Introduction

1. One of the main outputs required by the SHMA study is a series of recommendations concerning affordable housing targets and the dwelling size mix to be built in the future.

2. The eighth Key Research Task set out for the Bedfordshire and Luton SHMA seeks to address this requirement through reviewing the evidence on housing needs and requirements and the current policy of the four Local Authorities in the context of the economic viability assessment.

Research Task 8
Recommend appropriate planning policy targets at borough/district level, and for Luton and South Bedfordshire together, for intermediate and social rented housing (and the mix of properties by type and number of bedrooms within each tenure group) to meet identified need, for consideration by the local planning authorities alongside other relevant evidence/considerations. Subject to agreement of the spatial framework for reporting with the commissioning LAs, if there are clear and strategic differences in need within a borough/district draw those out by strategic location too.

Format of the paper and underlying assumptions

3. Policy implications are described within the key themes of the SHMA.
   - Theme 1: Future housing requirements
     - Tenure and size mix targets
     - Tenure and affordability
     - The Credit Crunch
   - Theme 2: Older people
   - Theme 3: Rural housing
   - Theme 4: Existing occupiers and their homes

4. In this paper only the headline evidence is presented. The evidence is fully described in Research Papers 1-7 and this paper is cross referenced to them. The paper concludes with an outline of the areas that the authorities should monitor and consider in any future updates to the SHMA.

5. The future housing requirements estimated by the SHMA are based on:
   - Use of ORS models to assess the extent of unsuitable housing
   - Use of trend based assessment of the social housing requirement in the context of increasing numbers of households, changing demographics and future sales of existing social housing stock
- Use of current secondary data on house prices and incomes to feed into ORS models to estimate the required tenure mix of intermediate affordable and market housing at a specific point in time
- Use of long term secondary data on house prices and incomes to feed into ORS models – thus our conclusions about housing requirements are based upon long term trends rather than a snapshot of prices at a point in time
- Trend based analysis to estimate the size mix of the future housing requirement, recognising the impact of changing demographics
- Scenario testing using local knowledge of the housing markets
- That the housing requirement by 2021 (the overall number of new homes) is that envisaged by the Regional Spatial Strategy (RSS), which includes the targets set by the Milton Keynes South Midlands Sub-Regional Strategy (MKSM SRS). It should be noted that there is a shared RSS/MKSM SRS target for Luton and the former South Bedfordshire local authority area. Consequently, housing requirements have been calculated both together and separately for Luton and the former South Bedfordshire (now part of Central Bedfordshire).

6. The paper takes account of a number of PPS3 definitions and these are stated in the appendix for reference purposes.

7. As noted above, the assessment of housing requirements contained in this report is based on the targets for housing growth envisaged by the Regional Spatial Strategy and the Milton Keynes/South Midlands Sub-Regional Strategy. This assessment also examines the challenges of meeting housing targets in the context of the housing market downturn. There are, in addition, a wider range of challenges involved in delivering sustainable housing growth that are not directly addressed by this study, focussing on the delivery of the jobs, transport, utilities and wider social and community infrastructure needed to support a growing population. These challenges are not the subject of this assessment, but will have a bearing on the delivery of new homes targets, and should be addressed as part of the wider policy making process for delivering growth.
Theme 1a: Housing Requirements 2007-2021 – Tenure and Size Mix

Key findings of the SHMA

Modelling Housing Requirements

8. The SHMA Research Paper 4 contains a detailed assessment of the future housing requirements for all tenures in the period to 2007-2021 based upon the minimum targets for housing growth contained in the Regional Spatial Strategy (RSS). The SHMA has estimated the tenure and size mix needed to house the profile of households that are likely to live in the housing markets over this period. This is a trend based assessment and the assessment allows for the fact that overcrowding and under-occupation will still exist. 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.

9. There is a total net requirement for 45,800 new homes in all tenures from 2007 to 2021 (Research Paper 4 page 35).

Figure 1
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>Requirement 2007-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Units</td>
</tr>
<tr>
<td>Market Housing</td>
<td>24,800</td>
</tr>
<tr>
<td>Intermediate affordable Housing</td>
<td>7,200</td>
</tr>
<tr>
<td>Social rented Housing</td>
<td>13,800</td>
</tr>
<tr>
<td>Overall Housing Requirement</td>
<td>45,800</td>
</tr>
</tbody>
</table>

10. Referring to Figure 2 below (adapted from Research Paper 4, Figure 45), all Local Authorities have significant requirements for affordable housing. It is noteworthy that the study projects 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.

11. In terms of numbers of dwellings required, Luton’s requirement for affordable housing remains comparable to the other Local Authority areas. There is still a shortage of social housing and very little intermediate affordable housing exists.

Figure 2
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. Source: Research Paper 4)
12. It should be noted that 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, so Luton and southern Bedfordshire are seen as a single growth area in the 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.

