

APPENDIX 9: POLICY IMPLICATIONS DISCUSSION PAPER

An SHMA and its offshoots is intended to do more than just tick a box in a mechanistic process, but should become a document and source of evidence, information and analysis that is consulted and referred to when required by a range of stakeholders. This paper formed the basis of discussions by the SHMA steering group and others about how to apply the SHMA to influence and take account of the range of strategies and policies in local authorities and elsewhere.

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9. LEICESTERSHIRE HOUSING MARKET AREA : POLICY IMPLICATIONS

9.1. Key Points – developing joined up policy

- 9.1.a. Sub-regional housing market assessments are not an end in themselves, but are a means to improve policy and help deliver better outcomes. A key issue is moving forward on the policy-making agenda.
- 9.1.b. There are a number of drivers that are placing an even greater emphasis on developing a sub-regional policy perspective. These focus especially on the Treasury-led Sub-National Review of Economic Development and Regeneration – a further consultation paper is due to be published by the Government in early 2008. There are both challenges and opportunities on moving forward at a sub-regional level.
- 9.1.c. There is a tension between the sub-regional agenda and the increased emphasis on the role of local authorities as ‘place shapers’ in, for example, the Local Government and Public Involvement in Health Act, 2007.
- 9.1.d. There has been relatively little history of joint working between all of the local authorities comprising the Leicestershire Housing Market Area. There, nevertheless, have been interesting examples of joint working between groups of councils. The Welland Partnership has been quoted in national studies as good practice in developing and delivering policies for a rural sub-region.
- 9.1.e. There are four high priority issues that are common to all eight local housing authorities and these are:-
- Meeting the decent homes standard in the public and private sectors;
 - Affordable housing provision;
 - Tackling homelessness in a proactive manner; and
 - Providing support to enable vulnerable people to live independently.
- 9.1.f. The Housing Green Paper (July 2007), the Comprehensive Spending Review (October 2007) and the Housing and Regeneration Bill (November 2007) provide a changing focus for housing policy especially on affordable housing provision. The proposed introduction of a community infrastructure levy (CIL) from as early as April 2009 along with the establishment of the Homes and Communities Agency is indicative of the scale and pace of change.

9.2. Introduction

- 9.2.a. The aim of this section of the report is to set out emerging issues in taking forward the sub-regional housing market assessment. Key

questions are set out for the sub-regional partnership and the individual councils.

- 9.2.b. The starting point for this paper is that a sub-regional approach for housing is becoming more important as part of the Government's agenda. This is likely to require the development of sub-regional strategies and action plans based on housing market areas.

9.3. Sub-Regional Housing Market Assessments

Leicestershire Perspective

- 9.3.c. The starting point for sub-regional housing market assessments in the East Midlands was research commissioned by regional agencies to identify housing market areas. The DTZ Pidea study was published in early 2005. It is important to appreciate that the approach adopted was based on identifying core housing market areas surrounded by zones where more than one housing market was influential. From a Leicestershire perspective, the study highlighted:-
- 9.3.d. Core housing market area based on the City of Leicester and the districts of Oadby & Wigston, and Blaby together with parts of the other districts.
- 9.3.e. Much of Melton as an 'area of regional distinctiveness' that did not easily fit into the city sub-region approach that underpinned the DTZ Pidea methodology.
- 9.3.f. Areas of overlap including, for example, parts of Harborough fitting into the Peterborough / Welland HMA, North Northamptonshire HMA and the West Northamptonshire HMA.
- 9.3.g. Housing market areas do not normally fit with local authority administrative boundaries.
- 9.3.h. For various reasons, including administrative purposes, the regional agencies in the East Midlands adopted a best-fit approach based on local authority areas in taking forward housing market assessments.
- 9.3.i. It is however worth noting that other regions have taken alternative approaches. In the North West, for example, housing market areas in Greater Manchester have been identified without recourse to local authority boundaries. It is argued that this helps to focus attention on the development of common strategies and actions.

Government Advice and Guidance

- 9.3.j. During 2007, CLG published a considerable amount of guidance of sub-regional housing market assessments. There are three interrelated issues that partners ought to consider in moving forward:-
- 9.3.k. Importance of regular updates of the housing market assessment with the implicit assumption that these will be annual and carried out in-house using secondary data sources.
- 9.3.l. Relationship between housing market assessments (including better understanding housing markets) and policy making processes. In particular, there is a need to clarify the process by which assessments (including annual updates) will feed into strategic development of community strategies, local area agreements, local development frameworks and housing strategies.
- 9.3.m. Role of the Leicestershire Sub-Regional Housing Market Partnership in taking forward the policy agenda.

