significantly reduced the number of households housed in temporary accommodation, while the numbers for Central Bedfordshire have remained consistently low (Figure 39).
Projecting Future Housing Requirements

4.22 Future housing demand is extremely difficult to quantify – so partnerships are encouraged to ensure that the evidence brought together enables the identification of high-level messages about the key trends and drivers to which future policies will need to respond (including an estimate of the scale of future housing requirements based on net household projections) rather than aiming to pin down numerous details.

4.23 The former Bedfordshire County Council undertook demographic work to inform a wide range of strategic policies, so it is not necessary for the SHMA to produce independent household projections. Using existing projections provides consistency in planning across the range of different service areas covered by Local Authorities and other public services. The 2007-based projections for the sub-region for the period to 2021 are detailed in Figure 40.

Figure 40
Household Projections to 2021 by Household Type (Source: Census 2001; Bedfordshire County Council Household Projections 2007, rev April 2009)

<table>
<thead>
<tr>
<th>Household Type</th>
<th>2001</th>
<th>2006</th>
<th>2011</th>
<th>2016</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedfordshire and Luton Sub-region</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married couple</td>
<td>108,700</td>
<td>100,200</td>
<td>99,300</td>
<td>98,700</td>
<td>97,900</td>
</tr>
<tr>
<td>Cohabiting couple</td>
<td>20,200</td>
<td>28,100</td>
<td>33,600</td>
<td>37,500</td>
<td>39,800</td>
</tr>
<tr>
<td>Lone parent</td>
<td>19,400</td>
<td>18,300</td>
<td>19,800</td>
<td>20,600</td>
<td>20,700</td>
</tr>
<tr>
<td>Other multi-person</td>
<td>15,200</td>
<td>15,400</td>
<td>16,600</td>
<td>17,500</td>
<td>18,200</td>
</tr>
<tr>
<td>Non-pensioner single person</td>
<td>36,700</td>
<td>47,400</td>
<td>55,300</td>
<td>61,800</td>
<td>67,400</td>
</tr>
<tr>
<td>Single pensioner</td>
<td>24,300</td>
<td>25,900</td>
<td>28,900</td>
<td>33,300</td>
<td>37,500</td>
</tr>
<tr>
<td>All household groups</td>
<td>224,700</td>
<td>235,400</td>
<td>253,500</td>
<td>269,500</td>
<td>281,500</td>
</tr>
</tbody>
</table>

Figure 41
Projected Change in Population by Age 2001-21
(Source: Bedfordshire County Council Household Projections 2007, rev April 2009)

Figure 42
Net Household Formations by Age of Household Representative at time of Formation 2006-21 (Source: Bedfordshire County Council Household Projections 2007, rev April 2009)

There is projected to be a decline in the number of married couples whereas single non pensioners and co-habiting couples show the largest proportionate increases. The number of single pensioner households is also set to rise significantly compared to lone parent and other multi-person households. Whilst there are projected to be many more older people living in the sub-region, many of these people live in established households and already have housing (although some will still choose and others will need to move). Most new households will continue to be aged 20-39 at the time that they form.
Modelling Future Housing Requirements

4.25 The Practice Guidance considers the future housing market from a high-level, strategic perspective; considering how key drivers and long-term trends will impact on the structure of the household population over the full planning period. In order to meaningfully compare the assessment of housing need with the change in total numbers of households (and the overall requirement for additional housing), both numbers need to be derived in comparable ways.

4.26 The ORS Housing Mix Model considers both housing need and overall housing requirements on a longer-term basis, providing robust and credible evidence about the required mix of housing over the full planning period and understanding how key housing market drivers (such as affordability) will impact on the appropriate housing mix.

4.27 The model uses a wide range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population.

4.28 The following points summarise the way in which the model determines the total housing requirement and the required mix of housing:

- The overall housing requirement is based upon the projected increase in the total number of households (with an allowance for a proportion of vacancies within the stock).
- The change in the number of owner occupiers is based on those additional households able to afford home purchase (including newly forming households and net migrants with sufficient income to purchase, and existing households whose income has increased to now enable them to purchase) offset against the number of owner occupier households likely to suffer complete dissolution following the death of all household members.
- The level of market housing demand counts owner occupier households and other households with sufficient income to access market housing, determined by an income threshold.
- The need for social rented housing is based upon the projected mix of households and the propensity of each household type to need social housing, taking account of changing trends in these propensity rates over the period since 1981.
- The level of intermediate affordable housing is determined by the number of households unable to afford market housing but who are not counted within the need for social rented housing.

4.29 The model considers the overall requirement for market housing, intermediate affordable housing and social rented housing alongside the mix of existing housing stock, including properties which have been delivered since the baseline year. An allowance is also made for past and future tenure changes, where properties transfer from the affordable housing to private stock. In summary:

- The requirement for market housing is matched against the stock of market housing to buy or rent – i.e. owner occupied housing and housing in the private rented sector which requires incomes at or above the identified threshold for market housing.
- The cheapest private sector housing (requiring incomes below the identified threshold for market housing) is considered as a sub-market housing supply, and is matched to households
that would otherwise require intermediate affordable housing. The existing stock of intermediate affordable housing is also matched to this group of households.

- The need for social rented housing is matched against the social rented housing stock.

4.30 The secondary data sources are readily updateable as new information is published, and a range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods as discussed overleaf (para 4.35 to 4.38).

4.31 Figure 43 provides a detailed overview of the structure of the Housing Mix Model and the way in which the different stages of the model interact.

- The left hand section of the diagram considers households in terms of the baseline population and projected household growth, and their associated affordability and housing requirements.
- The right hand section of the diagram considers the dwelling stock in terms of the tenure and housing costs for both the existing stock and the recent housing completions.

Figure 43
Detailed Overview of the ORS Housing Mix Model

4.32 The Housing Mix Model considers the projected household population alongside the existing dwelling stock in order to establish the necessary balance between Market Housing and Affordable Housing in relation to the additional dwellings to be provided, and within the Affordable Housing dwelling provision the appropriate role of Intermediate Affordable Housing and Social Rented Housing.
4.33 The affordability analysis undertaken by the model shows that there is a very limited supply of housing available to households with incomes of up to £30,000 that are able to afford more than social rent. Figure 44 shows the proportion of properties in the sub-region that households who are dependent on their income alone could afford to buy or rent, broken down by the minimum income band that households would require.

4.34 This analysis assumes that households will spend up to 25% of their gross income on their rent and would be able to borrow up to 3.5 times their main income to purchase a property (which is based on Government guidance), although some households will commit more than 25% of their income to improve the choice of housing available.

4.35 When considering the required housing mix on the basis of 2007-08 house price levels, the model identifies a substantial requirement for additional provision of both social rented housing and intermediate affordable housing (as much as 80% of all new provision), given that a large proportion of the future requirements for affordable housing cannot be satisfied by the existing stock.

4.36 This is an extreme conclusion – but it is important to note that this scenario is based on 2007/8 house prices, which were at the peak of the house price cycle (Figure 27) and prices have subsequently fallen from this level. The Practice Guidance recommends that partnerships consider affordability trends, to understand how changes in affordability might affect the future housing mix – for as house prices fall, more dwellings in the private sector will become affordable to households without equity and with incomes below £30,000, so the need for intermediate affordable housing will reduce. Figure 45 shows the housing mix given a range of differing house price scenarios.
4.37 Whilst affordable housing constitutes a significant proportion of the housing requirement based on 2007-08 prices, it is clear that the level of intermediate affordable housing requirement is sensitive to changes in house prices. If house prices were to reduce by 30% (and did not increase again from this level), there would be no requirement for additional intermediate affordable housing in the sub-region. However prices will probably recover, so there is likely to be an ongoing requirement for intermediate affordable housing products in the sub-region.

4.38 In considering the projected housing mix for the period 2007-21, house prices used to assess affordability have been reduced from the 2007/08 level to take account of long-term house price trends. Figure 46 shows the housing mix on the basis of the long-term affordability analysis at the sub-regional level.

**Figure 46**
Overall Housing Requirement 2007-2021 based on Long-term house price trends (Note: Figures may not sum due to rounding)

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Number of Units</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Requirement 2007-2021</td>
<td>Annual Requirement</td>
</tr>
<tr>
<td>Market Housing</td>
<td>24,800</td>
<td>1,770</td>
</tr>
<tr>
<td>Intermediate affordable Housing</td>
<td>7,200</td>
<td>520</td>
</tr>
<tr>
<td>Social rented Housing</td>
<td>13,800</td>
<td>980</td>
</tr>
<tr>
<td>Overall Housing Requirement</td>
<td>45,800</td>
<td>3,270</td>
</tr>
</tbody>
</table>

4.39 The total housing requirement for each local authority is equivalent to the minimum target contained in the RSS. The tenure mix has been estimated and is summarised in Figure 47.

4.40 Considering the requirements of the housing market areas that the SHMA previously defined, it is apparent that affordable housing requirements represent just under 40% of the overall provision in Bedford (approximately one third intermediate affordable housing and two thirds social rent) and approaching 50% of the overall provision in Luton (approximately one fifth intermediate affordable housing and four fifths social rent).

4.41 When considering the results for individual local authorities and planning areas, the results are influenced by the existing stock and nature of households currently resident in each area.

**Figure 47**
Tenure Mix of Housing Requirement to 2021 by LA and Housing Sub-market (Note: All figures rounded to the nearest 100. Figures may not sum due to rounding. All percentages are calculated based on data before rounding)

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Local Authority</th>
<th>Planning Area</th>
<th>Housing Sub-market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bedford</td>
<td>Central Beds</td>
<td>Luton</td>
</tr>
<tr>
<td>Market housing</td>
<td>8,800</td>
<td>18,000</td>
<td>(1,100)</td>
</tr>
<tr>
<td>Intermediate housing</td>
<td>1,500</td>
<td>2,500</td>
<td>2,400</td>
</tr>
<tr>
<td>Social rented housing</td>
<td>3,800</td>
<td>6,500</td>
<td>3,300</td>
</tr>
<tr>
<td><strong>Total Housing Requirement</strong></td>
<td>14,100</td>
<td>27,000</td>
<td>4,700</td>
</tr>
<tr>
<td>Market housing</td>
<td>62.8%</td>
<td>66.6%</td>
<td>(22.7%)</td>
</tr>
<tr>
<td>Intermediate housing</td>
<td>10.5%</td>
<td>9.2%</td>
<td>50.8%</td>
</tr>
<tr>
<td>Social rented housing</td>
<td>26.7%</td>
<td>24.2%</td>
<td>71.8%</td>
</tr>
</tbody>
</table>
Estimate of the Size of Affordable Housing Required

4.42 The model also estimated the size mix for all tenures. The Local Authorities show distinct differences in modelled size mix requirements within and across the tenures. Note that the appropriate size mix is considered in further detail in Chapter 6.

Figure 48: Size mix of the Housing Requirement to 2021 by Local Authority (Notes: All figures rounded to the nearest 100. Figures represented by ‘-’ show any shortfall or surplus which is less than 50, although this will normally be greater than 0. Figures may not sum due to rounding)

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Local Authority</th>
<th>Planning Area</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bedford</td>
<td>Central Beds</td>
<td>Luton</td>
<td>Central Beds (N)</td>
</tr>
<tr>
<td><strong>Market Housing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 bedroom</td>
<td>700</td>
<td>1,000</td>
<td>(100)</td>
<td>300</td>
<td>600</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>1,700</td>
<td>4,300</td>
<td>(800)</td>
<td>1,400</td>
<td>2,200</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>4,600</td>
<td>9,200</td>
<td>-</td>
<td>3,200</td>
<td>6,000</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>1,500</td>
<td>2,900</td>
<td>(100)</td>
<td>1,100</td>
<td>1,600</td>
</tr>
<tr>
<td>5+ bedrooms</td>
<td>300</td>
<td>600</td>
<td>-</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>8,800</td>
<td>18,000</td>
<td>(1,100)</td>
<td>6,300</td>
<td>10,700</td>
</tr>
<tr>
<td><strong>Intermediate Affordable Housing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 bedroom</td>
<td>300</td>
<td>300</td>
<td>200</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>800</td>
<td>1,400</td>
<td>1,500</td>
<td>900</td>
<td>1,900</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>300</td>
<td>700</td>
<td>600</td>
<td>500</td>
<td>900</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>-</td>
<td>100</td>
<td>100</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>5+ bedrooms</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>1,500</td>
<td>2,500</td>
<td>2,400</td>
<td>1,600</td>
<td>3,200</td>
</tr>
<tr>
<td><strong>Social Rented Housing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 bedroom</td>
<td>1,800</td>
<td>2,400</td>
<td>1,500</td>
<td>900</td>
<td>3,000</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>1,000</td>
<td>1,900</td>
<td>900</td>
<td>600</td>
<td>2,200</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>800</td>
<td>2,000</td>
<td>800</td>
<td>600</td>
<td>2,200</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>100</td>
<td>200</td>
<td>100</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td>5+ bedrooms</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>3,800</td>
<td>6,500</td>
<td>3,300</td>
<td>2,200</td>
<td>7,700</td>
</tr>
<tr>
<td><strong>All Housing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 bedroom</td>
<td>2,800</td>
<td>3,800</td>
<td>1,600</td>
<td>1,500</td>
<td>3,900</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>3,600</td>
<td>7,700</td>
<td>1,700</td>
<td>2,900</td>
<td>6,400</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>5,700</td>
<td>12,100</td>
<td>1,400</td>
<td>4,300</td>
<td>9,100</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>1,600</td>
<td>3,100</td>
<td>100</td>
<td>1,200</td>
<td>1,900</td>
</tr>
<tr>
<td>5+ bedrooms</td>
<td>300</td>
<td>600</td>
<td>-</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,100</td>
<td>27,000</td>
<td>4,700</td>
<td>10,100</td>
<td>21,600</td>
</tr>
</tbody>
</table>
Affordability and Intermediate Affordable Housing

4.43 The housing requirement analysis has identified a lack of housing for lower income households in the intermediate affordable housing band. The estimated requirements for intermediate affordable housing have been based upon CLG affordability criteria and the PPS3 definition for intermediate affordable housing which is at prices and rents above those of social rent, but below market price or rents.