13. Referring to Figure 3, (adapted from Research Paper 4 Figure 57) 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 later in this theme (para 42-46).

Figure 3
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. Source: Research Paper 4)

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Market Housing</th>
<th>Intermediate Affordable Housing</th>
<th>Social Rented Housing</th>
<th>All Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bedford</td>
<td>Mid Beds</td>
<td>South Beds</td>
<td>Luton</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>700</td>
<td>300</td>
<td>700</td>
<td>(100)</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>1,700</td>
<td>1,400</td>
<td>3,000</td>
<td>(800)</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>4,600</td>
<td>3,200</td>
<td>6,000</td>
<td>-</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>1,500</td>
<td>1,100</td>
<td>1,700</td>
<td>(100)</td>
</tr>
<tr>
<td>5+ bedrooms</td>
<td>300</td>
<td>200</td>
<td>300</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>8,800</strong></td>
<td><strong>6,300</strong></td>
<td><strong>11,700</strong></td>
<td><strong>(1,100)</strong></td>
</tr>
<tr>
<td>1 bedroom</td>
<td>300</td>
<td>200</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>800</td>
<td>900</td>
<td>500</td>
<td>1,500</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>300</td>
<td>500</td>
<td>300</td>
<td>600</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>5+ bedrooms</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>1,500</strong></td>
<td><strong>1,600</strong></td>
<td><strong>900</strong></td>
<td><strong>2,400</strong></td>
</tr>
<tr>
<td>1 bedroom</td>
<td>1,800</td>
<td>900</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>1,000</td>
<td>600</td>
<td>1,300</td>
<td>900</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>800</td>
<td>600</td>
<td>1,400</td>
<td>800</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>100</td>
<td>-</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>5+ bedrooms</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>3,800</strong></td>
<td><strong>2,200</strong></td>
<td><strong>4,300</strong></td>
<td><strong>3,300</strong></td>
</tr>
<tr>
<td>1 bedroom</td>
<td>2,800</td>
<td>1,500</td>
<td>2,300</td>
<td>1,600</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>3,600</td>
<td>2,900</td>
<td>4,700</td>
<td>1,700</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>5,700</td>
<td>4,300</td>
<td>7,700</td>
<td>1,400</td>
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<tr>
<td>4 bedrooms</td>
<td>1,600</td>
<td>1,200</td>
<td>1,900</td>
<td>100</td>
</tr>
<tr>
<td>5+ bedrooms</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,100</strong></td>
<td><strong>10,100</strong></td>
<td><strong>16,900</strong></td>
<td><strong>4,700</strong></td>
</tr>
</tbody>
</table>

14. 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 requirements of all older people are considered in more detail in Theme 2 of this paper. Other vulnerable groups are considered in Theme 4 with specific requirements detailed in Research Paper 6 (paragraphs 3.36–3.47).

The Viability Assessment

15. Affordable housing policy targets need to take into account a range of considerations and these considerations are principally within the SHMA Housing Requirement analysis and Viability Assessment. Research Paper 7 indicates the affordable housing targets that would be viable for the Local Authorities also taking Luton and South Bedfordshire District Council together, assuming normal market conditions, the provision of social housing grant, and subject to 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 4 below.

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Local Authority</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bedford</td>
<td>Mid Beds</td>
<td>South Beds</td>
<td>Luton</td>
<td>Luton &amp; South Beds</td>
</tr>
<tr>
<td>Social rented housing</td>
<td>20%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Intermediate affordable housing</td>
<td>15%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Total Affordable Housing</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
</tr>
</tbody>
</table>

16. The pace at which normal market conditions return is likely to vary by type of development. As noted in Research Paper 7, we can anticipate that it is likely to 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. This is particularly relevant to Luton’s urban centre.

Setting Affordable Housing Targets

17. 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 South Bedfordshire, the study considers the case for establishing a joint target in the future.

18. 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.
19. 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.

20. In the former Mid Bedfordshire, 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 the former Mid Bedfordshire 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.

21. In the former South Bedfordshire, 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 the former South Bedfordshire 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.
assessment. However, given that a significant amount of housing associated with the growth of Luton is planned for the former South Bedfordshire area, considerations for these areas sharing a common planning policy framework are considered further below (paras 26-30).

22. The figures discussed above and presented in the final column of Figure 5 provide an appropriate basis for setting policy targets for affordable housing provision for the lifetime of the LDF planning period in these areas.

23. In Bedford, Luton and Mid Bedfordshire, where there is a residual affordable requirement, the potential to secure additional affordable housing provision over and above the level achievable through the planning system should be explored (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 South Bedfordshire.

Luton’s housing requirements

24. 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.