9.4. Making Use of Housing Market Assessments

- 9.4.a. In relation to the last point, the evidence from the Improvement and Development Agency (IDeA) and the Chartered Institute of Housing (CIH) in their joint work on the housing strategy function¹ is that the effective use of housing market information in influencing policy making is more likely to occur where there are sub-regional and joint working arrangements in place. Examples include Cumbria², Partnership for Urban South Hampshire (PUSH – see <http://www.push.gov.uk/>) and Shropshire and Herefordshire Housing Officers Group (SHHOG –see <http://www.shhog.org.uk/>). It is argued that there is a danger that sub-regional housing market assessments will be of little value to partners if there is not an appropriate organisational mechanism in place to take forward the findings into the policy arena.

¹ See <http://www.idea.gov.uk/idk/core/page.do?pageId=6132520>

² See <http://www.cumbria.gov.uk/planning-environment/spatialplanning/cumbriasubregionalhousingstrategy/csrhs.asp>

Issues

How should the Leicestershire Housing Market Partnership move forward in relation to:-

- *Updating the housing market assessment; and*
- *Using the housing market assessment as part of the policy planning process?*

How should policy making take account of the realities of the housing markets in Leicestershire and the East Midlands i.e. overlapping housing markets that do not tie in with administrative boundaries?

Should the Partnership establish a secretariat to take forward the housing market assessment and policy making agenda?

9.5. Sub-Regional Approach

9.5.a. There are a number of drivers that are placing an even greater emphasis on developing a sub-regional policy perspective. These focus on the Treasury-led Sub-National Review of Economic Development and Regeneration published in summer 2007. An update report was made available in December 2007. A further consultation paper is due to be published by the Government in early 2008.

More specific considerations include:-

9.5.b. Emphasis on sub-regional housing markets (as illustrated by the Government guidance on this topic published in 2007) rather than housing needs studies based on administrative boundaries – see above.

9.5.c. Government promotion of sub-regional choice-based lettings schemes through three rounds of regional challenge funding in 2005-2007. It is worth highlighting that progress on sub-regional CBL has been relatively slow partly because of the difficulties of reaching a consensus between many participating agencies.

9.5.d. Regional resource allocation decision-making that increasingly centres on investment decisions for sub-regions rather than individual councils.

9.5.e. Government support for city regions. A group comprising eight 'core' cities have been working with CLG for a number of years on developing integrated cross-boundary strategies covering economic development, planning, transport and housing. They include Nottingham but not Leicester or Derby.

- 9.5.f. Research and good practice evidence highlighting potential benefits of cross-boundary working. In the East Midlands, forthcoming reports on low cost home ownership and on planning agreements and affordable housing indicate that joint working between groups of council and other partners have the advantages of:-
- 9.5.g. Aligning the development and delivery of policies with real housing markets; and
- 9.5.h. More effective use of scarce staff resources and expertise.
- 9.5.i. Multi Area Agreements (MAAs). As part of the further development of local area agreements (LAAs) and city regions, the Government has been encouraging groups of unitary and county councils to consider piloting cross-boundary MAAs. Thirteen pilot MAAs were announced in November 2007. Progress is patchy with considerable progress being made in Greater Manchester and Tees Valley. But it is understood that at least two MAAs are unlikely to be signed off by summer 2008.
- 9.5.j. Innovative approaches by rural sub-regions such as Cumbria and Shropshire and Herefordshire Housing Officers Group (SHHOG) – see above.
- 9.5.k. In relation to the last point, there are a number of alternative organisational models such as developing a sub-regional fit for purpose housing strategy (as achieved in Cumbria) and / or having a dedicated sub-regional officer team that co-ordinates broad strategic policies but enables each council to retain and develop its own detailed plans and actions (as in SHHOG)³.
- 9.5.l. It should also be noted that an independent report produced in spring 2007 on youth homelessness for Leicestershire County Council and the district councils indicated that there was a strong case for joint working with the City Council and the potential development of an MAA. It is unclear whether this idea is being progressed.
- 9.5.m. There are, thus, a number of opportunities as well as challenges in moving forward at the sub-regional level. The former include aligning policies with the reality of housing markets, the potential to develop housing strategies and action plans that reflect sub-regional requirements, the ability to share expertise and knowledge between smaller authorities, and the prospect of being better equipped to bid successfully for external funding.
- 9.5.n. There are, however, a number of interrelated challenges. These centre, firstly, on the potential loss of identity and priority for actions by individual councils. Secondly, there is the complexity of developing, delivering and monitoring sub-regional strategies. We are aware that at

³ Please note that the situation in Shropshire and Herefordshire is changing as the former is moving to unitary status by April 2009.

least two housing market areas have commissioned consultants to produce sub-regional housing strategies⁴. Both projects have a lengthy time-span and it is not clear at this stage the extent to which there will be both sub-regional policies and individual council strategies.