4.44 On the basis of households spending no more than 25% of their gross income on housing cost, given current target rents for social rented housing in the sub-region households would require incomes of £13,000 to service the rent on a 1-bed socially rented home; £15,000 for a 2-bed social property; £17,500 for a 3-bed social rented dwelling and £19,500 for larger social sector units.

4.45 Figure 44 showed that there was a very limited supply of private housing for sale or rent affordable to households earning under £25,000 p.a. - so households who require smaller housing (i.e. dwellings with 1 or 2 bedrooms) that have annual incomes of £15,000 up to £25,000 can afford more than social rent but are unlikely to secure market housing. These households require intermediate housing. Over 70% of the intermediate affordable housing requirement identified by the model is for properties with 1 or 2 bedrooms. Similarly, over 70% of the approved applicants for Low Cost Home Ownership (LCHO) housing in Bedfordshire are applying 1 or 2 bedroom homes. Intermediate affordable housing should therefore provide for households with annual incomes starting from £15,000.

4.46 Intermediate affordable housing is likely to be the only affordable option for households earning £15,000-25,000; whereas households earning £25,000 or more will also compete for market housing in some parts of the sub-region – but not all households on incomes above £25,000 will be able find suitable market housing at a price they can afford in an appropriate location for their needs, and some of these will also require intermediate affordable housing. Furthermore, it is unlikely that the cheapest supply of market housing will include many large properties.

4.47 Where households on incomes in the intermediate affordability gap have a clear priority need for housing, they may be allocated social rented housing despite being able to afford more if there is insufficient intermediate affordable housing available. CORE data for lettings between 2005-2008 shows that up to 10% of new social tenants could have afforded to pay more than a social rent at the time of letting, with the possibility that intermediate housing would have been a more cost effective solution. The Local Authorities have subsequently introduced a Choice Based Lettings scheme incorporating a means test, which may change the income profile of those accessing social renting – but unless an alternative housing product is provided for these households, their need for housing may still have to be met in the social rented sector.

4.48 Intermediate affordable housing could also attract existing social tenants to move as their financial circumstances improve, releasing their existing home for another household needing social rented housing – but existing social tenants will only move if they consider it attractive to do so. Given that intermediate affordable housing will inevitably be more expensive than their current social rented home, there would need to be other factors that make the move worthwhile.

4.49 Paragraph 29 of PPS3 notes that Local Authorities should use the SHMA findings to influence the mix of intermediate affordable housing to ensure that products meet the needs of all households across the affordability range.
4.50 Of all households across the sub-region who have incomes of £15,000 up to £40,000 but do not have existing equity, one third (32.4%) have incomes of £15,000-20,000 and almost three-fifths (55.7%) have incomes below £25,000. Almost 40% of the approved LCHO applicants in Bedfordshire have an annual household income that is below £20,000, with over 60% having incomes below £25,000. When considering approved applicants with a single income, over half have incomes of less than £20,000 with almost 85% having incomes of less than £25,000.

4.51 Given the above evidence, we would suggest that at least a third of all intermediate affordable housing provided in the sub-region should be affordable to households with annual incomes of £15,000-20,000; with a target of at least 60% of intermediate affordable housing provided for households with annual incomes of less than £25,000 (which would include any intermediate affordable housing provided for households with annual incomes of £15,000-20,000).

4.52 Currently, there is a limited supply of intermediate housing to meet the needs of those in the £15,000-25,000 income bracket, and meeting these needs is likely to require more funding than required to deliver intermediate housing products affordable to households with higher incomes. Such a policy shift could meet needs more fully, although its impact on viability and total delivery volumes would need careful consideration, in light of the availability of grant.

4.53 Failure to meet this requirement will mean that households might:
- Fail to form independent households and continue living with family or friends;
- Pay more for their housing than established income to rent or borrowing ratios;
- Share housing with other households to reduce costs;
- Be dependent on financial assistance from family and friends; or
- Re-locate away from the sub-region to live in areas of cheaper housing.

**Low Cost Home Ownership**

4.54 There has been a continued and growing demand for Low Cost Home Ownership in the sub-region and until recently, most intermediate affordable housing products delivered in the sub-region have been based upon shared ownership. Shared ownership is now well established in the sub-region and provides the opportunity of home ownership for households who otherwise could not afford to purchase their own home. Keyhomes East identified that Low Cost Home Ownership purchasers tend to generally be singles and young couples with one child (who prefer 2 bed properties – mainly houses over flats). Incomes tend to be around £21,000 for single applicants or joint incomes of up to £34,000.

4.55 Whilst shared ownership is appropriate for households who have the financial standing for a mortgage, in the current market first time buyers face particular difficulties obtaining mortgage finance, and these problems are exacerbated for households seeking intermediate affordable housing. Assuming lending practices for this client group become more flexible in the future, Low Cost Home Ownership products should continue to be delivered in the sub-region – providing that the products being delivered are more affordable to the purchasers than equivalent market housing in the area and that purchasers are unable to afford suitable market housing.

4.56 Nevertheless, whilst shared ownership has successfully provided housing that is affordable to households at the high end of the intermediate affordable housing income band (which is also
attractive to households able to afford market rent, but unable to afford home ownership), it has not typically been affordable to many households at the lower end of the income band, in particular those with incomes below £20,000.

4.57 Only a fifth of households that purchased Shared Ownership properties in the sub-region over the period 2005-08 had incomes of less than £20,000; and some of these households may have benefitted from existing equity (in particular following divorce) or financial contributions from family to help fund the purchase of their share.

4.58 In this context, it seems apparent that the current Low Cost Home Ownership model is unlikely to meet much of the identified need for intermediate affordable housing for households with incomes of £15,000 up to £20,000. It may be appropriate for the Local Authorities to work with RSLs to look at ways of improving the accessibility of LCHO for households on lower incomes, considering the equity shares that are available to potential purchasers – but it should be recognised that rented intermediate affordable housing (or rent-to-buy products) may be more suitable for some households.

Intermediate Rent

4.59 The SHMA also draws attention to the unmet housing requirements of low income households who do not have the financial standing to be eligible for a mortgage. The policy options are to refine the model for intermediate rent to result in larger numbers being produced or ‘work with the grain’ and enable these households to achieve decent housing in the private rented sector (noting the poverty trap concerns highlighted below).

4.60 The supply of intermediate rented homes is currently increasing in the sub-region. As a new tenure model, it will be important that the local authorities and housing providers monitor take up and turnover, and the relationship between intermediate rents and the cost of other intermediate affordable and market products.

4.61 This will assist those households who;

- do not have the income or financial standing to become home-owners even through shared ownership
- require housing but have low priority for social housing according to the local allocation scheme

4.62 Some RSLs operating in Bedfordshire have raised concerns about the risks and costs associated with the intermediate rent product, which may limit their appetite to expand activity in this area. Concerns include the fact that because the price of intermediate rented housing must not exceed 80% of market rents, there may be a risk to income streams for intermediate rented housing if market rents fall. Given the need for intermediate affordable housing for households on lower incomes, the Local Authorities and RSLs in the sub-region should consider how to minimise the perceived risks associated with intermediate rented housing in order to maximise the future supply.

4.63 If intermediate rent levels were determined relative to target social rents (e.g. 150% of social rent) or relative to income levels (e.g. 20% of minimum wage) rents should move in a more stable way. This might help to provide the increased financial certainty RSLs are seeking. If this model also ensured that rents remained below 80% of market rent, housing could be provided using the existing intermediate
rent model - though (assuming this pushes intermediate rents below current levels) higher grant rates would be required to make the approach workable.

4.64 It may be helpful if rent levels and grant rates for intermediate rented housing are re-visited in discussion with the HCA in order to reduce the risk for RSLs and enable more housing in this tenure to be delivered. The evidence from the SHMA will help to support funding bids for a lower rent/higher grant product - although this may also be supplemented by other evidence from the Local Authorities and RSLs. It is suggested the Local Authorities continue to monitor the income levels of those accessing social renting, and consider whether best use is being made of the social rented stock in the light of this.

Private renting

4.65 If households cannot access social rented or intermediate housing, private renting is normally a cheaper option than home ownership and it may be the only choice for some. Those on the lowest incomes (and larger households) may receive Housing Benefit to contribute towards their housing costs - but many households will have to spend more than the 25% of their gross income on their rent. This has partly driven the growth of the private rented sector in recent years. A further key factor driving the growth is the number of low to medium income households who have been unable to save a deposit toward house purchase.

4.66 There are a number of policy implications for the Local Authority. A growing private rented sector will increase demand for Local Authority services in respect of administering benefits, regulating the sector, providing advice and assistance to tenants if difficulties with their landlord occur or their tenancy ends. Demand will also increase for rent deposit guarantee schemes whether provided by the Local Authority or the voluntary sector.

4.67 Whilst the private rented sector will be an appropriate choice for some households it is worth noting that for others living in the private rented sector there will be negative consequences:

- High levels of housing benefit becomes a poverty trap and a disincentive to obtaining employment and training
- Frequent moves, perhaps to areas of cheaper housing can remove people from their support and social networks and lead to tenancy insecurity.

Market Housing – Owner Occupation and Market Rent

4.68 Figure 49 notes that new build housing normally attracts a premium price.

Figure 49
Differential between new and second hand house prices, Bedfordshire and Luton 2008 (Source: HM Land Registry)

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Number of Recorded Transactions</th>
<th>Average Sale Price</th>
<th>New Build Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Resale</td>
<td>New-build</td>
<td>Resale</td>
</tr>
<tr>
<td>Detached</td>
<td>993</td>
<td>95</td>
<td>£333,400</td>
</tr>
<tr>
<td>Semi</td>
<td>1861</td>
<td>105</td>
<td>£194,900</td>
</tr>
<tr>
<td>Terrace</td>
<td>1586</td>
<td>64</td>
<td>£164,600</td>
</tr>
<tr>
<td>Flat</td>
<td>677</td>
<td>166</td>
<td>£123,700</td>
</tr>
</tbody>
</table>
4.69 Whilst the credit crunch has reduced the premium on new build housing (especially flats), as the market returns to normal it is likely that the premium will be restored. Given this premium, it is perhaps not surprising that households who buy new dwellings are mostly existing homeowners with equity that typically have higher incomes than movers into second hand housing.

4.70 When the characteristics of recent movers into ‘new build’ housing are considered in comparison to those moving to ‘second hand’ or older housing, it is apparent that new market housing is likely to be occupied by in-migrant households and local households in roughly equal proportions. Recent movers into new build market housing tend to have lower occupancy rates than other households – where smaller households will choose to buy larger homes.

4.71 More generally, the proportion of the dwelling stock that will be owner occupied is likely to reduce by 2021. A higher proportion of households may seek rented housing if they are unable to afford entry level purchase prices. Household projections and changing demographics suggest that the proportion of owners will reduce from 74% to 71% of all households assuming affordability returns to long term trends – but this shift may be understated if tighter mortgage lending rules prevail after the housing market has recovered.