25. 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 & South Bedfordshire planning policy context

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

27. Considering the areas separately, we have concluded that the study supports a 35% affordable housing in Luton (based on 100% affordable housing requirement which has been constrained to 35% through the viability assessment) and 31% affordable housing in South Bedfordshire (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.

28. 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.
Figure 5 shows that when the housing requirements for Luton and South Bedfordshire 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).

The study has identified that it is not 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 South Bedfordshire, comprised of 25% social rented housing and 10% intermediate affordable housing.

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

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.

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

Due to the growth area around Luton town, the authorities for Luton and the former South Bedfordshire 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).

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

The housing requirement modelling for the SHMA (Research Paper 4) has not been undertaken at a spatial level below local authority areas – but the evidence presented in the viability study (Research Paper 7) 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 was viable.

Given the assumption that the application of affordable housing targets may in some cases need to be supported by site-specific negotiations and specific economic appraisals, 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.
37. 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.

38. The authorities may, however, wish to consider whether it is practical and viable to reduce the site thresholds for affordable housing contributions. This is most relevant in areas where a significant amount of housing is likely to be delivered on sites that fall below the current thresholds.

Size Mix Policy Implications

39. 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 3). 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.

40. 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.

41. Note that the SHMA does not provide size mix estimates for market housing in Luton, because of the absence of a modelled market requirement. Policy guidance on size mix in Luton could however be sensibly informed by the combined SHMA results for Luton and South Bedfordshire.

Size Mix of Market Housing

42. 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. When providing guidance on size mix, the Local Authorities should therefore 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.

43. 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 should provide a 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**

44. Regarding the size mix of social rented and intermediate housing (Figure 3), 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. 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.

45. 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.

46. 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 and viability considerations, 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**

47. 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 Theme 2 of this paper. 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.

48. 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

49. 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.

Policy Summary: Housing Requirements 2007-2021 – Tenure and Size Mix

The following affordable housing targets are recommended:

- **Bedford BC**: 35% affordable housing comprised of 20% social rent; 15% intermediate
- **The former Mid Bedfordshire DC**: 35% affordable housing comprised of 22% social rent; 13% intermediate

If separate targets are the preferred option for Luton and the former South Bedfordshire:

- **The former South Bedfordshire DC**: 31% affordable housing comprised of 25% social rent; 6% intermediate
- **Luton BC**: 35% affordable housing comprised of 25% social rent; 10% intermediate

However, the RSS recognises that some of Luton’s overall housing requirements will be satisfied in the former South Bedfordshire. Given that the study has identified that it is not viable to deliver all of Luton’s affordable housing requirements within its boundary, it seems reasonable that some of the shortfall in the required affordable housing should also be included within the provision planned for South Bedfordshire. In this context, if a combined target for is the preferred option for Luton and the former South Bedfordshire, the following is recommended:

- **Luton BC and the former South Bedfordshire DC Combined**: 35% affordable housing comprised of 25% social rented housing; 10% intermediate affordable housing

In Bedford borough, Luton borough and the former Mid Bedfordshire district, there is a further requirement for affordable housing over and above that which might be delivered through the planning system. In Bedford borough, Luton borough and the former South Bedfordshire district, there is a further requirement for social rented housing over and above that which might be delivered through the planning system. The Local Authorities should explore the potential to address this; for example by securing additional HCA resources, or local authority funding.

The Authorities should monitor the delivery of affordable housing against both planning policy targets and the residual housing requirements and, if appropriate, consider the need for a review of targets 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.

The housing requirement can partly be achieved through conversions as well as new build. The size mix of new housing delivered and the impact of conversions on overall size mix should be monitored against the SHMA outputs.

The Local Planning Authorities should encourage developers and RSLs to produce specialised housing especially for older people including leasehold housing and extra care housing for the frail elderly and it should be a policy priority for delivery within the overall housing requirement.
Theme 1b: Tenure and Affordability

50. Here we consider what the SHMA tells us in terms of tenure and affordability and this has particular implications for intermediate affordable housing and low cost home ownership. Implications for new build market housing are also considered.

Key findings of the SHMA

Who is accessing/living in social rented and intermediate housing?

51. As outlined in Research Paper 4, there is a shortage of housing for households who can afford housing costs which are higher than social rent but who cannot afford to buy or rent housing at market prices.

52. 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.

53. Research Paper 4 Figure 12 shows there to be very little supply of market 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. Households requiring 3-bed housing with incomes of £17,500 or more and those requiring larger properties with incomes of £19,500 or more are also able to afford more than social rent - so these households would also require intermediate housing if they were unable to afford market housing of the required size.

54. Figure 3 shows that over 70% of the intermediate affordable housing requirement is for properties with 1 or 2 bedrooms, and this is supported by Research Paper 4 Figure 69 which shows that over 70% of the approved applicants for Low Cost Home Ownership housing in Bedfordshire are applying for 1 or 2 bedroom homes. Intermediate affordable housing should therefore provide for households with annual incomes starting from £15,000.