Issues

Assuming that the Leicestershire Housing Market Partnership wishes to move forward on a sub-regional basis, is there a preferred ‘approach’?”

Will the Partnership and individual councils be able to resolve the specific challenges of a sub-regional approach?

Has consideration been given to a broader sub-regional approach covering, for example, planning and economic development as well as housing in the light of the Treasury led initiative on sub-regional economic strategies?

9.6. Local Authorities as Place Shapers

9.6.a. The Local Government White Paper (2006), the Lyons Review (2007) and the Local Government and Public Involvement in Health Act (2007) emphasise the role of local authorities as ‘place shapers’. In some respects, this term has not been fully clarified and might be considered as being an update on the strategic enabling role of councils. It encompasses a number of activities including:-

- Policy and research with a focus on sustainable community strategies.
- Facilitating the activities of other agencies.
- Collaborative working especially through local strategic partnerships (LSPs).
- Empowering local communities.
- Monitoring and scrutinising the role of other agencies.

9.6.b. Each of these activities can be specifically applied to housing (and indeed they form an important element of the Audit Commission’s key lines of enquiry on the strategic housing function).

9.6.c. This enhanced role for individual councils raises challenging issues for the sub-regional agenda – see above. There is a clear tension between

⁴ These are the Nottingham Outer Area Sub-Region (comprising Mansfield, Ashfield and Newark & Sherwood) and Lincolnshire.

these two approaches and there is a lack of guidance on how to align these perspectives.

- 9.6.d. The Audit Commission has recently commissioned a study on the future of its role in relation to local authority housing strategy functions, while IDeA and the CIH are also carrying out joint research on the relationship between local housing strategies and sub-regional / regional policy making. It is unclear whether additional guidance on the balance between local and sub-regional approaches will be forthcoming from CLG. It is worth noting, however, that the GONW (which is taking a lead for Government Offices on housing) favours a sub-regional perspective on the lines of the Cumbria approach – see above.

Issues

How will the councils in Leicestershire balance sub-regional and local approaches on policy making for housing and other topic areas?

Can 'place shaping' at an individual council level be aggregated to form a sub-regional approach?

9.7. Local Policy Dimension

- 9.7.a. Because of the low level joint working between each of the councils and other agencies in Leicestershire, it is not surprising that local planning processes and strategies are not aligned. The objective of this section is, therefore, to highlight key issues in moving forward on a joint agenda:-
- 9.7.b. Co-ordinating Housing Strategies: Each of the housing strategies has a different status and timeframe – for example, Blaby District Council has yet to achieve a fit for purpose housing strategy, while Charnwood Borough Council was one of the first in the region to achieve this status and its strategy covers the period 2005-2010.
- 9.7.c. It is also important to appreciate that there is considerable variation in the progress on moving towards the new local development framework (LDF) re: the delivery of affordable housing through the planning system.

Issues

Is it intended to develop a fit for purpose Leicestershire Housing Strategy covering, for example, the period 2009-2012?

- 9.7.d. Strategic Policies: At a strategic level (e.g. community strategies, local strategic partnerships and corporate plans), there is less diversity. This is because Leicestershire County Council and the seven districts are

attempting to align their community strategies and the work of the LSPs. There is nevertheless the need to consider the relationship between these strategies and that of Leicester City Council.

Issues

Is there a willingness at a strategic level to take forward a co-ordinated strategic approach covering the county and the city in relation to the city region / sub-regional agenda – see above?

9.7.e. Common Housing Priorities: As there is considerable variation in the state of play on local housing strategies and community plans, a desk-top study of key housing priorities has not been straightforward. Nevertheless, there are a number of common high order issues and these are:-

- Meeting the decent homes standard in the public and private sectors;
- Affordable housing provision;
- Tackling homelessness in a proactive manner; and
- Providing support to enable vulnerable people to live independently.

9.7.f. Within these broad headings, there is a degree of variation and detail. For example, in relation to affordable housing provision through the planning system, existing and emerging policies (through the LDF process) include different approaches on:-

- Affordable housing targets;
- Attitudes to commuted sums;
- Threshold levels;
- Balance between low cost home ownership and social renting; and
- Corporate policies and processes re section 106 agreements.