4.72 The scale of this shift from owner occupation has been termed a structural change in the housing market and the private rented sector and intermediate affordable housing will become more important as a consequence.

Summary of Key Points

- PPS3 defines that housing need exists when a household cannot access suitable housing without financial assistance;
- Most of the issues associated with unsuitable housing identified by the Practice Guidance concern established households that will already be housed. Some of the identified issues will mean households need to move home but others could continue to live in the same property if appropriate changes were made;
- The total number of housing register applicants was 10,900 households in April 2009, following a peak of 16,900 households registered in April 2004 – but housing registers do not normally provide a good basis for strategic analysis;
- Around 37,000 households (16.0%) are unsuitably housed – but not all households in unsuitable housing need to move; and even where a move is necessary, some households will be able to resolve their problems without assistance. Households in housing need will only form a proportion of those in unsuitable housing;
- The SHMA has based its estimates of future housing requirements on the household projections produced by the former Bedfordshire County Council. Whilst there are projected to be many more older people living in the sub-region, many of these people live in established households and already have housing (although some will still choose and others will need to move). Most new households will continue to be aged 20-39 at the time that they form;
The study has identified a shortage of both social rented and intermediate affordable housing. To meet the identified housing need, the following additional dwellings would have to be provided:

- Bedford Borough: 3,800 social rented housing and 1,500 intermediate affordable housing out of a total of 14,100 dwellings.
- Central Bedfordshire (North): 2,200 social rented housing and 1,600 intermediate affordable housing out of a total of 10,100 dwellings.
- Luton Borough and Central Bedfordshire (South) combined: 7,700 social rented housing and 3,200 intermediate affordable housing out of a total of 21,600 dwellings.

The affordability analysis shows that there is a very limited supply of housing available to households with incomes of up to £30,000 that are able to afford more than social rent;

- At least a third of all intermediate affordable housing provided should be affordable to households with annual incomes of £15,000-20,000, with a target of at least 60% of all intermediate affordable housing provided for households with annual incomes of less than £25,000. This could help to meet needs more fully, but the impact on viability and total delivery volumes would need careful consideration in light of the availability of grant;

- There is clear demand for Low Cost Home Ownership in the sub-region, and products should continue to be delivered – providing that they are more affordable to the purchasers than equivalent market housing in the area and that purchasers are unable to afford suitable market housing;

- Some households requiring intermediate affordable housing will not have the financial standing to be eligible for a mortgage. Given this need from households on lower incomes, the Local Authorities and RSLs in the sub-region should consider how to minimise the perceived risks associated with intermediate rented housing to maximise the future supply. This may include discussions with the HCA in order enable more housing in this tenure to be delivered;

- Where households have immediate housing needs and cannot afford higher rents, they may have to be allocated social rented housing despite being able to afford more – implying that an increased provision of intermediate affordable housing could resolve the needs of some households, possibly preventing households with higher incomes being unnecessarily housed in social housing;

- If an intermediate affordable housing product that is attractive to existing social tenants can be developed, this could encourage them to move as their financial circumstances improve, releasing their existing home for another household needing social rented housing – so new intermediate affordable housing could help address some social housing need;

- The proportion of the dwelling stock that will be owner occupied is likely to reduce by 2021. A higher proportion of households will seek rented housing because they will not be able to afford entry level market prices. A growing private rented sector will increase demand for Local Authority services in respect of administering benefits, regulating the sector, providing advice and assistance to tenants if difficulties with their landlord occur or their tenancy ends.
Chapter 5: Assessment of Residential Development Viability

5.1 As part of the SHMA, Savills has completed an assessment of residential development viability within the Bedfordshire and Luton sub-region. This is to comply with the requirements of PPS3, to complete:

An assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing including public subsidy and the level of developer contribution that can reasonably be secured (PPS3, Para 29)

5.2 As required by PPS3, it takes account of risks to delivery, the likely levels of finance available for affordable housing, including public subsidy, and the level of developer contribution that can reasonably be secured. Within this context, its purpose is to identify affordable housing targets that are viable at a local authority level.

5.3 The assessment has considered the viability of a range of hypothetical sites and building types that are typical of the five to ten year supply pipelines in each local authority. In this way, the study takes a view on viability on types of site that make up the predominant proportion of each of the authorities’ housing trajectories, as a basis for reporting on the deliverability of the volumes of housing required to meet delivery targets. The study is not site specific and the viability and deliverability of individual sites would need to be assessed according to their individual circumstances.

Normal Market Conditions

5.4 This study has been completed during a period of abnormal market conditions, with severe constraints on residential development in terms of the rates of sale and market value of new homes, site viability and availability of development finance. Consistent with HCA good practice, our assessment of the viability of policy targets is based on ‘reasoned assumptions on what might be a normal market’ when the market returns to that point, which we assume to be at some point in the middle of the 2011-2020 decade. We adopted central assumptions that:

- average house prices in the sub-region recover to 11% less than 2007 levels, equivalent to prices prevailing in the second half of 2005;
- build cost deflation and subsequent inflation leaves build costs at 10% less than 2007 levels;
- higher Code for Sustainable Home standards lead to a additional build costs, as noted below; and
- availability of development finance returns.

5.5 By its nature, this method involves a great degree of uncertainty in the numerous variables that are projected forward. It is not realistic to expect such a method to produce a precise answer, but it can give an indication of whether there is a realistic prospect, within the bounds of reasonable certainty, of
viability when normal market conditions return. It also provides a strategic view of the factors to which viability of delivery will be most sensitive.

5.6 The assumption on house price inflation for the Bedfordshire and Luton sub-region SHMA is more conservative than Savills’ published forecasts for the region, on the basis that other forecasters tend to be less optimistic about the timing and pace of price growth. Furthermore, our view is that parts of the sub-region will lag behind regional averages because of relatively high levels of repossessions and job losses.

5.7 There is much uncertainty regarding future levels of house price inflation and build cost inflation. The impact on viability is determined by the relationship between the two variables. Our assumption that house prices and build costs will shift by similar proportions relative to 2007 is a reasonable assumption in our view, but because of the uncertainties in this area we have analysed sensitivity to a 5% shift in both house prices and build costs. With regard to house price inflation, this 5% represents approximately half of the gap between our adopted assumption and our published regional forecast.

5.8 It is assumed that, within the context of an identified “normal market” target, application of policies will allow flexibility to deal with current ‘abnormal’ market conditions, in advance of those normal market conditions returning, and taking account of the risk that they may not return at the time and in exactly the form outlined above.

The Residual Appraisal

5.9 The study is based on the most reliable information that is available on the revenues and costs involved in residential development. This includes indicative measures of certain key considerations, most notably:

- land value;
- expenditure on site preparation and infrastructure (which can vary widely amongst sites); and
- Section 106 contributions to other infrastructure (which may be replaced by an Infrastructure Tariff in the form of Community Infrastructure Levy).

5.10 These indicative measures are appropriate for a study of this kind, reporting on policy targets, provided that both site specific circumstances and current market conditions are taken into account when policy is applied.

5.11 For each typology we have run the residual appraisal with sensitivity applied to key inputs and assumptions with regard to:

- variations in sales prices, build costs, developer profit and time to first sale;
- a range of affordable housing proportions (both social rented and intermediate) within the development mix, to reflect a range of policy targets;
- the amount of affordable housing grant receivable;
- the proportion of a full infrastructure tariff (i.e., Community Infrastructure Levy) that is payable; and
- which level of the Code for Sustainable Homes applies.
Regional Policy Targets

5.12 The East of England Plan sets out a target of 35% affordable housing provision for all new sites. In our analysis we test a social/intermediate tenure split of 70:30, equating to 25% social rented plus 10% intermediate.

Code for Sustainable Homes

5.13 New planning permissions currently require affordable housing to be built to Code Level 3 (ahead of the 2010 target date for all housing), with no Code compliance for market housing. We assume that by the middle of the next decade this will have changed, in line with Government plans, so that:

- Code 4 is required on market housing, with an increase in build costs of 11% over building to Part L 2006 standards
- ‘Code 4+’ (a mid point between codes 4 and 5) is required on affordable housing, with an increase in build costs of 17% over building to Part L 2006 standards, according to research completed by the Zero Carbon Hub.

5.14 Given this context we assume that, by the middle of the next decade, higher Code for Sustainable Home standards will lead to an additional 8% build cost compared with December 2007 levels.

Community Infrastructure Levy

5.15 The local authorities of the Bedfordshire and Luton sub-region are considering the implementation of the Community Infrastructure Levy (CIL), as allowed by the new Planning Act. Levy (or Tariff) rates have been assessed on the assumption that the full range of S106 contributions is required.

5.16 Following discussion with the relevant policy officers within the sub-region, our base case includes 75% of these Tariff amounts. This allowance reflects the level of Section 106 contributions that have been made in the recent past, but in practice the level of payment may vary depending upon the requirements of specific sites/locations. For example, education contributions depend upon the availability of places in local schools.

5.17 The level of such payments would have varied widely in the past, according to site specific circumstances. Our sensitivity analysis includes consideration of payment of various proportions of the Tariff.

5.18 A sensitivity analysis for each typology has been included to indicate the possible impact of variations in required levels of Code for Sustainable Homes and Tariff contributions as these are matters of current public policy development.

Affordable Housing Grant

5.19 We run three scenarios with regard to the availability of grant, namely:

- A High Grant scenario, in which grant is set at the level required for viability at the levels of affordable housing tested (Figure 50). These affordable housing proportions are generally in line with existing local policies, with the exception of Central Bedfordshire (North) where current policy targets are for lower proportions, albeit with payment of grant tending to be at relatively low rates per unit.
- A Lower Grant scenario, in which grant is set at levels equivalent to 2008/09 allocations for the sub-region.
- Nil payment of grant.

**Viability**

5.20 The grant rates required to deliver the proportions tested are significantly above 2006-08 levels. Furthermore, the rates vary around a mid point that is some 22% higher than the sub-regional average allocations for 2008/09, if top ups are excluded.

![Figure 50](Viable Delivery of Affordable Housing by Typology in ‘Normal Market Conditions’ (Source: Savills))

<table>
<thead>
<tr>
<th>Typology</th>
<th>% Social Rent within LA Typology</th>
<th>% Intermediate AH within LA Typology</th>
<th>Grant £K per unit</th>
<th>Other Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bedford (North)</td>
<td>Bedford (North)</td>
<td>Social Rent</td>
<td>Inter AH</td>
</tr>
<tr>
<td>1. Urban extensions Bedford</td>
<td>20%</td>
<td>15%</td>
<td>52,700</td>
<td>23,000</td>
</tr>
<tr>
<td>2. Urban centre Bedford</td>
<td>20%</td>
<td>15%</td>
<td>53,700</td>
<td>23,400</td>
</tr>
<tr>
<td>3. Urban centre Luton</td>
<td>25%</td>
<td>10%</td>
<td>59,600</td>
<td>26,000</td>
</tr>
<tr>
<td>4. Urban extensions Luton/Dunstable</td>
<td>25%</td>
<td>10%</td>
<td>67,400</td>
<td>29,400</td>
</tr>
<tr>
<td>5. Urban extensions Leighton Buzzard</td>
<td>25%</td>
<td>10%</td>
<td>57,300</td>
<td>25,000</td>
</tr>
<tr>
<td>6. Market town centre, Central Beds (South)</td>
<td>25%</td>
<td>10%</td>
<td>65,100</td>
<td>28,400</td>
</tr>
<tr>
<td>7. Rural sites less than 100 units Central Beds (North)</td>
<td>25%</td>
<td>10%</td>
<td>37,200</td>
<td>16,200</td>
</tr>
<tr>
<td>8. Larger greenfield site village/market town Central Beds (North)</td>
<td>25%</td>
<td>10%</td>
<td>57,300</td>
<td>25,000</td>
</tr>
<tr>
<td>9. Lower density brownfield site, edge of Luton/Dunstable</td>
<td>25%</td>
<td>10%</td>
<td>53,200</td>
<td>23,200</td>
</tr>
</tbody>
</table>

5.21 We test the sensitivity of viability to changes in policy implementation, to include:

- a reduction in the affordable proportions of units;
- a reduction in the proportion of full tariff applied;
- delayed payment of the tariff by 18 months, or until the end of construction if sooner; and
- a reduction in build costs, via delayed introduction of the Code for Sustainable Homes.
Viability with Lower Grant Rates

5.22 Our analysis has identified viable levels of affordable housing, assuming grant levels in line with 2008/09, delayed payment of tariff, but no variation in the level of tariff payment (other than for typology 3) and no variation in the Code for Sustainable Homes, as shown in the table below. Flexibility on these policies is also considered in the analysis.