55. This is also supported by Research Paper 4 Figure 68 which shows that almost 40% of the approved LCHO applicants in Bedfordshire have an annual household income that is below £20,000 and over half of those approved applicants with a single income have incomes of less than £20,000. Research Paper 4 Figure 64 shows that 2.7% of all households have incomes of £15,000-20,000 and have no equity. This represents one third (32.4%) of all households with incomes of £15,000 up to £40,000 without equity, who form the target audience for the majority of Low Cost Home Ownership Products (based on Research Paper 4 Figures 67 and 68). At least a third (but up to 40%) of all intermediate affordable housing provided should be affordable to households with annual incomes of £15,000-20,000.

56. Until recently, most intermediate affordable housing products have been based upon shared ownership. Research Paper 4 Figure 67 shows that 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. 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.
57. CORE data for lettings between 2005-2008 analysed for the SHMA 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 or market housing would have been a more cost effective solution (Research Paper 4 Paragraph 53). 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.

58. Intermediate rented housing priced at less than 80% of market rents is affordable to households lower down the intermediate housing income scale, but whilst delivery of intermediate rented products is currently increasing in the region there is only limited stock available.

59. Considering those with household incomes of up to £25,000, Research Paper 4 Figure 64 shows that the £15,000-25,000 income group represent almost three-fifths (55.7%) of the target audience for LCHO products. This is supported by Research Paper 4 Figure 68 which shows that over 60% of the approved LCHO applicants in Bedfordshire have an annual household income that is below £25,000 and almost 85% of those approved applicants with a single income have incomes of less than £25,000.

60. For households earning £25,000 or more, Research Paper 4 Figure 12 shows that there is a supply of market housing available to buy or rent which exceeds the number of households that could only afford such housing - but given that there is no restriction on the households that will occupy this housing, not all households on incomes above £25,000 will be able find suitable market housing at a price they can afford and some will require intermediate affordable housing. Furthermore, it is unlikely that the cheapest supply of market housing will include many large properties - so the identified requirement for larger intermediate affordable housing should also include some supply for households on higher incomes.

61. 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 the context of the above evidence, a target of at least 60% of all intermediate affordable housing provided in the sub-region should be affordable to households with annual incomes of less than £25,000, although achieving this target could impact on viability and is likely to depend upon the availability of grant. Note that this target would include any intermediate affordable housing provided for households with annual incomes of £15,000-20,000.

Who is likely to be occupying market housing, whether owner occupied or rented

62. 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. Research Paper 4 estimates this in two ways:

- Household projections and changing demographics suggest that the proportion of owners will reduce from 73.9% to 71.2% of all households assuming affordability returns to long term trends (Research Paper 4 Paragraph 91).
- SHMA estimates show that this could fall to as low as 62% by 2021 if affordability was to stay at 2007-8 levels for the duration of the period (Research Paper 4 Figure 33).

63. The scale of this shift from owner occupation has been termed a structural change in the housing market. Intermediate affordable housing and Low Cost Market Housing will become more important as
a consequence. Further, this shift may be understated if tighter mortgage lending rules prevail after the housing market has recovered.

64. SHMA findings show that market housing may not be occupied by households for whom it is designed. The SHMA notes that new build housing normally attracts a premium price. The Recent Movers Survey (Research Paper 5A) studied the characteristics of recent movers into ‘new build’ housing in comparison to ‘second hand’ or older housing.

<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>1,861</td>
<td>105</td>
<td>£194,900</td>
</tr>
<tr>
<td>Terrace</td>
<td>1,586</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>

65. The credit crunch has narrowed this premium especially for flats. However as the market returns to normal it is likely that the premium will be restored. Given the size of the premium it is not surprising that movers into new build housing are mostly existing homeowners with equity and have higher incomes than movers into second hand housing. For the same reason, intermediate tenure schemes subsidising the purchase of second hand housing are more likely, in the future, to be of assistance to lower income groups than schemes focussing on newly built provision. The recent withdrawal of government funding for Open Market Home Buy has, however, closed down the main source of subsidy for this form of provision.

66. From the Recent Movers’ survey data (Research Paper 5A) it is apparent that new market housing is likely to be occupied by in-migrant households and local households in roughly equal proportions. Social housing is likely to be occupied mainly by households already resident within the Local Authority area. Recent movers into new build market tend to have lower occupancy rates than other households.

Policy issues arising from these findings

Social and Intermediate housing

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

68. On the basis of housing costs in this sub-region, intermediate affordable housing should provide for households with annual incomes starting from £15,000. 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 – although it is unlikely that the cheapest supply of market housing will include many large properties.
69. 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.

70. 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.