9.7.g. There have been some attempts to develop a common approach between some councils. For example, mention has already been made of the Welland Partnership (that included Harborough and Melton Councils) and the study commissioned by Leicestershire County Council in 2007 on tackling youth homelessness as part of the local area agreement process.

Issues

Would it be valuable to focus the development of joint working and / or a sub-regional housing strategy around

- *Common high order housing priority areas; and / or*
- *Development of detailed policies and processes on a specific issue such as affordable housing provision through the planning system or a proactive approach in tackling homelessness?*

Might it be useful to develop on an incremental basis sub-regional policies and actions around areas which are already common priorities – for instance each local authority has to have an updated local homelessness strategy by the end of July 2008?

9.7.h. Other Housing Priorities: Each council has identified high profile issues / priorities that are unique and affect only a small number of other local authorities. These local priorities include:-

- Provision of accommodation for students and the impact on local housing markets and neighbourhoods.
- Helping households onto the owner occupied housing ladder.
- Improving the delivery of housing services.
- Eradicating fuel poverty and providing energy efficient homes (one).

These differences reflect local circumstances and issues.

Issues

In developing a sub-regional housing strategy, it is important to recognise the significance of local issues. How can this be achieved?

9.7.i. Sub-Areas: Local housing strategies do not in all cases incorporate policy statements that differentiate between areas on the basis of neighbourhood housing markets. The adopted Local Plans and the emerging Local Development Frameworks do incorporate area-based statements distinguishing in rural areas between market towns and other types of settlements.

Issues

How will sub-regional housing market assessment updates and policy making focus on housing submarkets including villages and market towns in rural areas? At what stage in the research and policy making process will there be an attempt to align work on housing submarkets with policies for sub-areas?

9.8. National Housing Policy Context

9.8.a. The Housing Green Paper (July 2007) places considerable emphasis on meeting new challenging targets for new housebuilding and affordable housing provision as part of the sustainable communities plan. The key message (adopted from the Barker Review of Housing Supply 2004) is that large scale housebuilding (including affordable housing) will, in the medium to long term, result in more balanced local housing markets. Affordable housing provision is highlighted by each of the councils as a high priority.

9.8.b. More specifically, the Green Paper, the Housing and Regeneration Bill (2007) and the Planning Reform Bill (2007) focus on:-

9.8.c. Importance of local delivery vehicles to push forward the Government's commitment to new housebuilding and regeneration at the local level. These include, in rural areas, community land trusts – but there is some evidence that these would best operate at a sub-regional or county-wide scale. In urban areas, there is a focus on, for instance, city development corporations and local housing companies.

9.8.d. Substantive housing and planning policies including:-

- Increased emphasis on low cost home ownership as well as social renting as part of affordable housing;
- Additional focus on growth points; and
- Development of eco-towns.

9.8.e. Establishment of a Homes and Communities Agency by 2009 to work with councils to deliver new affordable housing and tackle regeneration and neighbourhood renewal. The scope of the activities of this new agency has recently been clarified. A major challenge is how sub-regions will liaise with the Homes and Communities Agency.

9.8.f. Reformed planning system re LDFs to speed up the process.

9.8.g. Introduction of a community infrastructure levy (CIL) to help fund infrastructure for major new developments. The Government has recently announced that it intends to have this system in operation by

April 2009. It potentially has significant implications for the provision of affordable housing through the planning system. For example, if greater weight is placed on infrastructure funding, there will be less likelihood of achieving affordable housing targets.

- 9.8.h. There have been a number of other measures announced to take forward this agenda since autumn 2007 including:-
- 9.8.i. Comprehensive Spending Review (CSR 2007) including a doubling of new social housing units by 2010/11 and new PSA targets – PSA 20 focus on new housing.
- 9.8.j. Proposed Housing and Planning Delivery Grant that will reward councils financially where the number of houses completed is above target.

Issues

How does the sub-regional partnership (and the individual councils) intend to take forward the Government's commitments to higher levels of housebuilding including affordable housing provision?

Should sub-regional delivery vehicles be established to help implement higher levels of housing provision?

How does the sub-regional partnership (and the individual councils) intend to address the rapidly changing organisational and policy environment over the next 12 months?