5.23 However, our analysis has also demonstrated that such conclusions on viability are highly sensitive to variations in house prices and build costs and that there is a great deal of uncertainty around the view that we have taken of where these variables are heading. For instance, we have concluded that a variation of between 2.5% and 4.5% in house prices would mean viability of all typologies at the affordable housing proportions tested, at 2008/09 grant rates.

5.24 Therefore, within the bounds of reasonable certainty, we conclude that the affordable housing policy targets set out in Figure 50 (20% social rented plus 15% intermediate in Bedford, and 25% social plus 10% intermediate elsewhere in the sub-region) are viable, provided that, until normal market conditions return, policy is applied flexibly with consideration of more immediate market conditions and site specific circumstances.

Figure 51
Viable Delivery of Affordable Housing with Delayed Payment of Tariff and Lower Grant (Source: Savills)

<table>
<thead>
<tr>
<th>Typology</th>
<th>% Social Rent within LA Typology</th>
<th>% Intermediate AH within LA Typology</th>
<th>Grant £K per unit</th>
<th>Other Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bedford (North)</td>
<td>Central Beds (South)</td>
<td>Bedford (North)</td>
<td>Central Beds (South)</td>
</tr>
<tr>
<td>1. Urban extensions Bedford</td>
<td>18%</td>
<td>17%</td>
<td>42,200</td>
<td>18,400</td>
</tr>
<tr>
<td>2. Urban centre Bedford</td>
<td>10%</td>
<td>25%</td>
<td>43,500</td>
<td>18,900</td>
</tr>
<tr>
<td>3. Urban centre Luton</td>
<td>7%</td>
<td>28%</td>
<td>47,700</td>
<td>20,800</td>
</tr>
<tr>
<td>4. Urban extensions Luton/Dunstable</td>
<td>16%</td>
<td>19%</td>
<td>53,900</td>
<td>23,500</td>
</tr>
<tr>
<td>5. Urban extensions Leighton Buzzard</td>
<td>22%</td>
<td>13%</td>
<td>45,900</td>
<td>20,000</td>
</tr>
<tr>
<td>6. Market town centre, Central Beds (South)</td>
<td>10%</td>
<td>25%</td>
<td>52,100</td>
<td>22,700</td>
</tr>
<tr>
<td>7. Rural sites less than 100 units Central Beds (North)</td>
<td>23%</td>
<td>12%</td>
<td>29,700</td>
<td>12,900</td>
</tr>
<tr>
<td>8. Larger greenfield site village/ market town Central Beds (North)</td>
<td>22%</td>
<td>13%</td>
<td>45,900</td>
<td>20,000</td>
</tr>
<tr>
<td>9. Lower density brownfield site, edge of Luton/Dunstable</td>
<td>15%</td>
<td>10%</td>
<td>42,600</td>
<td>18,500</td>
</tr>
</tbody>
</table>
Chapter 5: Assessment of Residential Development Viability

**Application of Policy in Abnormal Market Conditions**

5.25 As noted above, our conclusions presume that application of policies will allow flexibility to deal with current ‘abnormal’ market conditions, in advance of those normal market conditions returning, and taking account of the risk that they may not return at the time and in exactly the form outlined above.

5.26 The pace at which these factors return to normal is likely to vary amongst typologies. For instance, the availability and pricing of development debt finance is likely to take longer to recover for capital intensive apartment schemes than for lower risk development of houses. Higher density development will also be constrained by the availability of mortgage finance to buy to let investors, who would have ‘forward funded’ such schemes in the past via off-plan sales early in the development process. The equity rich funds that may take their place are likely to buy at deeper discounts to vacant possession value than have applied in the past.

5.27 Therefore, we can anticipate that it will take longer for normal market conditions to return for the higher density central urban and town centre typologies. The higher value, lower density, types of site are more likely to deliver all tenures of housing during the next five years and, potentially, the following five years. However, the higher levels of full tariff that apply to urban extensions and rural typologies are a potential constraint on viability.

### Summary of Key Points

- A requirement of PPS3 is to assess the likely economic viability of land for housing, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing including public subsidy and the level of developer contribution that can reasonably be secured;

- The purpose of the viability assessment is to identify affordable housing targets that are viable at a local authority level, and the assessment has considered the viability of a range of hypothetical sites and building types that are typical of the five to ten year supply pipelines in each local authority. The study is not site specific and the viability and deliverability of individual sites would need to be assessed according to their individual circumstances;

- The study has been completed during a period of abnormal market conditions, with severe constraints on residential development in terms of the rates of sale and market value of new homes, site viability and availability of development finance. Consistent with HCA good practice, the assessment is based on ‘reasoned assumptions on what might be a normal market’;

- The analysis has identified viable levels of affordable housing, assuming grant levels in line with 2008/09, delayed payment of tariff, but no variations from our central assumptions on both the level of tariff payment and the required levels of the Code for Sustainable Homes. The analysis has also demonstrated that such conclusions on viability are highly sensitive to variations in house prices and build costs;

- Within the bounds of reasonable certainty, we conclude that the affordable housing policy targets of 20% social rented plus 15% intermediate in Bedford, and 25% social plus 10% intermediate elsewhere in the sub-region are viable, provided that, until normal market conditions return, policy is applied flexibly with consideration of more immediate market conditions and site specific circumstances. This also assumes that policy on infrastructure funding is in line with our assumptions.
Chapter 6: Housing Tenure and Size Mix

Housing Requirements

6.1 Chapter 4 considered the future housing requirements across all tenures for the period 2007 to 2021 based upon the minimum targets for housing growth contained in the Regional Spatial Strategy (RSS). The modelling analysis estimated the tenure and size mix for the profile of households that are likely to live in the housing markets over this period.

6.2 The assessment is dwelling led rather than demand led as the overall growth in housing is constrained to the minimum new build target of the RSS. This is a trend based assessment which allows for the fact that overcrowding and under-occupation will still exist.

6.3 There is a total net requirement for 45,800 new homes in all tenures from 2007 to 2021, Figure 52. All Local Authorities have significant requirements for affordable housing however the study estimates a negative market housing requirement for Luton. The SHMA housing requirements are calculated upon the principle that the number of market dwellings is the difference between the total requirement and the affordable requirement and in Luton’s case the assessed affordable requirement is greater than the target for new build housing.

6.4 Luton’s affordable housing requirement remains comparable to the other Local Authorities. There is still a shortage of social housing and very little intermediate affordable housing exists.

Figure 52
Tenure Mix of Housing Requirement to 2007-2021 by LA and sub market (Note: All figures rounded to the nearest 100. Figures may not sum due to rounding. All percentages are calculated based on data before rounding)

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Local Authority</th>
<th>Planning Area</th>
<th>Housing Sub-market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bedford Central Beds Luton</td>
<td>Central Beds (N) Luton &amp; Central Beds (S)</td>
<td>Bedford Luton</td>
</tr>
<tr>
<td>Market housing</td>
<td>8,800 18,000 (1,100)</td>
<td>6,300 10,700</td>
<td>10,400 10,700</td>
</tr>
<tr>
<td>Intermediate affordable housing</td>
<td>1,500 2,500 2,400</td>
<td>1,600 3,200</td>
<td>2,200 2,100</td>
</tr>
<tr>
<td>Social rented housing</td>
<td>3,800 6,500 3,300</td>
<td>2,200 7,700</td>
<td>4,300 7,700</td>
</tr>
<tr>
<td>Total Housing Requirement</td>
<td>14,100 27,000 4,700</td>
<td>10,100 21,600</td>
<td>16,900 20,600</td>
</tr>
<tr>
<td>Market housing</td>
<td>62.8% 66.6% (22.7%)</td>
<td>62.2% 49.4%</td>
<td>61.4% 52.2%</td>
</tr>
<tr>
<td>Intermediate affordable housing</td>
<td>10.5% 9.2% 50.8%</td>
<td>16.1% 14.9%</td>
<td>13.0% 10.4%</td>
</tr>
<tr>
<td>Social rented housing</td>
<td>26.7% 24.2% 71.8%</td>
<td>21.7% 35.6%</td>
<td>25.6% 37.4%</td>
</tr>
</tbody>
</table>

6.5 Luton is built-up to its boundaries and, whilst there is land available to deliver new housing, there is less in comparison with the other Bedfordshire councils. Luton forms a conurbation with Dunstable and Houghton Regis and Luton and southern Bedfordshire are seen as a single growth area in the Milton Keynes South Midlands Sub-regional strategy (MKSM SRS) and have been allocated a joint housing
target through that strategy. The review of green belt boundaries in the MKSM SRS indicates that some of the housing growth will need to be delivered in urban extensions on the edges of Luton that lie on land within the surrounding authorities.

6.6 The Local Authorities show distinct differences in size mix requirements within and across the tenures.

6.7 Tenure and size mix are not the only considerations when considering the future requirements of households. Household groups with physical mobility problems or long term limited illness have particular requirements that mean that dwellings need to have special features to make them suitable. The SHMA highlights an estimate that up to 4,000 additional extra care dwellings for frail elderly people will be needed by 2021.

**The Viability Assessment**

6.8 Having established that a need for affordable housing exists, affordable housing policy targets need to take into account results from a broad Land Viability Assessment. Figure 53 indicates the affordable housing targets that would be viable for the Local Authorities and the planning areas for Central Bedfordshire (North) and Luton and Central Bedfordshire (South), assuming normal market conditions, and subject to infrastructure funding requirements and any site specific variations. This assumes that, until those normal market conditions return, policy is applied flexibly with consideration of more immediate market considerations. The conclusions of the assessment appear in Figure 53 below.

**Figure 53**
Proportion of Affordable Housing considered to be Economically Viable for Developers to Provide by LA (Note: Proportions assume normal market conditions)

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Local Authority</th>
<th>Planning Area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bedford</td>
<td>Central Beds (N)</td>
</tr>
<tr>
<td></td>
<td>Central Bedfordshire</td>
<td></td>
</tr>
<tr>
<td>Social rented housing</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Intermediate affordable housing</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Total Affordable Housing</td>
<td>35%</td>
<td>35%</td>
</tr>
</tbody>
</table>

6.9 The pace at which normal market conditions return is likely to vary by type of development. As noted in Chapter 5, we can anticipate that it will take longer for normal market conditions to return for higher density development in urban centres. This implies that, prior to the return of “normal” market conditions, these sites may not be capable of delivering the proposed plan wide target, resulting in a lower output of affordable housing unless additional public subsidy or other mitigation of costs can be achieved.

**Setting Affordable Housing Targets**

6.10 The following figure compares the RSS guidance to SHMA Housing Requirements, the Viability Study findings and existing affordable housing policy. Whilst there is no existing combined policy target for Luton and Central Bedfordshire (South), the study considers the case for establishing a joint target in the future.

6.11 The Housing Requirements column represents the proportion of housing required in each tenure to 2021 based on the modelled assessment of housing requirements; the Viability Assessment column
shows the proportion that could be delivered based on the Viability Assessment. The final column showing the Justified Policy Target has been determined based on considering the results from the Housing Requirements analysis and Viability Assessment together.

6.12 The SHMA estimates that for Bedford and Luton, a greater proportion of the overall housing requirement should be affordable housing than might be economically viable for developers to provide in normal market conditions. Within the affordable housing, the requirement for social rented housing also represents a greater proportion than might be economically viable. Consequently, for both Bedford and Luton the findings of the Viability Assessment can be regarded as the level of affordable housing that can be justified for delivery through the planning system.

6.13 In Central Bedfordshire (North), a greater proportion of the overall housing requirement should be affordable housing than might be economically viable to deliver, but the requirement for social rented housing is lower than the proportion deemed viable for developers to provide in normal market conditions. In this context, for Central Bedfordshire (North) the findings of the viability assessment can be regarded as the level of overall affordable housing that can be justified for delivery through the planning system to 2021, but the target for social rented housing should be based on the level determined by the housing requirement analysis.
6.14 In the Central Bedfordshire (South), the proportion of the overall housing requirement that should be affordable housing is lower than the proportion deemed viable for developers to provide in normal market conditions, but the requirement for social rented housing is higher than might be economically viable. In this context, for Central Bedfordshire (South) the findings of the housing requirement analysis could be regarded as the level of overall affordable housing for delivery through the planning system to 2021, with the target for social rented housing based on the level determined by the viability assessment. However, given that a significant amount of housing associated with the growth of Luton is planned for Central Bedfordshire (South) area, considerations for these areas sharing a common planning policy framework are considered further below.