71. 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. Given the available evidence, we would suggest that at least a third (but up to 40%) 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.

72. 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. It should be noted that assumptions about intermediate affordable housing in the Viability Assessment are based on the current Low Cost Home Ownership model; so any move towards more affordable tenures could have a detrimental impact on viability if they weren’t offset by higher grant rates. Whilst such a policy shift could meet needs more fully, its impact on viability and total delivery volumes would need careful consideration, in light of the availability of grant.

73. 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
- Re-locate away from the sub-region to live in areas of cheaper housing

Low Cost Home Ownership

74. There has been a continued and growing demand for Low Cost Home Ownership in the sub-region (Research Paper 4 Paragraphs 195-196). Until recently, most intermediate affordable housing products delivered in the sub-region have been based upon shared ownership – which 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. Households needing to move within the shared ownership sector to address changing household or employment circumstances may face similar difficulties.

75. 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. 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. The Authorities should also explore whether measures are needed to improve the scope for mobility for existing shared owners whose household circumstances change but who still require intermediate affordable housing provision.

76. 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.

77. 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**

78. 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).

79. 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. The authorities could also usefully consider the impact of any increase in intermediate renting on the market rent sector.

80. 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

81. 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.**

82. 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.

83. **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**

84. 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.

85. 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.**

86. 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.
Policy Summary: Tenure and Affordability

The study has identified a lack of housing for lower income households in the intermediate affordability gap. Based on housing costs in this sub-region, intermediate affordable housing should provide for households with annual incomes starting from £15,000.

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. Even with higher incomes, households needing large homes are likely to be dependent on intermediate affordable housing if they don’t have any existing equity.

At least a third (but up to 40%) 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.

If insufficient intermediate affordable housing is provided, households on incomes in the intermediate affordability gap may be allocated social rented housing despite being able to afford more.

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. Demand will also increase for rent deposit guarantee schemes whether provided by the Local Authority or the voluntary sector.
**Theme 1c: Impact of the Credit Crunch**

**Key findings of the SHMA**

87. Research Paper 5 considers the future housing market and the impact of the credit crunch. Domestic and international migration is a main driver of demand. Both are forecast to reduce until later stages of recovery are reached. Prices are unlikely to recover to their peak levels for many years. Recovery rates will be different depending upon a number of factors. The market for prime property will recover more quickly than the mass market.

**Recovery Scenarios and timelines**

88. In order to better understand the potential impact of the recession, the SHMA undertook a quantitative analysis 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.

89. 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 7*
**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></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>
<tr>
<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>
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<td></td>
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</tr>
</tbody>
</table>

90. The following timeline (Figure 8) was used in the scenario testing exercise in relation to the RSS target date of 2021.

*Figure 8*
**Assumed timeline for recovery for each scenario** (Note: Figures on chart represent length of period in years)
91. It is accepted 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. Research Papers 4 and 6 describe the spatial distribution of areas that experience the highest level of multiple deprivation that may be most vulnerable to the impact of recession.

92. 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.

93. 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. Research Paper 3 identifies this as a key market driver. The Luton housing sub market has historically had the highest levels of in-migration.

94. 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. Research Paper 5 contains evidence that 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.

95. As a consequence of affordability issues and the restrictions on credit Research Paper 4 suggests that a structural change is likely to occur in the market with fewer people seeking to become owner occupiers and more opting for market renting, (para 62 above).

96. 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 Research Paper 7.

Impact on the delivery of new build housing

97. 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. An outcome of the scenario testing in Research Paper 5 is how delivery rates may play out over the recovery period and an estimation of the risk that RSS targets may not be achieved.

98. Figure 9 (Research Paper 5 Figure 11) 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.

Policy issues arising from these findings

Current local policy initiatives

99. 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

100. 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 areas with higher levels of multiple deprivation (see the map illustrating the Index of Multiple Deprivation in Research Papers 3 and 6). 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.

101. Research Paper 5 highlights the Savills Research Bulletins which consider that recently constructed apartments may in some market areas be seriously affected by the recession. Research Paper 5 also develops the slow recovery scenario and draws attention to the wider implication of local shops and small business suffering alongside the housing market in lower value areas.

102. 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)
103. 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- possession (Research Paper 5).

The legacy of the credit crunch – and policy implications

104. 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 referenced in paragraph 153 above as fewer households are considered to have the financial standing to access a loan.

105. 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.

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

107. 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.

Policy Summary: Impact of the Credit Crunch

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

Although annual rates of new market housing production 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. 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 – but the worst case scenario indicates that less than 60% of target delivery might be achieved.

Local Authorities should take steps to intensify support to neighbourhood most vulnerable to the impact of recession, with investment in regeneration schemes maintained wherever feasible.

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 from owning to renting as fewer households are considered to have the financial standing to access a loan.