9.9. Specific policy directions and options.

- 9.9.a. The Local Government White Paper (2006) sets out an enhanced strategic housing role for local authorities.
- 9.9.b. *'Local authorities' work in producing housing strategies has been a lever for*
- 9.9.c. *economic and social change in many areas, reflecting a shift towards ensuring local housing markets meet local demands, rather than a narrower focus on directly providing social housing. This strategic housing role is at the heart of achieving social, economic and environmental objectives that shape a community and create a sense of place*
- Strong and Prosperous Communities. Local Government White Paper. October 2006
- 9.9.d. CLG asked IDeA to develop a programme to help local authorities enhance their strategic housing role⁵. The IDeA good practice guide comments:-
- 9.9.e. *Joined up government, neighbourhood working and the complex operation of housing markets are rapidly changing the environment within which local authorities operate.....*
- 9.9.f. *An appropriate balance of good quality housing, which provides variety, choice and is accessible, is fundamental to the well-being of the citizens of any local authority area.*
- 9.9.g. *It involves making the best use of the housing that is already there, as well as working effectively with the market to supply new homes. Crucially, it is also about looking and working across all tenures, and ensuring that appropriate links are made to the support services which people need to live in their homes.*

Community leadership and the strategic housing role in local government, IDeA

- 9.9.h. Amongst the skill required for this new role IDeA identifies *commissioning of research and understanding housing markets – intelligence led and evidenced*. A Strategic Housing Market Assessment is part of this process.

9.10. Policy links and options

- 9.10.a. In the course of researching and writing an SHMA many links and interactions can be made. This section explores some possible policy directions, including those which join up different issues, areas of work and departments or organisations; considers options for

⁵ <http://www.idea.gov.uk/idk/aio/6514426>

constructive interventions; and also explores possible unintended consequences.

- 9.10.b. Underlying this is an assumption that the free market will not by itself meet society's needs for housing, and that well thought out policies that are implemented effectively can improve it.
- 9.10.c. It is social engineering, but to let the market have free rein also has consequences and is just as much a form of social engineering. It is unavoidable that government in various forms will always influence the shape and nature of housing markets, and there is no greater virtue in doing so 'unintentionally' than in doing so with some care.

Cross boundary working

- 9.10.d. While Leicestershire overall is not really a natural functional housing market area, the core city very much is, and the larger settlements and close to them have their own housing market identities and 'gravity'. The best working arrangements for housing market monitoring and development of policies are therefore likely to be:-
- 9.10.e. The Leicester urban area or core city region. Leicester City, Oadby & Wigston, and the adjacent suburban areas of Blaby, Charnwood, Harborough, and possibly Groby and Ratby in Hinckley & Bosworth.
- 9.10.f. The major county towns Loughborough/Shepshed and area, Coalville, Melton, Hinckley/Barwell, and Harborough. Other sizeable settlements would also benefit from specific monitoring and policies, but these would best be put in place later when systems and skills are established.
- 9.10.g. Rural areas. There seems to be no reason why Leicestershire should not be the basis for this, and it is already the remit of the Rural Housing Enabler.
- 9.10.h. In this arrangement some monitoring and policies would be jointly considered by the participating councils, while others would be the province of a single local authority. Rural housing policies could be considered by a loose partnership of councils facing similar issues, perhaps somewhat like the Welland partnership.

Reconciling needs, viability and policy

- 9.10.i. There is a tendency for local authorities to respond to the greatest pressures on them, often where they have statutory duties. This can result in a focus on more extreme and pressing needs, such as

homelessness, overcrowding and urgent transfers, which generally lead to more need for social renting.

- 9.10.j. The strategic housing role means that they need to look at the wider market more, and consider how to meet the needs and expectations of all households and communities in their areas; and to try to make housing markets function better overall to meet the whole range of demand and need.
- 9.10.k. The findings of this SHMA are that there is extensive housing need in Leicester (&shire) in the order of 90% of the total Regional Spatial Strategy new supply targets of 3,780 a year. But research is not policy, and a figure of this magnitude cannot be met by Planning policies for a percentage of market housing to be affordable, so a lower policy headline 'percentage' figure is essential. A distinction must be made between the assessed level of need and the realistic, effective and viable means and options for trying to address it.
- 9.10.l. There is a tendency to adopt a 'going rate' of affordable housing, commonly now in the region of 40% in the Midlands. While it is simplistic and crude, on this basis 40% may be considered as a reasonable overall policy starting point, which gives an initial idea of what is likely to be expected and basis for site valuations and scheme viability testing; but it should be, and indeed already usually is, just a starting point.

For comparison:-

- 9.10.m. the Cambridge *Approach to Affordable Housing to Inform the East Midlands Regional Plan (2006)* produced targets for the Leicestershire HMA of 25% social rented and 8% intermediate housing, totalling 33%. The 8% intermediate proportion is 24% of this 33% total.
- 9.10.n. This SHMA finds higher levels of need using more detailed data and taking into account housing costs much more, and that 22% of whatever affordable housing is provided should be Intermediate, with varying proportions in the different local authorities.
- 9.10.o. The levels of need *by local authority* within the Leicester (&shire) HMA range from just under 100 to around 1000, and from 50% of total new supply to over 600%. These different levels could form a basis for each local authority's policies, based on the different needs of each local authority and modified to suit local circumstances and policy objectives.
- 9.10.p. However there may be advantages in integrating the initial target percentages adopted across the HMA, or at least across the core city area; but there are serious dangers of deterring sites from coming forward, slowing delivery and distorting communities and housing markets if these figures are treated too rigidly.