6.15 The figures discussed above and presented in the final column of Figure 54 provide an appropriate basis for setting policy targets for affordable housing provision for the lifetime of the LDF planning period in these areas.

6.16 In Bedford, Luton and Central Bedfordshire (North), where there is a residual affordable requirement, the potential should be explored to secure additional affordable housing provision over and above the level achievable through the planning system. This could be achieved for example by securing additional HCA resources or Local Authority funding and through development on local authority owned sites. This may also be appropriate when considering the residual social rented requirement in Central Bedfordshire (South).

**Luton’s housing requirements**

6.17 Delivery factors and sustainability considerations need to be considered alongside the SHMA model outputs to provide context for Luton’s housing requirements (noting that, unlike in Bedford and Central Bedfordshire, Luton’s projected affordable housing requirement exceeds the target for new homes):

- Under the present delivery model, achieving the social housing requirement depends in part on cross subsidy from sales of market housing. Without the continued development of market housing, there is no capacity for cross subsidy, reducing the potential supply of affordable homes.
- Luton’s Sustainable Community Strategy outlines the programme of economic development and regeneration activity that is underway in the town. Improving the range and amount of housing for current and future occupiers is an economic objective for the Borough, and the provision of new market housing in key locations is part of this.

6.18 Consequently Luton Borough Council’s affordable housing policy and targets will need to reflect the reality that market housing continues to be required in Luton to support wider plans for economic growth and regeneration, and the SHMA findings should not prevent this.

**The Luton and Central Bedfordshire (South) planning policy context**

6.19 As previously noted, Luton and Central Bedfordshire (South) share a planning policy framework and the SHMA model has generated housing requirements projections for the two areas both separately and together.

6.20 Considering the areas separately, we have concluded that the study supports a 35% affordable housing target in Luton (based on 100% affordable housing requirement which has been constrained to 35%
through the viability assessment) and 31% affordable housing target in Central Bedfordshire (South) (based on 31% affordable housing requirement, which is below the 35% considered to be viable given normal market conditions). Even if these separate targets are achieved, there will be a shortfall in affordable housing provision in Luton.

6.21 Implicit in the joint planning policy framework is the assumption that some of Luton’s housing requirement will be met in locations outside, but adjacent to, its boundary. This is recognised by the RSS and the progress achieved to date with the Luton and South Bedfordshire LDF.

6.22 Figure 54 shows that when the housing requirements for Luton and Central Bedfordshire (South) are considered together, affordable housing constitutes 51% of the total housing requirement (including 36% social rented housing and 15% intermediate affordable housing). Across the two areas, the viability assessment has concluded that it might be economically viable for developers to provide up to 35% affordable housing given normal market conditions (including up to 25% social rented housing).

6.23 The study has identified that it is not economically viable to deliver all of Luton’s affordable housing requirements within its boundary - but given that the RSS recognises that some of Luton's overall housing requirements will be satisfied outside its boundary, it seems reasonable that some of the shortfall in the required affordable housing should also be included within this provision. In this context, the study would support a combined affordable housing target of 35% for Luton and Central Bedfordshire (South), comprised of 25% social rented housing and 10% intermediate affordable housing.

The potential for having more than one target within a Local Authority?

6.24 The analysis for this study was based on the requirements of Luton and the three local authorities in Bedfordshire County. Following local government reorganisation, the former authorities of Mid Bedfordshire and South Bedfordshire have been combined to form Central Bedfordshire UA.

6.25 The earlier analysis showed that the mix of housing requirements in Central Bedfordshire (North) and Central Bedfordshire (South) differed, whilst the conclusions about overall economic viability of development in the districts were the same.

6.26 Due to the growth area around Luton town, the authorities for Luton and Central Bedfordshire (South) are covered by a Joint Planning framework and Core Strategy. It has been decided that these existing planning arrangements will continue following reorganisation – so Central Bedfordshire will continue to have one planning framework covering the North of the authority (i.e. the former Mid Bedfordshire district) and the joint planning framework with Luton UA for the south of the authority (i.e. the former South Bedfordshire district).

6.27 In this context, it is appropriate that the evidence produced by this study for Central Bedfordshire (North) informs the planning framework for the North of Central Bedfordshire, whilst the evidence produced for the combined Luton and Central Bedfordshire (South) area informs the joint planning framework for the South of Central Bedfordshire and Luton – which will mean different housing targets across the two parts of the authority.

6.28 The housing requirement modelling for the SHMA (Chapter 4) has not been undertaken at a spatial level below local authority areas – but the evidence presented in the viability study (Chapter 5) does consider a range of different types of development sites. Given that the suggested planning targets for affordable housing have in many cases been constrained by economic viability, higher proportions of
affordable housing could be justified (up to the levels assessed by the housing requirements modelling) on sites where the delivery of a higher proportion of affordable housing was viable, providing this was consistent with the policy position.

6.29 Given that any target for affordable housing will need to be supported by site-specific negotiations and a specific economic appraisal, we would not recommend having different targets for different types of sites. On balance, we believe that a clear policy target for affordable housing that covers the entire plan area is likely to prove more effective in practice than a more complex set of policies that seeks to establish different targets for different types of settlement, especially given the uncertainties of current market conditions.

6.30 Any large urban extensions that are to be delivered within the overall planning framework should aim to provide mixed and sustainable communities, so the proposed tenure and size mix for such developments may differ from the authority-wide housing requirement. Nevertheless, such schemes will be subject to master planning or a detailed planning application, and site-specific negotiations should mean that a separate policy target is not required.

6.31 The authorities may, however, wish to consider the benefits of reviewing the site size thresholds for affordable housing contributions, especially if a significant amount of housing is likely to be delivered on sites that fall below the current thresholds.

**Size Mix Policy Implications**

6.32 The SHMA models the size mix of new housing required to 2021 in each tenure category to address household growth and the change in the profile of households (Figure 48). The modelled requirement provides the baseline for the local authorities to provide policy guidance on the size mix of new housing provision, against which future provision should be monitored. However site specific considerations are also important in formulating the size mix of any development, to ensure that new developments are both sustainable and viable, and building to exact SHMA size mix requirements on any given site may frustrate sustainable development aims.

6.33 For larger sites, a broad mix of housing sizes and types will be important to allow for the establishment of communities that are mixed and cohesive. On smaller sites a less diverse mix may be appropriate, taking account of the characteristics of adjacent development and the profile of the wider neighbourhood. Such factors may result in a size mix for specific sites that differs from the plan wide size mix modelled by the SHMA. In addition, there are tenure specific issues to be considered in the formulation of size mix guidance, and these are set out below.

**Size Mix of Market Housing**

6.34 The recent movers’ survey provides evidence on the take up of properties of different sizes by household types. It demonstrates that market demand is not always directly related to the size of household, with some households choosing to buy and under-occupy larger new homes. Designers of market housing are generally well aware that homes for market sale are likely to be under-occupied and the market housing size mix will be determined primarily by what developers are confident that they are able to sell in the specific locality.

6.35 When providing guidance on size mix, the Local Authorities would need to take into account the plan-wide future size mix requirement to 2021 estimated by the SHMA; the tendency identified through the
Recent Movers Survey for some households to buy new build housing that is larger than their household size and the mix needed to make best use of the development site and deliver a sustainable community.

The housing requirement can partly be achieved through conversions and bringing long-term empty stock back into use, as well as new build. Property owners may seek to sub-divide existing property as a market response to demand for small dwellings. This will alter the size and tenure mix over time, and so should be reviewed alongside the delivery of new housing. The 2011 Census will present the most reliable basis for this review. A Local Authority may wish to introduce planning policies to protect the character of existing settlements where conversion might occur on a significant scale - but given the identified need for smaller dwellings across the sub-region, some conversion of the existing stock is likely to contribute in a positive way to the overall housing requirement. Conversions in the market sector should be monitored alongside data on new build activity and bringing empty properties back into use.

**Size Mix of Affordable Housing**

Regarding the size mix of social rented and intermediate housing, much of the identified SHMA requirement over the period to 2021 is for 1 and 2 bedroom dwellings, reflecting the demographic trend of increasing numbers of smaller households (Figure 48). However the long term profile of need for social rented housing identified through the SHMA may not readily match the profile of those assessed as being in priority need through the housing register.

Allocations policies and the homelessness legislation mean that households with children are more likely to feature amongst those assessed as having an urgent housing need, whilst the supply of social rented homes for families has been most greatly affected by the right to buy. This may result in a particular shortage of larger family homes to meet identified priority needs. Therefore the Local Authorities should closely monitor housing need as recorded by the choice based lettings register and information from the Homebuy Agent, and draw on this to provide policy guidance on size mix requirements for affordable housing. The Authorities and Housing Associations have also responded to this demand by seeking funding to convert and extend social rented properties to provide larger homes.

Furthermore, the findings from the viability assessment have effectively constrained the justified policy targets for affordable housing (and specifically social rented housing) in many of the study areas. In this context, not all of the affordable housing required is likely to be delivered so it may be necessary to prioritise the provision of affordable housing of different sizes. Subject to the evidence available on need and potential supply, it may be appropriate in the short to medium term to seek a higher proportion of larger family housing in new housing developments than the proportion identified through the SHMA to address backlog need and overcrowding.

**Making best use of the housing stock**

Making better use of the existing dwelling stock is an important sustainability principle and the design and layout of new housing can lead to better use of the existing stock. A key group of people that could enable this is older person households some of whom occupy family housing with more than one spare bedroom. We consider the housing requirements of older and vulnerable people more in Chapter 7. Building housing that is particularly suited to older people will help release family housing into the second hand market. It may also take pressure off adaptation and equipment budgets as the...
detailed design will present fewer barriers to mobility. Given the demographic trends and the weight of research it is clear that production of specialised housing especially for older people should be a policy priority for delivery within the overall housing requirement.

6.41 In conclusion, the Councils should encourage housebuilders to produce specialised housing to meet the identified needs of older and vulnerable people. This will help ensure that better use is made of the existing housing stock and that a better balance between household and dwelling size is achieved over time.

Conclusions on size mix

6.42 The factors set out above suggest that a flexible approach is required when translating the SHMA requirements on size mix into policy. Whilst the SHMA outputs provide a baseline of evidence to guide the size mix of development on a plan wide basis to 2021, there are other relevant considerations in determining the size mix (as set out above), and the Local Authorities should ensure policy and guidance takes account of these factors. The size mix of new housing delivered, and the impact of conversions on the overall size mix, should be monitored against the SHMA outputs.

Summary of Key Points

- The viability assessment has identified that the planning system will not be able to deliver enough affordable housing to meet all of this identified housing need, in particular the need for social rented housing;

- The following affordable housing targets are recommended and these should be achievable under normal market conditions, subject to infrastructure funding requirements – although there will be a need for flexibility until normal market conditions return:
  - Bedford Borough: 35% affordable housing comprised of 20% social rented housing; 15% intermediate affordable housing.
  - Central Bedfordshire (North): 35% affordable housing comprised of 22% social rented housing; 13% intermediate affordable housing.
  - Luton Borough and Central Bedfordshire (South) combined: 35% affordable housing comprised of 25% social rented housing; 10% intermediate affordable housing.

- Given that the identified requirement for affordable housing is greater than that which might be delivered through the planning system, it will also be necessary to explore other ways of providing affordable housing. This may require additional Homes and Community Agency or local authority resources;

- The overall delivery of affordable housing should be monitored and the need for a review of targets should be considered in due course to address any imbalance in provision over time;

- A flexible approach is required when translating the SHMA requirements on size mix into policy. Whilst the SHMA outputs provide a baseline of evidence to guide the size mix of development on a plan wide basis to 2021, the Authorities should ensure policy and guidance takes account of the other factors discussed.
Chapter 7: Understanding the Needs of Groups with Particular Housing Requirements

7.1 The Practice Guidance identifies a number of groups with particular housing requirements which SHMAs should consider. At the outset of the Bedfordshire and Luton SHMA, the following groups were identified as being particularly relevant to the area and were included within the scope of the study.

- Older people
- Young people, including care leavers
- Vulnerable households, including people with physical disabilities, learning disabilities and mental health problems
- BME communities, including recent migrants
- Rural communities
- Commuters of different types

7.2 Detailed information on each of the above six groups was presented in Research Paper 6, and this chapter focuses on the key findings from that paper and the associated policy implications – although the impact of commuters has already been considered within the context of the overall housing market drivers (Chapter 3), in particular in relation to migration. The needs of Gypsies and Travellers are also relevant to the area, and have been addressed by the local authorities through a separately commissioned study published in 2006.