The supply side of market housing is likely to respond without intervention, and greater proportions of existing and new build housing may be for rent rather than owner occupation; although the number of private rented properties in the sub-region will have implications for the Authorities’ regulatory responsibilities.
Theme 2: Older people

Key findings of the SHMA

108. The SHMA Research Paper 6 Chapter 1 studied the characteristics and projected local change of the older person population. It has reviewed current and emerging strategies to meet their housing and support needs in future.

Population growth and characteristics

109. The County household projections to 2021 show that the number of single pensioner households will grow by 50% between 2007 and 2021. Information in Research Paper 6 (page 12) shows that the single pensioner group of households is growing at slightly faster rate than other household groups.

110. POPPI (Projecting Older Person Population Information (Research Paper 6 page 6)) shows that;

- Nearly half of the projected increase will be in Bedford.
- The older person population with a limiting long-term illness is projected to rise by nearly 10,000 persons by 2025 (Research Paper 6 page 16).

111. The Household survey (Research Paper 6 pages 12-13) found that;

- 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.
- Over 20% of older person households contain someone with a mobility problem.
- 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.
- 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%),
- Rural areas or the urban fringe are the areas with the fastest growth of older people.

Review of local strategies and emerging research (Research Paper 6 page 24)

112. 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.

113. 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.

114. With regard to Luton there is a requirement to re-model existing residential care and sheltered housing provision, (Research Paper 6 paragraph 1.98). Recommendations include:

• Maximise 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);
• Encourage the development of specially designed owner-occupied housing for older people. It is suggested a minimum of a 100 units of owner occupied housing for older people is provided over the next 5 years.

115. 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.

116. 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

117. The above summary of the evidence in the SHMA reveals that the provision of housing and support is a considerable challenge and that there is a considerable policy focus on meeting this challenge in two main areas.

Housing Requirements

118. 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.

119. 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

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

121. 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 4000 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. (Research Paper 6 paragraph 1.83). 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.

122. 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.

123. The authorities should formulate guidance on their expectations for addressing the needs of older people through new development, including their preferred models for the provision of extra care housing, guidance on location, and tenure expectations (including expectations with regard to mixed tenure provision) with clear minimum standards that schemes should meet. Housebuilders 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.

124. 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

125. 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 of patients cannot return safely to their housing.

126. 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.

127. In general term the current policy response to the care and support of older people and other vulnerable groups involves:
- An improved strategic and 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.

128. 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.

Policy Summary: Older People

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.

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 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

Guidance for addressing the needs of older people through new development should be produced, including preferred models for the provision of extra care housing, tenure expectations and clear standards that schemes should meet. Housebuilders (including housing associations) 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

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
Theme 3: Rural Housing

Key findings of the SHMA

The profile of rural Bedfordshire

129. Research Paper 6 (page 75) notes that 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’ (with at least 80 percent of its population in rural settlements and larger market towns).

130. The following characteristics differ greatly between urban and rural areas in Bedfordshire and Luton. Much of the evidence for the following is presented in Research Paper 6 in the form of maps (pages 87-115).

131. Rural areas have:
   - Higher prices
   - More detached housing
   - More housing that is owned outright
   - Less turnover
   - Lower social housing density

Poverty, Deprivation and Rural Areas

132. 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.

133. 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. Research Paper 6 mapping of the distribution of fuel poverty, non decency and outright home ownership support this.

134. 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.

Quality of life, access to services and population characteristics:

135. 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.

136. It is interesting to note that the proportion of elderly households is increasing in the urban fringes, where services such supermarkets, schools and GP surgeries are more readily accessible.
Planned levels of housing provision in rural Bedfordshire

137. 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 (Research Paper 6 page 76).

138. 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.

139. However not all of the housing growth is based upon the key development centres driven by the MKSM sub-regional strategy (Research Paper 6 page 78). The target for development to 2021 outside the growth areas which falls largely within the villages and market towns of Rural Bedford, Mid Bedfordshire and South Bedfordshire are:

- Rest of Bedford 1,300
- Rest of Mid Bedfordshire 11,000
- Rest of South Bedfordshire 1,000

140. 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 the former Mid Bedfordshire in particular (where at least 80 percent of its population live in rural settlements and market towns), rural housing provision should continue to form part of the mainstream planning system.

Affordability trends

141. 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.

142. Research Paper 2 (Figure 54) shows the distribution of social housing across the county, highlighting 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 (Research Paper 2, Figures 57 and 58).
Policy issues arising from these findings

143. The following abstract from the Taylor Review succinctly and powerfully states the policy challenge facing rural areas and their service centres.

