



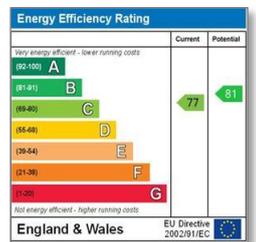
Bath and North East Somerset

Strategic Housing Market Assessment Update 2013

Addendum 1b to the Draft SHMA: Housing Mix

July 2013

Bath & North East Somerset Council



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Addendum 1b: Housing Mix

Updated SHMA analysis based on revised assumptions

Introduction

1. Opinion Research Services (ORS) was commissioned by Bath and North East Somerset (BANES) Council to undertake a Strategic Housing Market Assessment Review, including a study of current and future housing requirements and housing need. A consultation draft of the SHMA update was published by the Council in March 2013.
2. This Addendum seeks to address raised in representations to the Inspector for the current Examination in Public in relation to the transparency of the analysis, by providing further information about the derivation of the SHMA Core Outputs – in particular the approach to assessing the need for intermediate and social/affordable housing.
3. Chapter 8 of the Draft SHMA clearly sets out the structure of the model that was used for assessing the need for intermediate and social/affordable housing. It also presents key outputs from the model on the basis of a range of different assumptions. This Addendum provides further information about the calculations that underwrite that section of the report. As the calculations to determine the overall housing requirement have also been updated following the publication of new data (see Addendum 1a) the analysis in this document takes account of these updated figures.

Overview of the Model

4. The analysis is different from the assessment of housing need reflected in past SHMAs, which typically consider the need for affordable housing in isolation of the overall housing requirement. Instead, the analysis adopts a method similar to an approach originally developed by Alan Holmans and Sarah Monk (Cambridge Centre for Housing and Planning Research) which forms the basis of numerous publications, including “Housing Need and Demand in Wales 2006 to 2026” (Welsh Assembly Government Social Research, 03/2010). Their approach is well-established and uses propensity rates to directly link the future need for social rented housing with the demographic projections that underwrite the overall requirement for all types of housing.
5. The ORS model is well-established and has developed the propensity rate approach used by Holmans and Monk by overlaying an affordability analysis to determine the future need for all affordable housing, including the need for intermediate housing products. Therefore, the ORS model directly links the future need for intermediate and social/affordable rented housing with the household projections that underwrite the overall requirement for all types of housing.

Updated Model Assumptions

6. The Draft SHMA presented outputs from the model on the basis of a range of different assumptions and different household projection scenarios. Since that analysis was undertaken, a large amount of additional data has been published and it is important that the SHMA is updated to take account of this new information.
7. Addendum 1a to the Draft SHMA updated the household projections that underwrite the overall housing requirement, and these household projections have informed the updated housing mix analysis.
8. A significant assumption was the rate at which the private rented sector had grown since the 2001 Census – and the Draft SHMA presented analysis based on the housing tenure mix as it was in 2001 and an alternative analysis which assumed a 35% increase in the private rented sector and a 100% increase in the number of dwellings that are not let as self-contained units (i.e. being let as HMOs).
9. Since the Draft SHMA was published, data from the 2011 Census has been published that confirms the actual changes in tenure of the existing housing stock. This identifies that the number of households renting from a private landlord has increased from 7,184 households to 11,408 households; an increase of 4,224 households (59%). On the basis of data about “Other household types”, the number of HMOs in the private rented sector has increased from 2,058 households to 3,374 households; an increase of 1,316 households (64%).

Core Model Outputs

10. Given this context, the assumptions about changes in the private rented sector have been updated on the basis of an overall increase of 59%, and a 64% increase in dwellings in the number of dwellings that are not let as self-contained units. Figure 1 presents the modelled housing requirement on the basis of these revised assumptions for each of the updated household projections.

Figure 1: Housing requirement to 2031 based on High-, Mid- and Low-Trend Migration scenarios and 2008-based and 2011-based Headship Rates (Note: Figures rounded to nearest 100. All calculations based on unrounded data)

	2008-based Headship Rates			2011-based Headship Rates		
	High-trend Migration	Mid-trend Migration	Low-trend Migration	High-trend Migration	Mid-trend Migration	Low-trend Migration
Housing Requirement 2011-31						
Market Housing	8,400	7,300	6,300	6,300	5,300	4,500
Intermediate Affordable Housing	700	600	500	1,200	1,100	900
Social/Affordable Rent Housing	3,800	3,600	3,400	2,300	2,100	1,900
Total Housing Requirement	12,900	11,500	10,200	9,800	8,600	7,300
Market Housing	64.7%	63.6%	62.3%	64.0%	62.9%	61.0%
Intermediate Affordable Housing	5.8%	5.2%	4.4%	12.5%	12.5%	12.7%
Social/Affordable Rent Housing	29.5%	31.2%	33.3%	23.4%	24.5%	26.8%