Older people

7.3 Bedfordshire County household projections show that the number of single pensioner households will grow significantly between 2007 and 2021. The single pensioner group of households is growing at a slightly faster rate than other household groups.

7.4 The POPPI (Projecting Older Person Population Information) information system shows that the older person population with a limiting long-term illness is projected to rise by nearly 10,000 persons by 2025.

7.5 Survey data about older persons in the county suggests that:

- Over 20% of older person households contain someone with a mobility problem;
- The majority of frail people are supported either by other household members living at that address (29%) or by other family, friends or neighbours living elsewhere (33%);
- Over half of households containing a frail person(s) own their home outright. These households therefore will have high levels of equity in their homes, but may only have limited income to
help meet their support needs and will not necessarily receive the same level of support services as current social tenants;

- Around 13% of older person households have four or more bedrooms. This equates to 37,000 such households occupying 3 or more bedrooms who might consider downsizing if there were suitable alternatives in the right location;

- Rural areas and the urban fringe have the fastest growth of older people (Figure 55).

Figure 55
5 year change in the number of pensioners and 5 year change in the number of pensioners aged 75 or over (Source: DWP 2003-2008)
Review of local strategies and emerging research

7.6 Several pieces of work are underway which will contribute to mapping a clearer pathway for reducing investment in the current provision and moving towards more personalised care.

7.7 The Bedfordshire Corporate Strategy for Older People (2007-12) which relates to Bedford and Central Bedfordshire includes a reassessment of the level of extra care housing needed in the county. This indicates a significantly increased number of extra care housing units and contains new proposals for housing and support for older people living in Bedfordshire;

- Undertake a shift from sheltered housing to a wider range of social housing options and refocus Supporting People funding to provide floating support, which is tenure neutral and focused on those who most need the services;
- Increase the use of care lines and assistive technology to support independence;
- Increase the extra care provision (in part in place of care homes) across the county. The estimated need is for 3,741 units by 2025, which is equivalent to building 220 units per annum. At least 40% of these units would be for owner occupiers. At present there are 276 extra care units in Bedfordshire all of which are rented.

7.8 With regard to Luton there is a requirement to re-model existing residential care and sheltered housing provision. Recommendations made in the Sheltered Housing Review 2009 include:

- Maximising the potential of extra care to divert older people from residential care, with the provision of 500-1000 units of additional extra care over 10 years;
- A review of support service models to match identified needs;
- Removal of at least 100 sheltered units from current provision (for example through re-designation or remodelling of schemes);
- Encouraging the development of specially designed owner-occupied housing for older people. It is suggested a minimum of 100 units of owner occupied housing for older people is provided over the next 5 years.

7.9 Whilst the authorities should continue to develop their understanding of the housing likely to be sought by older people, it is clear that a full range of products is likely to be required to meet the differing needs and aspirations of an ageing population.

7.10 Households requiring extra care housing will include some owner occupiers as well those requiring rented housing, and shared ownership schemes should also be considered for owner occupiers with lower equity stakes available. There will also be housing need and demand from older people who are currently fit and healthy and looking for housing without any associated care or support.

Policy issues arising from these findings

7.11 The housing requirements of older people differ from other household groups. Older people are mostly already housed. The issue for them is the suitability of their present housing. They move less frequently than other household groups and national policy is aimed at enabling them to live independently for as long as possible. Older people are not a homogenous group, it is those that are likely to be frail or...
suffer long term limiting illness that merit additional policy focus over and above other household types.

7.12 As a consequence policy aims need to recognise that:

- The requirement for alternative housing if unplanned is often urgent and illness related;
- Some older people are happy to remain in housing that is larger than they require or can manage.

7.13 The scale of under-occupation of large family houses is noteworthy, especially in the owner occupied sector. To address this, councils may wish to encourage developers to produce housing that is suited to more active elderly people so that there is an option for households should they wish to take it.

7.14 There is a considerable policy focus in Luton and Bedfordshire on increasing the extra care housing stock and responding to the apparent surplus of sheltered housing. The estimated requirement for extra care housing represents a significant proportion of the total housing requirement at an estimated 4,000 or so units across Bedfordshire and Luton by 2021. The requirement for specialist and extra care housing should be considered part of the overall housing requirement for Bedfordshire. Further work is underway or planned in the sub-region to help refine the extra care forecasts at local authority level. It is important that provision is made across tenures, with both affordable and market options in extra care.

7.15 In addition to the provision of specialist and extra care housing, planning policy should be used to ensure that there is more choice of housing available in the general needs (i.e. non specialised) stock across all tenures that can respond to the changing needs of households as they age. Examples are that:

- Design standards include provision for meeting Lifetime Homes and, within the framework of the Code for Sustainable Homes, Secured by Design standards;
- A proportion of housing is built to wheelchair standard;
- Dwellings are located in suitable places – near to appropriate services and facilities.

7.16 The authorities should formulate guidance on their expectations for addressing the needs of older people through new development. This should include preferred models for the provision of extra care housing, tenure expectations including mixed tenure provision and clear minimum standards that schemes should meet. House builders or housing associations bringing forward schemes should be able to demonstrate that as well as meeting design and tenure requirements, the revenue implications of meeting the longer term care needs of residents have been addressed in consultation with Local Authority Adult Social Care teams, and that prospective schemes are financially sustainable.

7.17 The advantages of providing suitable additional housing for this group are that there may be a greater number of larger dwellings becoming available within the second hand market than would have been the case. There is also potential for reducing demand for support services.

**Care and Support**

7.18 Local authorities are under extreme pressure to provide support services (aids adaptations and home care) for all those with support needs in addition to older people. They are also under considerable
pressure to ensure that hospital discharge is not delayed because patients cannot return safely to their housing.

7.19 The household survey 2004 (Research Paper 6 pages 18 and 19) revealed information about the demand for adaptations from older person households and the specific nature of that adaptation. The adaptations most needed are bathroom adaptations, stair-lifts and handrails/grab-rails.

7.20 In general terms the current policy response to the care and support of older people and other vulnerable groups involves;

- An improved strategic focus and operational response with the advent of the ‘Supporting People’ programme;
- More use of assistive technology as it develops and is available to more people;
- Developing home improvement agencies and care and repair type assistance.

7.21 Future updates of the SHMA should monitor the impact of any new system of funding residential care and the way this affects the need for extra care or very sheltered accommodation. Support services such as adaptations are means tested and a number of implications arise from this for home owners;

- Equity release is a possible funding route for adaptations, but one that households may be reluctant to take without impartial advice and support. A Local Authority may need to fulfil this role;
- As the proportion of households in home ownership declines in future, then financing adaptations and other means tested services will be likely to rely more on public funding. This means that the call on Local Authority funds will increase.

Summary of Key Points

- Older people are not a homogenous group, it is those that are likely to be frail or suffer long term limiting illness that merit additional policy focus over and above other household types – but councils may wish to encourage developers to produce housing that is suited to more active elderly people so that there is an option for households should they wish to take it;

- The requirement for specialist and extra care housing should be considered part of the overall housing requirement for the sub-region. Households requiring extra care housing will include some owner occupiers as well those requiring rented housing, and shared ownership schemes should also be considered for owner occupiers with lower equity stakes available;

- Authorities should provide owner occupiers who wish to stay in their current homes with information about where they can receive impartial advice about equity release to fund repairs or adaptations;

- To help tackle under-occupation in the current social housing stock, housing should be provided that will meet the aspirations of older people living in social rented housing.
Young people, including care leavers

Students

7.22 The presence of the University of Bedfordshire with its 14,550 students in Luton and Bedford as well as a campus for the Cranfield University in Bedford implies that students will have an impact on the housing market of these two towns. Cranfield University is a postgraduate only institution with bases in Bedford and Oxfordshire and has 4,350 students in total across its campuses.

7.23 A significant part of the total student population lives outside of halls of residences in their own home, which includes those living in the private rented sector. Therefore, students living in private rented accommodation are likely to have a significant role to play in the housing markets of both Bedford and Luton.

7.24 Any future growth in student numbers planned by either university could place pressure upon the housing market if the planned increases in student numbers are not complemented with an equivalent provision of additional bed-spaces in university accommodation.

Vulnerable Young People

7.25 Of all new cases registering with Supporting People, 7.5% related to young people and were categorized as ‘at risk’, ‘leaving care’ or ‘teenage parents’. This equates to nearly 500 cases in the last three years across Bedfordshire and Luton.

Service Provision: Bedford and Central Bedfordshire

7.26 A recent housing needs assessment for young people in transition in Bedfordshire estimated that there could be up to 2,200 young people aged less than 25 years, living in one-person households in Bedfordshire by 2029. This is an estimated increase of around 500 more than currently. Around three quarters of this figure are likely to be living in either Bedford or Central-Bedfordshire (North), with a roughly even split between the two areas.

7.27 There are 207 young people on the current caseload of the Bedfordshire Leaving and After Care Team and the numbers of children looked after is decreasing in Bedfordshire.

7.28 Supported accommodation is currently concentrated in Bedford and there is a need to spread both services and accommodation more equitably across the south and middle of the County. The 2007 Supporting People needs assessment for young people suggested 30-50 units for vulnerable young people, young offenders, and care leavers including specialist accommodation.

7.29 There are difficulties with finding appropriate housing for four groups of young care leavers including 16-18 year olds, those with mental health problems, those coming out of custody and young parents. Move-on accommodation is needed for those young people graduating from more intensive support. This might take the form of socially rented one bedroom flats due to housing benefit and tenancy related problems with private rented housing.

7.30 16-17 year olds make up over 50% of young offenders in the County and just under two thirds of current cases are living with parents or relatives. There is some evidence to suggest that the living arrangements of half of this number (c.60) may lead them to offend again and that they would benefit from alternative supported provision.
There is some provision to meet the needs of teenage mothers and their children, including a Mother and Baby Unit, but this is in Bedford and there is little in the south of the County. Additional provision is needed for young pregnant women and young parents in supported accommodation. 8-10 units are planned for the south of the County and 8-12 for the north. In addition more floating support is being developed.

**Service Provision: Luton**

Luton has developed a draft Young People’s Housing Strategy which has identified the current accommodation provision for several groups of vulnerable young people and the need for further research to quantify the needs and demand for services and/or accommodation. It identifies needs for housing:

- Young homeless families – there are currently 850 families in temporary housing, mainly in private sector leased housing and the aim is to reduce this to 425 families
- Young people with substance misuse difficulties – this is a problem locally and there are currently limited accommodation based support services
- Young people from BME groups – the needs of young people from a BME background are poorly understood.
- Young people with learning disabilities
- Care leavers
- Young offenders – there is hostel accommodation in the town and some move on accommodation. The Youth Offending Service maintains that housing choices are improving for this group (Newsletter 2007)
- Teenage parents

Luton has higher than average numbers of looked after children (Performance Action Plan 2008). In 2007/8 there were 387 children being looked after (i.e. in care). There has been a recent increase in the number of children looked after from BME groups from 28.7% to 36.1% compared to an overall BME school population of 48%. The new Commissioning Strategy 2008-11 for Children in Care aims to decrease the number of children placed in care to 360 within 2 years, with a range of measures to improve rehabilitation back into families, increase placement choices for those children in care and narrow the gap in their outcomes.

**Teenage Parents**

The teenage conception rates have fallen in recent years but there were still 66 live births to mothers under 18 in 2005. Supported accommodation for teenage parents is very limited and there is only one six bedded facility for teenage mothers (2005). The Supporting Housing Strategy 2005-10 stated there was a requirement for a 50% increase in accommodation for this group. Planning permission has been recently secured for a second mother and baby unit, but the draft Young People’s Housing Strategy recommends further analysis of the needs of young parents.
Chapter 7: Understanding the Needs of Groups with Particular Housing Requirements

Summary of Key Points

- Over the last three years, nearly 500 cases registered with Supporting People related to young people and were categorised as ‘at risk’, ‘leaving care’ or ‘teenage parents’;
- There are difficulties with finding appropriate housing for four groups of young care leavers including 16-18 year olds, those with mental health problems, those coming out of custody and young parents. Move-on accommodation is needed for those young people graduating from more intensive support;
- Teenage conception rates have fallen in recent years, but supported accommodation for teenage parents is very limited and there is a requirement for an increase in accommodation for this group;
- There is some evidence to suggest that the living arrangements of a proportion of 16-17 year old young offenders may lead them to offend again and that they would benefit from alternative supported provision.