- 9.10.q. What figures of this magnitude mean in practice is that very high requirements for the proportion of housing that should be affordable to meet need may be **justifiable**, but are clearly not **practicable**. The actual percentages of affordable housing sought and agreed on each site then depends on many other factors, such as the total amount of new housing to be delivered, site viability, market demand, development economics and wanting to foster more balanced communities and housing markets.
- 9.10.r. The headline percentage figures, within this high level of need, which are adopted as policy are therefore just a starting point for more localised assessment based on the site, the housing market and demographics that influence it and form its catchment area, and the prevailing general housing market circumstances.
- 9.10.s. The targets in Planning policies, following PPS3 and the EiP comments, should be numerical, while the percentage targets of affordable housing sought as required by Paragraph 22 of PPS3 must be the qualified and mediated methods and policies for progressing towards those targets.
- 9.10.t. Nor should the numerical targets to meet need be seen as the same as performance targets for S106 negotiations by local authorities. Rather they are what would have to be achieved to address all need – or as the EIP puts it *with it being stressed that these are for monitoring purposes*.
- 9.10.u. Such high targets appear, and may remain, largely unattainable at present, but this does not invalidate them for monitoring how far housing need is gradually being met or reduced. But other methods of achieving the numerical targets are also possible – for example a step change in new supply, or incentives to promote more effective use of existing stock.
- 9.10.v. Percentage targets, as adopted in local plans informed by the SHMA estimates, will inevitably become more like performance targets for the local authority policy delivery units, but again need to be varied according to circumstances. In some site and local market circumstances they could be lower, in others higher.
- 9.10.w. Reasons for accepting lower percentages typically include higher costs of development on difficult sites, avoiding concentrations of deprivation and fostering balanced communities. Market conditions could now rapidly become another valid reason. Reasons for higher percentage levels could include discounted land, covenants for affordable provision, or easier to develop sites in higher priced areas with housing need nearby which could be met on or off the site.
- 9.10.x. A different percentage target, higher or lower, on any particular site should not be seen as failure or defeat, but a necessary and sensible compromise by both local Planning Authority and Developer subject to

those particular local circumstances that will improve the functioning and balance of housing markets overall in the longer term. What is important is that a range of housing results which is viable to deliver, allows a reasonable profit, fosters mixed communities, does not distort the market and meets both demand and need. Simplistic one size fits all solutions will not do this.

- 9.10.y. Now that the housing market has entered a phase of possible price stability or falls, starts for new market development are falling rapidly. In these circumstances developing social housing can become a lifeline for developers;- but it is strategically important that this 'pendulum swing' does not lead to imbalanced new development, with too much affordable housing of a particular type concentrated in a few places.
- 9.10.z. Indeed it is possible to imagine a situation where developers seek to require local authorities to accept and fund RSLs to take on the percentage of affordable housing set out in LDF policies. Inflexible proportions in planning frameworks which do not take account of market dynamics could become a 'double edged sword'.
- 9.10.aa. The Planning system must adapt to fit the world, because the world will not adapt to fit the Planning system.

Plan, monitor and manage in Planning policy

- 9.10.a. Carefully formulated Local Development Frameworks and policies could therefore be required which refer to **methods of assessment of local need and demand** rather than pre-specifying it all in advance, as this is impossible. Market monitoring and understanding, which involves and includes developers and landowners, has to be an integral part of this.
- 9.10.b. Using these methods, local, up to date evidence can help understand the wide range of specific details and options that need to be considered. In cases where the agreed best solutions can be seen to be not commercially feasible, subsidy or support of various kinds could be sought as required. This could range from flexible S106 conditions to actual financial inputs from other organisations - as with Housing Corporation policies for Social Housing Grant funding to provide 'additionality'.
- 9.10.c. This often happens now in practice but is time consuming and resource intensive, so LPAs attempt to pre-specify targets on a crude generalised basis rather than specify the methods by which they will be determined.
- 9.10.d. This will require another step change in how local development frameworks are formulated, based on better understanding of markets and economic influences, a comprehensive monitoring system and

market intelligence, and new skills for handling them. It sounds difficult and complicated, but the software, data and methods are all available and capable of being adapted now. This SHMA points to some of these.