Abstract from the introduction to the Taylor Review

For many villages and hamlets the choice is between becoming ever more exclusive enclaves of the wealthy and retired, or building the affordable homes to enable people who work in these communities to continue to live in them. In many cases just a handful of well designed homes, kept affordable in perpetuity for local people, will make all the difference to the sustainability of the community and its services. At the same time, we need to make sure that there are better opportunities for the people who live in these small rural communities to find quality work, and build successful businesses. Otherwise we will see more and more villages turn into commuter dormitories, at the cost of fewer local jobs, declining local services, and the loss of genuine community life.

Market towns face a different choice. The demand to live in a rural community means many market towns are growing fast. One option is to stick with current planning practices which are too often ringing country towns with anonymous housing estates, business and retail parks. The alternative, advocated in this report, is to learn the lessons of the past and follow the example of a handful of places that have pioneered a different approach. They have challenged planning practices to deliver genuinely attractive new neighbourhoods and community extensions which actually enhance the existing town.

New affordable housing delivery

144. 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
- Exceptions sites

145. 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.

146. 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. 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. Rural exceptions policies have played a small but valuable role in delivering new housing in rural communities in Bedfordshire, assisted by Rural Enablers, and it will be important to maximise the delivery of affordable housing in this way.

147. 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.
Decent Homes and Fuel Poverty in Rural Areas

148. Whilst Bedfordshire’s rural areas tend not to display high levels of deprivation, fuel poverty is an issue, particularly amongst the older population. Well targeted investment is therefore important to address the related issues of fuel poverty and non-decency for vulnerable residents living in the private sector. The broader challenges associated with the delivery of private sector decent-homes investment are addressed in Theme 4 below.

Services and support for vulnerable people

149. 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.

Policy summary: Rural Housing

The target for development to 2021 outside the growth areas falls largely within the villages and market towns of Rural Bedford and the former Mid and South Bedfordshire. Given the target to delivery 11,000 homes in the former Mid 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.

Investment programmes should be targeted on addressing fuel poverty and non-decent housing for vulnerable households living in the private sector.

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.
Theme 4: Existing Occupiers and their Homes

Key findings of the SHMA

Existing households in unsuitable housing

150. PPS3 defines that housing need exists when a household cannot access suitable housing without financial assistance. This theme looks at what makes housing unsuitable, how some groups of people are particularly affected and how data is used to identify such areas.

151. The solutions to addressing unsuitable housing fall into two groups:

- Those where it is feasible to repair or adapt the dwelling
- Those where the household needs to move to another dwelling

152. Research Paper 4 (Figure 3) shows the projected distribution of unsuitable housing using ORS modelling results for the Bedfordshire and Luton sub-region. In Luton 22.7% of all households are unsuitably housed, compared to 10.7% in the former Mid Bedfordshire. Across the whole sub-region around 37,000 households are unsuitably housed, which amounts to 16.0% of all households.

Repairs, stock condition and the standard of decency

153. The Decent Homes Standard contains four broad criteria some of which are also measures of unsuitability. If a dwelling fails any one of its criteria it is considered to be non decent. 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.

154. 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 or HMAs individually, but it is useful to consider concentrations by area in order to target resources to try and achieve the targets under PSA 7.

155. The modelled analysis commissioned by the Authorities (Research Paper 2 paragraphs 176-179) 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.

Thermal comfort and fuel poverty

156. 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 improvements.

157. Analysis commissioned by the Bedfordshire and Luton sub-region estimated there to be 8,320 (6.0%) dwellings with households in fuel poverty in the area based on evidence about the local housing stock,
incomes and fuel costs at the time (Research Paper 2 paragraphs 180-181) – although it should be noted that increases in fuel prices that have been experienced since the analysis was undertaken will clearly have an impact on this estimate.

158. Areas of greatest fuel poverty correlate mainly with areas of detached dwellings where the housing is owned outright (Research Paper 6 page 109). 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.

159. Achieving the Decency standard is an example of a policy focus to address unsuitability without an impact on the overall housing requirement. A further example is adaptations. The additional delivery challenge in rural areas applies to both areas.

Unsuitable housing and vulnerable households – other groups

160. Adaptations are also a policy response to groups such as those with physical disabilities, learning disabilities or mental health problems as well as older people. Such people self-identified in their Household Survey (2004) questionnaire.

161. The Household Survey (Research Paper 6 page 41) indicates that 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.

162. 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 (Research Paper 6 page 56).

163. Research Paper 6 sets out the available evidence about the housing needs of vulnerable groups and provides an indication of where specialist housing provision can make a contribution to meeting the housing needs of vulnerable groups (as an alternative to the provision of support and/or adaptations within clients’ existing homes). Strategy in this area is in development, and commissioning practice is changing as the personalisation agenda is implemented, but the Authorities should ensure that the need for additional/specialist housing provision for vulnerable groups is identified and addressed through the planning system.