Vulnerable Households

7.35 These are defined as people with mental health issues, people with a learning difficulty, people with physical disabilities or sensory impairment. Survey data estimates that in Bedfordshire and Luton:

- 9.5% (22,000) households had a member with a physical disability
- 0.8% (1,900) had a member with a learning disability
- 1.3% (3,100) had a member with mental health problems

7.36 There are significant differences of housing tenure between households with members who have physical or learning disabilities or mental health problems. Over 40% of all those with a physical disability own their home outright whereas only 20% of those with a mental health problem and 5% of those with a learning disability do. Those with a learning disability or mental health problem are much more likely to be renting in the social sector, with around 50% doing so.

7.37 Around half of those with a physical disability and half those with a mental health problem do not need care or support. This falls to only 37% for those with a learning disability. It can also be seen that over 30% (600 households) of those with a learning disability require permanent 24 hour care with a further 13% (260 households) requiring regular overnight care and 15% (310 households) requiring regular daily care.

7.38 Around 80% of all types of households feel that their support needs are currently met satisfactorily. This still leaves 3,350 households who feel they require additional support - 2,300 households with a member with a physical disability, 400 households with a member with a learning disability and 650 households with a member with a mental health problem.

7.39 Those with physical disabilities are much more likely to have difficulty with general mobility in the home, climbing stairs or with bathing or showering than those with a learning or mental health problem. Well over half of those with either a mental or learning disability do not experience problems with any of the activities listed. Of the households whose home did not satisfactorily meet the health needs of its members around 40% of both those with a physical disability and those with a learning
disability and as many as 50% of those with a mental health problem felt that physical adaptations would not resolve their needs.

7.40 The adaptations most needed are handrails/grab-rails, bathroom adaptations, stair-lifts and improved access. There is little difference between types of health problem, however those with physical disabilities are more likely to want stair-lifts and bathroom adaptations, reflecting the proportion of mobility problems for this group.

7.41 2,655 households felt that they needed to move to resolve their housing needs - 2,450 households with a member with a physical disability, 80 households with a member with a learning disability, and 125 households with a member with a mental health problem.

**Strategic Policy Aims**

7.42 The strategic direction for all services for vulnerable adults is clear and in line with national policy – it is to move away from institutional forms of care, whenever possible, and to provide services which support people living independently for as long as possible. This should lead to a much reduced reliance on residential care and an increased use of extra care housing and floating support in people’s own homes.

7.43 Alongside these changes are increases in the use of individual budgets, which enable people to purchase their own care packages, an increased use of assistive technology and a move to provide support for people, which is tenure neutral.

7.44 Several pieces of work are underway which will contribute to mapping a clearer pathway for reducing investment in the current provision and moving towards more personalised care.

**Service Provision: Bedford and Central Bedfordshire**

7.45 In Bedfordshire the number of people with physical disabilities and/or sensory impairment is growing and the Supporting People Strategy (SP) recognises that the older population group overlaps with these groups. Services are provided by Supporting People to c.1380 clients (SP needs assessment 2007) and about 80% of the funded services are accommodation based.

7.46 Bedfordshire client database records 1,200 people with a learning disability. The expected population is 1,535 based on national research rates of 4.04 people with a learning disability per 1000 population of all ages. 1.5% of people with a learning disability are projected to be from the BME community.

7.47 The number of people with complex multiple needs is 189 and because people with learning disabilities now live longer, there are growing numbers who develop dementia.

7.48 The number of people with a moderate or severe learning disability (those people who are likely to be in receipt of services) who are living into old age is increasing and predicted to rise in the future, from 540 in 2008 to 731 in 2025. A proportion of these people will develop diseases associated with old age and will need support for those. It is hoped that for those who develop dementia support can be provided within the planned specialist centres for older people with dementia.

**Service Provision: Luton**

7.49 The number of people with a physical disability or sensory impairment is growing. The predictions are that by 2012 the numbers in receipt of services will have grown to 8,850.
Chapter 7: Understanding the Needs of Groups with Particular Housing Requirements

7.50 The estimated total of people with a more serious learning disability in Luton is 745 (Luton JSNA, based on standard prevalence rates). 530 people are known to the local authority (2006) and 441 of these receive a council funded service. The expected increase of people with a learning disability is 1% pa over the next 15 years. There are currently 6-8 young people transferring to adult services each year with complex and multiple disabilities, who need support.

7.51 The Luton JSNA identifies 1,550 people on GP registers with serious mental health problems. The Bedfordshire POPPI projections predict that nearly 4,115 older people (65+ projections for 2008) in the County have dementia and this figure will rise over time with the ageing population. There is also a significant number of people over 65 with severe depression.

7.52 The Supporting People needs assessment identified gaps in hostel accommodation and supported accommodation across the area, with more support needed for mentally disordered offenders, homeless people with mental health problems and people with dementia.

Offenders

7.53 There is a category B, 500 place remand prison in Bedford. The National Offender Management Service (NOMS) deals with about 2,500 offenders at any one time in the Bedfordshire and Luton area.

7.54 Three categories of offender have accommodation difficulties. These include offenders living in Bedfordshire before imprisonment, released to the area but without suitable accommodation; high risk offenders, initially in supervised hostel accommodation, without move-on accommodation after they have been there for 6-12 months; and offenders with complex problems e.g. prolific and priority offenders (PPO) who have lost tenancies in the past and can therefore be deemed intentionally homeless. There are considerable difficulties finding these people suitable accommodation.

Summary of Key Points

- Vulnerable people are defined as people with mental health issues, people with a learning difficulty, people with physical disabilities or sensory impairment;
- The strategic direction for all services for vulnerable adults is clear and in line with national policy – it is to move away from institutional forms of care whenever possible, and to provide services which support people living independently for as long as possible. This should lead to a much reduced reliance on residential care and an increased use of extra care housing and floating support in people’s own homes;
- Alongside these changes are increases in the use of individual budgets, which enable people to purchase their own care packages, an increased use of assistive technology and a move to provide support for people, which is tenure neutral;
- In relation to the housing of vulnerable people living in private sector housing, there should be continued investment to deliver decent homes, improve thermal comfort and reduce fuel poverty.

Needs of BME Groups

7.55 BME groups constitute over a fifth of the population in the sub-region (19%), higher than the overall proportion for England and Wales (13%) and more than double the proportion in the East of England.
region (9%). BME groups tend to live in the urban areas of the sub-region, most particularly Luton where the Census recorded 35% of the population from BME groups – although more recent research undertaken for Luton BC has suggested that the percentage may actually be approaching 44%. By contrast the more rural Central Bedfordshire had only 6% BME residents in 2001.

**Figure 56**
Ethnic Group Classification by Local Authority, Administrative Areas and Housing Sub-Market (Source: UK Census of Population 2001)

7.56 By far the largest category of minority groups are the Asian or Asian British groups which make up almost 9% of the population of the sub region concentrated mainly in Bedford and Luton where they account for just over 8% and 18% of the population respectively.

7.57 Household survey data for the sub-region confirms that the way in which the different BME groups meet their housing requirements varies considerably:

- Over 80% of the Indian and Asian Other population live in owner occupied dwellings which is considerably higher than the White British population
- Over 30% of the Black African, around 20% of the Other Ethnic Group, Mixed White and Black Caribbean and White Other population live in the private rented sector
- Over half of the Black Caribbean population live in the social rented sector, a higher proportion than any other ethnic group

7.58 When we consider the economic circumstances of the BME population, almost 40% of the working age population from Pakistani, Bangladeshi, Chinese and Other Ethnic groups were classified as being economically inactive at the time of the census. This mainly includes those looking after the family and home, students and those who are long-term sick or disabled. When considering the occupations of residents from different BME groups, it is apparent that Bangladeshi, Mixed White and Black Caribbean and Black Other groups were heavily over-represented in non-managerial and professional occupations, which tend to be the poorest paying jobs.

7.59 Other evidence shows Pakistani and Bangladeshi household concentrated in the bottom 20% for household income and live in the more deprived areas of the sub-region. Pakistani and Bangladeshi
households were more likely to experience housing needs, and given lower incomes they were less able to improve their housing circumstances.

7.60 Overall, 7.3% of households across the sub-region lived in overcrowded circumstances at the time of the 2001 Census. This proportion varies considerably by ethnic origin. Highest levels of overcrowding are seen in Asian households, in particular Bangladeshi (36%) and Pakistani (31%) households, and Black African households also have a high level of overcrowding (33%). All ethnic groups other than White British (5%) and White Irish (9%) have at least 12% of households living in overcrowded circumstances.

7.61 The consequences of this are evident from the mix of households presenting as homeless across the sub-region where it is apparent that almost a quarter (23%) of households accepted as being homelessness and in priority need over the last 5-years were from Non-white BME groups (with a further 14% whose ethnicity was not reported) whereas the Census only recorded 14% of the sub-region population being from Non-white BME groups.

Policy issues arising from these findings

7.62 It is clear from the evidence presented that many BME groups are more likely to be in housing need but less likely to be able to afford suitable market housing. Given this context, it is important for the Authorities to pay particular attention to the ethnic composition of housing applications and allocations for BME groups, to ensure that households from all backgrounds are able to access the services they need.

7.63 The Authorities should continue to keep under review the quality and accessibility of housing and housing related services for households across all ethnic groups, and ensure that housing strategies seek to tackle any inequalities identified. These are both areas for ongoing monitoring.

Summary of Key Points

- BME groups constitute over a fifth of the population in the sub-region and tend to live in the urban areas of the sub-region, most particularly Luton;

- All ethnic groups other than White British and White Irish have at least 12% of households living in overcrowded circumstances, and this proportion varies considerably by ethnic origin. Asian and Black African households have the highest levels of overcrowding at around a third of all households;

- To help tackle overcrowding, Authorities should seek to provide large affordable homes for families in new developments through the planning process and by working with housing associations identify opportunities for extending/converting existing affordable housing and purchasing larger market housing;

- Authorities should actively monitor the ethnic composition of housing applications and allocations for BME groups, to ensure that households from all backgrounds are able to access the services they need. The accessibility of housing and housing related services for households across all ethnic groups should be kept under review, and housing strategies should seek to tackle any inequalities identified.
**Rural Housing**

7.64 DEFRA rural classifications define Bedford UA as being significantly rural (i.e. more than 37,000 people or more than 26 percent of its population in rural settlements and larger market towns), and define the former Mid Bedfordshire as ‘Rural 80’. Rural 80 means at least 80 percent of its population being in rural settlements and larger market towns.

7.65 The following characteristics differ greatly between urban and rural areas in Bedfordshire and Luton. Rural areas have:

- Higher prices
- More detached housing
- More housing that is owned outright
- Less turnover
- Lower social housing density

7.66 Rural areas tend not to display high levels of deprivation or high concentrations of vulnerable households but fuel poverty is an issue particularly associated with older people.

7.67 The areas of greatest fuel poverty and non decent housing coincide significantly in rural areas. This is because the most frequent factor for a home being regarded as non decent is due to it not having a reasonable standard of thermal comfort (Figure 19).

7.68 Lack of suitable affordable housing is the other issue. This is due to two factors; that housing in rural areas has a higher than average price and that there are fewer flats and terraced houses which tend to be cheaper. People seeking affordable housing in rural areas are likely to have to be more flexible about location than those seeking affordable housing in urban neighbourhoods. Those households needing affordable housing who want to live in a particular rural area will often have to wait a significant amount of time for a property to become available.

7.69 The SHMA draws attention to several quality of life factors. Educational achievement is noticeably better for people resident in the rural area whereas the incidence of crime is lower. Travel distance to supermarkets, schools and GP surgeries is further in the rural areas. This is particularly important for older people or families on lower income with primary school age children.

7.70 It is interesting to note that the proportion of elderly households is increasing in the urban fringes, where services such as supermarkets, schools and GP surgeries are more readily accessible.

**The Affordable Rural Housing Commission**

7.71 The Affordable Rural Housing Commission was set up in July 2005 by the Department for Environment, Food and Rural Affairs (DEFRA) and the Office of the Deputy Prime Minister (ODPM) to inquire into the scale, nature and implications of the shortage of affordable housing for rural communities in England and make recommendations to help address unmet need.

7.72 The Commission was asked to come forward with practical solutions which would improve access to affordable housing to rent or buy for those who live or work in rural areas. The findings relate to rural
issues rather than the challenges faced by individual areas nevertheless the following key findings provide a context for the SHMA in general and this Research Paper in particular.

7.73 The commission believes that the interpretation of sustainable development within the planning system has often worked against the interests of smaller rural communities. There has been an assumption that, because small rural communities have already lost some of their services, they are intrinsically unsustainable and are therefore not suitable for affordable housing. This restriction on supply, together with the limited availability of suitable sites for development and the pressure from people wanting to move to the countryside have all contributed to house prices which have risen faster, and to higher levels, in rural areas than in the towns.