The Private Sector

9.10.a. The private rented sector has changed substantially and has had considerable impact on the wider housing market over recent years. While it is the most rapidly changing part of the English housing market it is the part we currently know least about.

9.10.b. Research by the CIH, CLG and IDEA in 2006 concluded that:-

There is currently no need to introduce additional tools for local authorities to use when working with the private rented sector. The tools available can be used by councils to address most circumstances and local priorities. Councils and landlords also need some time to adapt to, and consolidate, the changes introduced by the Housing Act 2004 before they experience further reforms.

Although the tools available are appropriate, they are not always used to maximum effect by local authorities. More work is needed by local authorities and supporting organisations to ensure that councils follow best practice in using tools and are able to overcome factors which limit their effectiveness.

There is a clear need for local authorities to take a strategic approach when working with the private rented sector. Tools to work with the private rented sector can be used to contribute to a range of local priorities and targets, many of which will be set by others outside of the team implementing the tools. A reactive approach will not make best use of the limited resources available, and will not achieve the best possible outcomes for the local area. Work with the private rented sector should form a central part of local authorities' developing strategic housing role.

Ways and means: Local authorities' work with the private rented sector
Chartered Institute of Housing, Communities and Local Government, Improvement and Development Agency, 2006

9.10.c. One of the aims of the 1998 Housing Act introduction of Assured Shorthold Tenancies was to help revive the private rented sector. Along with Buy to Let mortgages it did this quite effectively, but the PRS that developed caters more for households that would previously have bought, as need has extended up the income scale. While this can still be considered as meeting a housing need (although, many argue, after having helped to cause it), it is not the type and level of need that it was hoped it would help to address in 1988.

9.10.d. Now that housing market conditions are changing, an opportunity may arise for development and alignment of policies so that the PRS could contribute more to meeting need.

The PRS and Housing Benefit. (HB)

9.10.a. As a result of government measures to prevent PRS rents being inflated by the availability of HB, Local Reference Rents (LRR) which set the maximum level of HB payable are often lower than PRS rents, resulting in HB gaps for tenants which must be paid for from their other resources. In addition a majority of private landlords will not accept tenants claiming HB. Both limit the extent to which the PRS can meet housing need.

9.10.b. The introduction of Housing Allowances, along with the changes in the housing market, may alter this, as tenants will have a known set

amount of HB with which to negotiate, and landlords and their agents may be more willing to accept tenants with stable, known HB resources.

9.10.c. Strategic housing policy options could therefore include promoting the acceptance of HB claimants. This is often already part of homelessness prevention strategies and the knowledge and skills required may already be available, but in a changed market situation it may be possible to extend it to more tenants who are not in such acute need and do not require the same levels of support.

9.10.d. Empty property records and officers could also have an input into this process by helping to identify possible contacts with properties that might be suitable. The danger in a housing market with falling prices is that it become more dysfunctional so that empty properties go side by side with housing need and homelessness. Policy measures from a strategic overview to try to link these and address them for the benefit of both owners and tenants may be possible with some creative thinking and joining up of different areas of work.

Monitoring and updating

9.10.a. Selection, handling and compilation of appropriate indicators will require ongoing resource and effort. The table below shows key data used in the SHMA so far. Sources are shown in the second column, but new sources are also constantly becoming available.

Figure 9.1 Key data used in SHMA and sources

Topic	9.10.b. data source
Prices for principle property types	Land Registry , Hometrack
The change in house prices year on year	Land Registry , Hometrack
Affordable housing stock	Local authority and RSL property management systems
New developments	Improved Planning databases
Numbers of empty properties	9.10.c. Council Tax, Empty Property Officers
Lettings and void periods in the social sector	CORE
Number of moves and 'churning' within submarkets	Council Tax
Student and single person household numbers	Council Tax
Welfare and housing benefit claimant numbers	DWP
Income levels	Paycheck or similar
Geo-demographic profiles	Mosaic, Acorn, Census Output Area classifications
Satisfaction levels	Customer Panel and Status surveys.
Ethnic groups	Schools Census
Population and household change	CLG projections
Older persons needs	POPPI (Projecting Older People Population Information)
Special Needs	Schools Census, Health records

9.10.d. Some local authorities already have monitoring systems in place covering many of these variables. The Low Demand pathfinders have also developed more sophisticated sources and methods for housing market monitoring, and valuable lessons can be learnt from them⁶.

9.10.e. Data by itself will not give the intelligence and insights needed to understand and develop policies to steer housing markets in desired directions, and theoretical frameworks of how housing markets work also need to be developed embedded within the strategic and policy sections of local housing and planning authorities.