Overcrowding

164. Overcrowding is an issue that normally necessitates moving to more suitable housing rather than adapting the current dwelling – though extensions and conversions can sometimes provide an appropriate solution. In the affordability sub-section of Theme 1, we draw attention to the difficulties faced by large households on low income. The implication is that large households on low income, if overcrowded, are likely to have an urgent housing need.

165. 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 (Research Paper 6 pages 61-2). 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.

**BME Housing Needs**

166. BME groups constitute around 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%) (Research Paper 2 Figures 10-11). 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% (Research Paper 2 Para 116). By contrast the more rural Central Bedfordshire had only 6% BME residents in 2001.

167. 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.

168. The 2004 Household Survey (Research Paper 6 page 60), confirmed that the way in which the different BME groups met their housing requirements varied 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

169. 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 disability (Research Paper 6 Pages 63-64). 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.

170. 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.

171. The consequences of this are evident from the mix of households presenting as homeless across the sub-region (Research Paper 4 Figure 87) 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

Decent Homes and Thermal Comfort

172. The evidence supports the case for continued investment to achieve decent homes and improve thermal comfort in the private sector, focussing particularly on the needs of vulnerable occupiers.

173. 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.

174. 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.

175. We would note that 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.

Provision for Vulnerable Households

176. In addition to the range of interventions that are focussed on enabling vulnerable occupiers to remain in their homes, the Authorities should ensure that the need for additional/specialist housing provision for vulnerable groups is identified and addressed through the planning system.

Overcrowding

177. The evidence demonstrates the extent of overcrowding, and the fact that 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 (as explored in the Older People theme)

Needs of BME Groups

178. 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.

179. 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.

180. These are both areas for ongoing monitoring.

Policy summary: Existing Occupiers and their Homes

There should be continued investment to deliver decent homes and improve thermal comfort in the private sector, focussing particularly on the needs of vulnerable occupiers

Authorities should develop their partnership networks with voluntary sector providers and review the use of home improvement agencies

Authorities should provide residents with information about where they can receive impartial advice about equity release to fund repairs or adaptations

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 also continue to pursue measures to tackle under-occupation in the current social housing stock, incentivising households under-occupying larger homes to move and providing housing that meets the aspirations of older people

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.
Future monitoring of the market and updating the SHMA

181. This short section seeks to outline some of the policy issues that future updates and revisions to the SHMA may need to address.

182. 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

183. 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.

184. 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).

185. 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 study 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.
Appendix 1: Text of Full PPS3 definitions referred to in the paper

A.1 The following abstracts from PPS3 are central to the main policy implications arising from the SHMA and are referred to in the text. Our emphasis is in italics.

### PPS 3 definitions relating to need and demand

**Housing need:** ‘the quantity of housing required for households who are unable to access suitable housing without financial assistance’.

**Housing demand:** ‘the quantity of housing that households are willing and able to buy or rent’.

### PPS 3 Paragraph 22

Based upon the findings of the Strategic Housing Market Assessment and other local evidence, Local Planning Authorities should set out in Local Development Documents:

- The likely overall proportions of households that require market or affordable housing, for example, x% market housing and y% affordable housing.
- The likely profile of household types requiring market housing e.g. multi-person, including families and children (x%), single persons (y%), couples (z%).
- The size and type of affordable housing required.

### Abstract of PPS 3 paragraph 29

In Local Development Documents, Local Planning Authorities should:

- Set an overall (i.e. plan-wide) target for the amount of **affordable housing** to be provided. The target should reflect the new definition of affordable housing in this PPS.
- It should also reflect 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*.

Local Planning Authorities should aim to ensure that provision of affordable housing meets the needs of both current and future occupiers, *taking into account information from the Strategic Housing Market Assessment*.

### Abstract of PPS 3 paragraph 31: Making effective use of existing housing stock

Local Planning Authorities should develop positive policies to identify and bring into residential use empty housing and buildings in line with local housing and empty homes strategies and, where appropriate, acquire properties under compulsory purchase procedures.
PPS 3 Annexe B definitions relating to affordable housing

Affordable housing

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.

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. The proposals set out in the Three Year Review of Rent Restructuring (July 2004) were implemented as policy in April 2006. 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 Housing Corporation as a condition of grant.

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 set out above. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent. These definitions replace guidance given in Planning Policy Guidance Note 3: Housing (PPG3) and DETR Circular 6/98 Planning and Affordable Housing.

The definition does not exclude homes provided by private sector bodies or provided without grant funding. Where such homes meet the definition above, they may be considered, for planning purposes, as affordable housing. Whereas, _those homes that do not meet the definition, for example, ‘low cost market’ housing, may not be considered, for planning purposes, as affordable housing._

Affordability

The terms ‘affordability’ and ‘affordable housing’ have different meanings. ‘Affordability’ is a measure of whether housing may be afforded by certain groups of households. ‘Affordable housing’ refers to particular products outside the main housing market.