11. The Draft SHMA identified an overwhelming requirement for intermediate affordable housing on the basis of the tenure mix identified by the 2001 Census, but the alternative assumptions taken about the private rented sector suggested that market forces had already addressed this need. On the basis of assumptions informed by the 2011 Census, the model identifies a requirement for between 500 and 1,200 intermediate

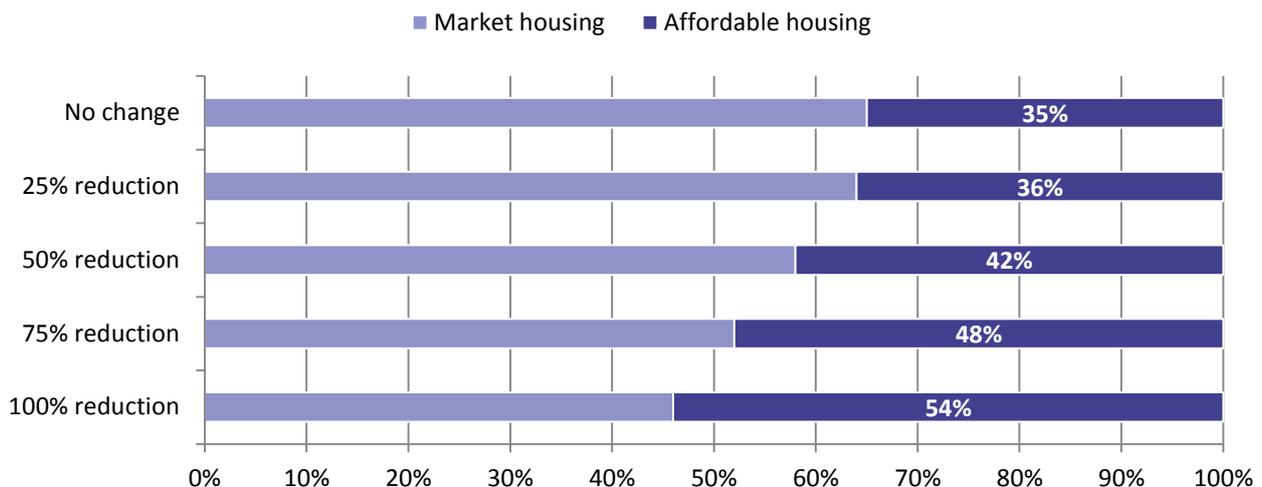
affordable homes over the 20-year period (4.4%-12.7% of the overall housing requirement) on the basis of the affordability analysis.

12. It is worth noting that there may also be demand for additional intermediate home ownership from households who could otherwise afford market rent.

Assumptions about Housing Benefit in the Private Rented Sector

13. As in the Draft SHMA, the model outputs assume that Housing Benefit support for households living in private rented housing remains constant.
14. Figure 2 illustrates the impact on the housing mix based on changes to this assumption. This analysis is based on the High-trend Migration household projection scenario with 2008-based Headship Rates, where it is apparent that the proportion of affordable housing required would increase from 35% to 54% of the overall housing mix (an increase from 4,500 up to 7,000 dwellings of the 12,900 total dwelling requirement for this scenario).

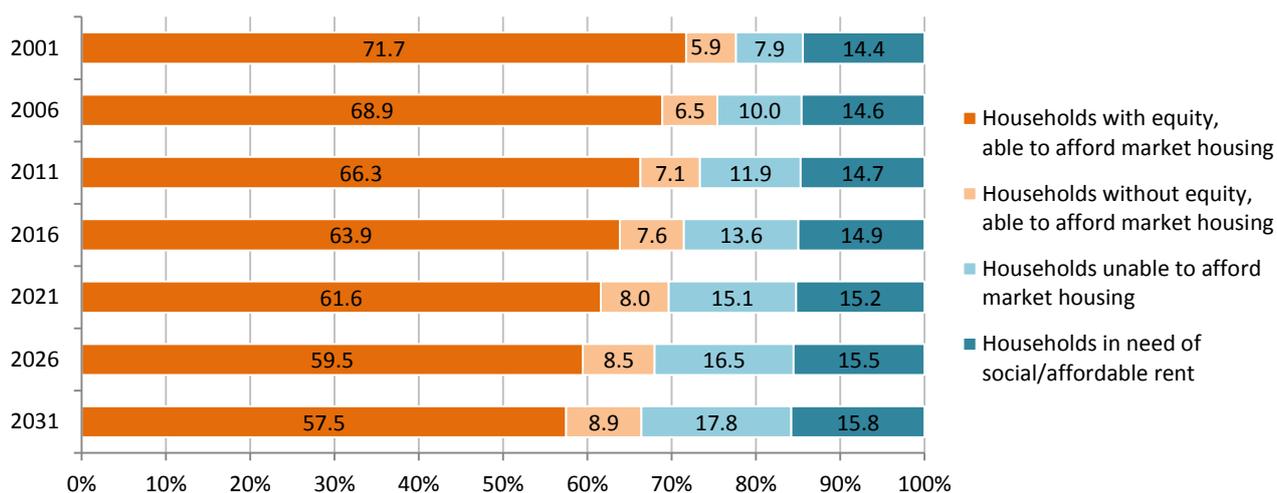
Figure 2: Impact of reducing Housing Benefit support for households living in private rented housing: Housing mix 2011-31 based on High-trend Migration and 2008-based Headship Rates