9.10.f. Aggregation and analysis of evidence by submarket boundaries should also help to give the best indications of changing demand and potentially adverse impacts on particular areas or types of housing within the HMA. Reviewing and updating the 'real' geographies through which to interpret the evidence will be an important part of ongoing monitoring .

⁶ See <http://www.communities.gov.uk/index.asp?id=1508093>

- 9.10.g. Leicestershire County Council could be well placed and have staff with the skills and knowledge to take a key role in updating and interpreting the data. It already produces neighbourhood profiles, and has the LSORA⁷ system of online mapping and data presentation which could be developed and supplemented to provide the basis of a consistent housing market monitoring system as strongly argued for in this project.
- 9.10.h. There are also other systems that could help, including the East Midlands HI4Em project, and commercial systems such as Hometrack Housing Information System.
- 9.10.i. This could all be part of an enhanced Area Strategic Partnership (ASP) approach, with Leicester City participating in a core city ASP and contributing data and monitoring expertise to the wider picture.
- 9.10.j. Although the county may not be a functional Housing Market Area, this need not affect the monitoring and updating of the evidence base, which can be collected for any area provided that the data is at a sufficiently detailed spatial scale and not tied and aggregated to local authority level. The county already have this understanding and the system in place to handle and interpret the data. The biggest problems are likely to be organisational and possibly political.

Choice based lettings within the HMA

- 9.10.a. In March 2008 Government announced further incentives⁸ for local authorities to develop sub-regional Choice Based Lettings Schemes. The SHMA analysis could assist any moves in response to this by helping to inform the spatial remit and approach of any CBL scheme.
- 9.10.b. The findings on the extent of housing markets suggests that any sub regional scheme should be focused on the core city, in effect the principle urban area, although there may be no good reason why other parts of the county should not be loosely linked; and on the major urban settlements, broadly following the recommendations on cross LA boundary policy development. So this could involve Leicester City, Oadby & Wigston, Charnwood, Blaby, Harborough, and Hinckley & Bosworth.
- 9.10.c. Experiences with open housing registers in other areas have shown that there can be a strong demand to move out of the city to the suburbs, as the 'escalator model' of migrations becomes available to applicants for social housing. This coincides with the areas where the

9.1.a. ⁷ <http://www.lsr-online.org>

9.1.b. ⁸ <http://www.communities.gov.uk/publications/housing/cblfunddevelopment>

greatest needs based on affordability arise, but may be against the intended urban focus of the regional spatial strategy.

- 9.10.d. From a wider strategic view these may not be contradictory, as what the SHMA suggests is a need for more larger homes for sale in areas made attractive for families in the city, and more mixed and affordable homes in the suburbs so that they too have a wider range of options.
- 9.10.e. Other settlement centred CBL schemes, around Loughborough, Coalville, Hinckley (Harborough and Melton already have CBL) could be developed alongside any central core scheme although it is likely that users of the scheme would in any case shape them by their bids and responses. It might be necessary to limit speculative bids for long distance moves.
- 9.10.f. In view of the potential initial pressures and learning process of a core city CBL scheme, one way to commence it in order to test these would be by applying it to transfers only. This should not be a permanent solution, but could allow some practical testing of how supply of lets, bids and moves occur in practice.

Public /private sector working

- 9.10.a. Relationships between local authorities and developers around housing markets and affordable housing are currently quite adversarial, with housing associations often caught between the two.
- 9.10.b. While there may be some fundamental conflicts of interest so that is not possible to agree on everything, better ways of working and resolving conflicts by reference to evidence and all the relevant factors are surely possible.
- 9.10.c. Fundamental to this is a recognition that all participants in this complex system are interest groups, and that the processes must be about reconciling these interests and resolving conflicts as far as possible⁹.
- 9.10.d. Strategic Housing Market Assessments address this problem by seeking to consult and bring the private sector into the process, and this project has made considerable efforts to do this. But as with the need for continual, more detailed monitoring of markets and reviewing policy to take account of changes, working with the private sector needs to become a regular, integral part of housing and planning at all levels, from specific site applications to review and updating policies.

9.1.c. ⁹ A recent speech by the Secretary of State for Communities and Local Government addresses this issue
<http://www.communities.gov.uk/speeches/corporate/beautyvsbrutality>

9.10.e. This should not mean more meetings to talk about it, but having the evidence and systems for obtaining information, consulting, looking at options and exploring compromises. Web based methods and software applications are already available or can be adapted to do this technically, and the main obstacles are likely to be organisational and political.