7.74 The Commission made recommendations on national and regional policy designed to improve the supply of affordable housing in rural areas, including restrictions on the right to buy. Key recommendations of relevance to the Bedfordshire local authorities include:

- **Planning:** Delivering rural housing must be part of the mainstream planning system instead of being treated as an option once the bulk of needs have been met in urban areas. Whilst exception sites are a useful tool, particularly for small settlements, we suggest local need should be met predominantly through the allocation of sites for affordable and market housing in local planning documents.

- **Make the most of what we have:** Rural areas have their share of empty homes. The Commission has made a number of detailed recommendations for further work on ways of addressing the issue of second homes, targeted on the small number of places where their impact is high, and suggests work which could make modest gains by bringing more empty homes back into use.

**Planned levels of housing provision in rural Bedfordshire**

7.75 The RSS defines a hierarchy of settlements in rural areas and this is key to understanding how housing growth and the protection of the countryside will be balanced.

7.76 The RSS seeks to locate the majority of new development in and adjacent to the key centres for development and change, and to protect the quality and character of the region’s rural areas. The rationale for this is to build on existing infrastructure and assist the long term sustainability of existing settlements. The RSS accepts that there is an acute shortage of affordable housing in many rural areas. Responding to this challenge is a priority if significant sectors of the community are not to be excluded by high house prices. As a policy response the RSS states that effective use should be made of rural exceptions policies to deliver affordable housing.

7.77 However not all of the housing growth is based upon the key development centres driven by the MKSM sub-regional strategy. The target for development to 2021 outside the growth areas which falls largely within the villages and market towns of Rural Bedford and Central Bedfordshire are:

- **Rest of Bedford** = 1,300
- **Rest of Central Bedfordshire (North)** = 11,000
- **Rest of Central Bedfordshire (South)** = 1,000
7.78 This planned development, which will generate affordable housing on sites above the relevant site thresholds, has the capacity to make a significant contribution to meeting housing need in rural areas and market towns. It is clear that in Central Bedfordshire (North) in particular (where at least 80 percent of its population live in rural settlements and market towns), rural housing provision will need to form part of the mainstream planning system instead of being treated as an option once the bulk of needs have been met in urban areas.

Affordability trends

7.79 The evidence shows that in many respects housing in rural areas is considered a premium product and it is unlikely that prices will fall significantly in real terms in the short or longer term. This is likely to be the case even if house prices in the urban areas do fall in real terms due to the spending power of premium house price purchasers.

7.80 An analysis of the distribution of social housing across the county highlights that the rural parts of the county are less likely than urban areas to have levels of affordable housing exceeding 10% of the stock. Across Bedfordshire as a whole the number of affordable homes fell marginally between 2002/03 to 2006/07 as the number of right to buy sales exceeded the provision of new homes.

Policy issues arising from these findings

New affordable housing delivery

7.81 There are a number of routes through which affordable housing can be delivered in rural areas though the planning system. These include;

- Site allocations in local development documents – which might include sites allocated to meet housing needs generally, or local needs. As noted above there are existing allocations in Bedfordshire’s rural areas and market towns that together will deliver in the region of 13,000 homes to 2021;
- Other sites coming forward which are subject to planning policy targets for affordable housing;
- Rural exception sites.

7.82 In order to maintain the flow of new affordable homes in rural Bedfordshire, it will be important to secure the maximum viable level of affordable housing through each of the options available.

7.83 Rural exception policies have played a small but valuable role in delivering new housing in rural communities in Bedfordshire, assisted by a rural enabler. Rural Enablers have a role to play in helping to assess local requirements and, subject to local public opinion, devising schemes that fit planning policies. It is clearly very important that the development of villages and hamlets is such that the character of the area is retained and if possible enhanced with the renovation and re-use of redundant land and buildings.

7.84 The Local Authorities could also consider enabling housing associations to re-purchase or lease former social housing or cheaper housing in communities where no new affordable provision is planned, although this is likely to be less cost effective measure than new provision.
Older person and vulnerable households will have exactly the same care and support requirements as similar households in urban areas. Service providers face the added challenge of servicing a more geographically dispersed set of clients. Local support is especially important for households on lower income as they may not have access to private transport. This in turn strengthens the case for the assessment of housing need at the local level in rural areas if family support networks are to be effective. In assessing local housing requirements in rural areas Local Authorities should include the housing needs of family and friends who may have moved away but need to return to provide care and support for relatives.

Summary of Key Points

- The target for development to 2021 outside the growth areas falls largely within the villages and market towns of Rural Bedford and Central Bedfordshire. Rural housing provision should continue to form part of the mainstream planning system in this area;

- In order to maintain the flow of new affordable homes in rural Bedfordshire, it will be important to secure the maximum viable level of affordable housing through each of the options available, including site allocations in local development documents, other sites coming forward which are subject to planning policy targets for affordable housing, and working in partnership with Rural Enablers to deliver rural exceptions sites;

- Where local need is demonstrated, Local Authorities might consider enabling housing associations to re-purchase or lease former social housing or cheaper housing in communities where no new affordable provision is planned, although this is likely to be less cost effective measure than new provision;

- Older person and vulnerable households have the same care and support requirements as similar households in urban areas – but providing support can be more difficult given that they are more geographically dispersed, so they often depend on local support networks. This strengthens the case for assessing local housing needs in rural areas;

- In assessing local housing requirements in rural areas, Local Authorities should also include the housing needs of family and friends who may have moved away but now need to return to provide care and support for relatives.
Chapter 8: Future Monitoring of the Market and Updating the SHMA

8.1 The Practice Guidance sets out that the SHMA findings should be monitored and updated following on from the original assessment. This short section seeks to outline some of the policy issues that future updates and revisions to the SHMA may need to address.

8.2 The SHMA has sought to:

- describe the main drivers of change affecting the housing market
- the policy framework in which it operates
- the delivery mechanism for new housing

8.3 It is apparent from the SHMA that the credit crunch and the economic recession are significantly affecting drivers and delivery mechanisms. The effectiveness of the policy response to this situation will need to be monitored.

8.4 There are also a number of long term trends and issues reflected in the SHMA modelling and scenario testing that should be monitored:

- Long term house price trends
- Affordability trends
- Structural change in the housing market (the extent to which there is a shift from owner occupation to renting and the net growth of the private rented sector)
- Take up of the right to buy and changes to the legislation
- The extent to which tenure and size mix housing targets are achieved, including both the planning policy target, and the residual target of needs that cannot viably be met through the planning system
- The income levels of those accessing social renting, and whether best use is being made of the social rented stock in the light of this
- The income levels of those applying for and accessing intermediate tenure housing, to ensure best fit between the products being provided and the requirements identified
- Conversion of dwellings to either enlarge them to provide extra bedrooms or sub-divide them in to smaller dwellings
- Migration trends (Domestic and International)
The key indicators of housing market conditions at neighbourhood level, particularly in areas considered to be particularly vulnerable to the impact of recession (e.g. price, vacancy rates, long term vacancies, local retail sustainability, crime, stock condition).

Finally there are changes affecting households not taken account of in the SHMA. These factors may affect housing market drivers and will aid the understanding of the housing market:

- Changing patterns of employment (fewer jobs for life more mobility in the labour market)
- Pension performance (more people relying on stakeholder pensions or not making adequate pension provision as final salary schemes become less common)
- Fewer households able to accrue capital through home ownership
- More households who do not have security of tenure

The SHMA research papers have identified some areas where further research is needed to supplement the evidence gathered through the SHMA, for example to develop and refine the authorities’ forecasts of the housing and related support needs of vulnerable groups. Such analyses are relevant both to the SHMA, and also to the wider health and social care needs addressed through the authorities’ Joint Strategic Needs Assessments. In conducting any further research, the authorities should seek to ensure there is collaboration between the partnership groups overseeing the various strategic assessments, thus avoiding unnecessary duplication of activity.

Summary of Key Points

- The Practice Guidance sets out that the SHMA findings should be monitored and updated following on from the original assessment;
- It is apparent from the SHMA that the credit crunch and the economic recession are currently affecting drivers and delivery mechanisms and the effectiveness of the policy response to this situation will need to be monitored;
- There are a number of long term trends and issues reflected in the SHMA modelling and scenario testing that should also be monitored;
- In conducting any further research, the authorities should seek to ensure there is collaboration between the partnership groups overseeing the various strategic assessments, thus avoiding unnecessary duplication of activity.
Appendix A: Glossary of Terms

Definitions

Affordability is a measure of whether housing may be afforded by certain groups of households.

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.

Bedroom standard refers to the number of bedrooms that is needed so that no one has to share a bedroom unless they are a) a couple, b) both aged under 10, or c) aged under 21 and of the same sex. No more than two people should share any bedroom.

Census Output Area is the smallest area for which UK Census of Population statistics are produced. Each Census Output Area had a population of around 250 people with around 100 dwellings at the time of the 2001 Census.

Equity is the difference between the selling price of a house and the value of the outstanding mortgage.

A household is one person living alone, or two or more people living together at the same address who share at least one meal a day together or who share a living room.

Household formation refers to the process whereby individuals in the population form separate households. ‘Gross’ or ‘new’ household formation refers to households that form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year that did not exist as separate households at the beginning of the year (not counting ‘successor’ households, when the former head of household dies or departs). ‘Net’ household formation is the net growth in households resulting from new households forming less the number of existing households dissolving (e.g. through death or joining up with other households).

A Housing Association or Registered Social Landlord is an independent not-for-profit bodies that provide low-cost "social housing" for people in housing need.

Housing demand is the quantity of housing that households are willing and able to buy or rent.

Household income includes all salaries, benefits and pensions – before deductions such as tax and National Insurance.

Housing market areas are geographical areas in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay.
Housing need is the quantity of housing required for households who are unable to access suitable housing without financial assistance.

Housing requirements encompasses both housing demand and housing need, and is therefore the quantity of housing necessary for all households to have access to suitable housing, irrespective of their ability to pay.

Housing type refers to the type of dwelling, for example, flat, house, specialist accommodation.

Intermediate affordable housing is housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria for affordable housing set out above. These include shared equity products (e.g. HomeBuy), other low cost home ownership products and intermediate rent.

Lending multiplier is the number of times a household’s gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are 3.5 times income for a one-income household and 2.9 times total income for dual income households.

Low cost home ownership or Shared ownership is intermediate affordable housing designed to help people who wish to buy their own home, but cannot afford to buy outright (with a mortgage). Through this type of scheme you buy a share in the property with a Housing Association or other organisation.

Lower quartile means the value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one-quarter of the way up the ranking from the cheapest to the most expensive.

Lower Super Output Area is a group of around 5-6 Census Output Areas and is the smallest geography for many Government statistics. Each Lower Super Output Area had a population of around 1,250 people with around 500 dwellings at the time of the 2001 Census.

Market housing is private housing for rent or for sale, where the price is set in the open market.

Migration is the movement of people between geographical areas. In this context it could be either local authority districts, or wider housing market areas. The rate of migration is usually measured as an annual number of individuals, living in the defined area at a point in time, who were not resident there one year earlier. Gross migration refers to the number of individuals moving into or out of the district. Net migration is the difference between gross in-migration and gross out-migration.

A projection of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

Registered Social Landlord see Housing Association.

Secondary data is existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

Shared ownership see Low Cost Home Ownership.
Social rented housing is rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the National Rent Regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant.

Specialised housing refers to specially designed housing (such as mobility or wheelchair accommodation, hostels or group homes) or housing specifically designated for particular groups (such as retirement housing).

Acronyms and Initials

- **ASHE**: Annual Survey of Hours and Earnings
- **BME**: Black and Minority Ethnic
- **CORE**: The Continuous Recording System (for Housing Association and Local Authority lettings)
- **DEFRA**: Department for Environment, Food and Rural Affairs
- **CLG**: Department for Communities and Local Government
- **CRE**: Commission for Racial Equality
- **DETR**: Department of the Environment, Transport and the Regions
- **EHCS**: English House Condition Survey
- **GIS**: Geographical Information Systems
- **HCA**: Homes and Communities Agency
- **HRP**: Household Representative Person
- **IMD**: Indices of Multiple Deprivation
- **LA**: Local Authority
- **LDF**: Local Development Framework
- **ONS**: Office for National Statistics
- **ORS**: Opinion Research Services
- **POPPI**: Projecting Older Person Population Information
- **PPS**: Planning Policy Statement
- **RSL**: Registered Social Landlord
- **RSS**: Regional Spatial Strategy
- **SHMA**: Strategic Housing Market Assessment