Overview of Modelling Calculations

15. The ORS model considers future household affordability on the basis of a range of assumptions and detailed information about the existing housing stock. Based on a given household projection, the model separates households into these four categories:
- » Households with equity that are able to afford market housing
 - » Households without equity, but with sufficient income to afford to buy a home or rent a home above market rent thresholds
 - » Households unable to afford to rent a home at market rent thresholds without financial support
 - » Households in need of a social rented or affordable rented home
16. Figure 3 illustrates the projected change in proportions over the period 2001 to 2031. It is interesting to note that the model projected that the proportion of owner occupiers would reduce from 71.7% to 66.3% over the period 2001-11. Whilst this analysis was not informed by the 2011 Census, the latest data shows that the rate had actually reduced from 71.7% to 66.7% over that period.

Figure 3: Modelled affordability trends based on High-trend Migration and 2008-based Headship Rates



17. Figure 4 summarises the baseline requirement given the household projections and rates shown above.

Figure 4: Summary of Baseline Household Requirement identified based on High-trend Migration and 2008-based Headship Rates (Note: All figures rounded to the nearest 100)

	Overall	By Housing Type			
		Market Housing		Affordable Housing	
		Owner Occupied	Market Rent	Intermediate (Sub-market rent)	Social/AR
HOUSEHOLD REQUIREMENT					
Total households: 2011	73,500				
Affordability distribution		66.3%	7.1%	11.9%	14.7%
Households requiring housing		48,800	5,200	8,800	10,800
Total households: 2031	86,000				
Affordability distribution		57.5%	8.9%	17.8%	15.8%
Households requiring housing		49,400	7,700	15,300	13,600
Baseline Household Requirement 2011-31	+12,500	+700	+2,500	+6,500	+2,800

18. Nevertheless, changes to household requirement are only one aspect of the analysis which informs the required housing mix.
19. Figure 5 details the adjustments to the household requirement and considerations in relation to changes within the existing dwelling stock that yield the overall housing mix required.

Figure 5: Summary of Housing Mix Modelling Analysis based on High-trend Migration and 2008-based Headship Rates
(Note: All figures rounded to the nearest 100)

	Overall	By Housing Type			
		Market Housing		Affordable Housing	
		Owner Occupied	Market Rent	Intermediate (Sub-market rent)	Social/AR
BASELINE HOUSEHOLD REQUIREMENT	+12,500	+700	+2,500	+6,500	+2,800
Backlog of social/affordable rent at baseline	-	-	-	-700	+700
Impact of Housing Benefit to increase households' affordability for private rent	-	-	+3,200	-3,200	-
Adjusted Household Requirement 2011-31	12,500	700	5,600	2,600	3,500
ADDITIONAL DWELLING REQUIREMENT					
Increase in dwellings with no usual residents	500	< 50	100	200	100
Overall Housing Requirement 2011-31	12,900	700	5,600	2,900	3,600
CHANGES WITHIN EXISTING DWELLING STOCK					
Impact of future Right-to-Buy sales	-	+200	-	-	-200
Impact of Private Rented Sector projected growth	-	-8,600	+6,500	+2,200	
REQUIRED HOUSING MIX 2011-31	12,900	Market Housing 8,400		Intermediate 700	Social/AR 3,800

20. Whilst the model identified that 10,800 households required social or affordable rented housing in 2011 (therefore 11,200 dwellings to allow for vacancies), data about the existing stock showed a baseline of 10,500 dwellings in 2001, and 700 completions offset against 800 losses from Right-to-Buy over the period 2001-11; yielding an available stock of only 10,500 dwellings, and therefore a shortfall of 700 dwellings.
21. The households that require this “backlog” of social or affordable rented housing had already formed in 2011, and would probably have been living in sub-market rented properties – so this adjustment does not increase the overall amount of housing required, but does affect the mix.
22. In addition, whilst the model identified that 8,800 households were unable to afford market rents without financial support in 2011, financial support was provided to 3,200 households through Housing Benefit support; thereby increasing their affordability and allowing them to pay market rents.
23. Further to the household requirement identified, the model also identifies the need for additional dwellings with no usual residents. This allows for transactional vacancies within the stock and a proportion of second homes.
24. The final analysis considers changes within the existing stock: the impact of projected future Right-to-Buy sales together with the impact of the reducing number of owner occupiers projected by the affordability analysis. As the private rented sector grows, a large proportion of the additional housing will be let at market rents, but the lowest quartile (i.e. a quarter of the stock) will contribute supply at sub-market rents.
25. Taking these factors collectively, the model identifies the overall housing mix for the projected period, considering the owner occupied and market rent together as necessary for planning policy.