



Report

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# Strategic Housing Market Needs Assessment Monitoring Framework

July 2013

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**For and on behalf of GVA Grimley Ltd**

## 1. Monitoring Framework

- 1.1 The Strategic Housing Market Needs Assessment (SHMNA) has benchmarked performance, assessed trends and identified key drivers of change within the housing market. This has then been drawn together to consider, based upon the best evidence available now, the future demand and need for housing, of different tenures, across authorities and their sub-markets.
- 1.2 The outputs and conclusions of the SHMNA research process is based upon the analysis of an extensive number of secondary data sources as well as focused primary data collection through a series of focus groups. Considerable effort has gone into assembling this evidence base and it is important that this continues to be used to its maximum potential in the future.
- 1.3 The purpose of this Appendix document is to provide an indication of a future framework for monitoring and updating the information within the SHMNA, and in particular core areas of analysis. Focus is placed on the availability of secondary data to monitor and update rather than the undertaking of future primary research components.
- 1.4 The monitoring framework recognises the requirement within the overall SHMNA contract to deliver three updates of the research and provides a proposed structure for this process in the future. The potential need for individual authorities to require additional data updates and research outputs outside of this updating process is recognised, with this requiring a flexible approach amongst the partners to procure and undertake work as required.
- 1.5 The Appendix advocates the regular monitoring and updating of core indicators, in order to ensure that each of the authorities is able to take a pro-active rather than a re-active approach to policy development, on the basis of the most robust and up-to-date information available. Monitoring is intended to be a continuous and proactive process, and a consistent assessment of indicators provides an indication where change is occurring and the direction of that change, therefore allowing for corrections to be made and the development of positive planning and strategy development.
- 1.6 This monitoring framework relates to the Main SHMNA Report. It does not provide guidance for monitoring and updating the separately conducted Gypsy & Traveller assessment.

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## Updating the SHMNA

- 1.7 The contract for the SHMNA included a commitment to undertake three updates following the completion of the SHMNA report.
- 1.8 Through the procurement process the scope of these update reports was defined as follows:
- An evaluation of the implications of any nationally released datasets such as updated Sub-National Population Projections (SNPP) / Sub-National Household Projections (SNHP) datasets from the ONS and DCLG as well as the release of more detailed 2011 Census outputs that are key to the modelling of housing demand and need;
  - An update of the overall housing need model (affordable housing) to take account of the latest information including house price and income datasets (where data is subscribed to by the Councils and provides an updated position) as well as the latest point-in-time extracts from the waiting list and any new committed affordable housing; and
  - A bringing together of the above through a short concluding section stressing the implications for policy of evidenced changes to the market drawing on the updated evidence.
- 1.9 The final SHMNA report will include commentary on the interim household projections but will not utilise them in any of the housing need modelling work, this will be left to the official published household projections expected in 2014.
- 1.10 On the basis of the above it is anticipated that the Updates should be structured as followed:
- Introduction – Overview of purpose of the report and its relationship to the Main SHMNA Report and Overview Reports. Summary of key data releases – short section outlining important datasets released over the 12 months since the last report output.
  - Reviewing the Overall Demand for Housing – Short overview of the methodologies and models used within the 2013 SHMNA research. Section setting out the implications of key datasets released in the interim period highlighting changes in the direction of travel and the scale of change over that time and from previously published datasets. Concluding section providing a position as to whether the implications of the data released suggests that the level of objectively assessed

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need in each authority is likely to have increased or decreased from the figures presented within the 2013 Main SHMNA Report.

- Updating the Assessment of the Need for Affordable Housing – Introduction section setting out the methodology used to calculate affordable housing need within the 2013 SHMNA research. Overview of new data inputs to the model and summary of any revisions to the calculation methodology (linked for example to the release of new Guidance). Outputs of the re-run model at an authority level including a concluding section explaining the factors contributing to an increase or decrease in the evidenced level of need for affordable housing.
- Conclusion and Implications – Overview of the results of the updating process benchmarking findings against the conclusions of the original 2013 SHMNA research. Concluding section setting out any recommendations for additional work / modelling based on the review of the datasets released and their implications in terms of the validity of the modelled outputs in the 2013 SHMNA.

- 1.11 The following sections align with this structure to assist in the collation and monitoring of data both by the Council and the consultancy team.

## **Underpinning Datasets / Monitoring Indicators**

- 1.12 This section sets out the main datasets used within the 2013 SHMNA research identifying where future updates are anticipated. These are structured under the two analysis chapters anticipated to be included within the Update reports.

### **Reviewing the Overall Demand for Housing**

- 1.13 The 2013 SHMNA research provided a detailed analysis of a number of strategic drivers of the housing market. These were used to derive a series of assumptions used within the modelling of projected population and household growth using the POPGROUP suite of software.
- 1.14 As noted above it is not anticipated that as part of the updates re-runs of the projection modelling will be undertaken using this software, however, the implications of data releases on the projected trajectory of change will be assessed. Where it is identified that as a result of new data the levels of objectively assessed need are likely to have varied significantly the consultant team will recommend approaches for undertaking more detailed updating work as required by the client steering group.

- 1.15 Section 4 of the Main SHMNA Report (2013) looks at the strategic drivers of change in the housing market. The structure used in the chapter is replicated below to consider likely updates to datasets used in the analysis:

#### *Demographic Drivers of Change*

- 1.16 Understanding the factors driving a change in population and households is clearly critical in terms of assessing future sources of demand pressures driving the need for housing. The monitoring process should consider:
- ONS published Mid-Year Estimate datasets. These are published annually following a Census year. Importantly the ONS released revised Mid Year Population Estimates which covered the period 2002 to 2010 to take account of the Census 2011 findings in April the 2013. These datasets provide detailed updated information regarding the balancing contribution of the components of change as well as the age profile of the population on an annual basis. A further update of this dataset is expected in April 2014;
  - ONS published Sub National Population Projections. The latest iteration is the Interim 2011 based SNPP with the last official full dataset being the 2010 SNPP dataset. These are traditionally released on a two year cycle. It is understood that the ONS is anticipating releasing a 2012 base SNPP dataset in October / November 2013; and
  - DCLG published Sub National Household Projections. The DCLG published the Interim 2011 Household Projections (linked to the Interim 2011 based SNPP) on the 9<sup>th</sup> April 2013. These provided new headship rate information drawing off the findings of the 2011 Census. A final version of this data set is expected in 2014.

#### *Economic Drivers of Change*

- 1.17 The relative health of the economy has an important bearing on the overall housing market both in terms of its influence on migration / commuting factors as well as, linked to the next section, income levels and therefore affordability. The following indicators will need to be monitored:
- Total employment levels. These can be monitored through [nomisweb.co.uk](http://nomisweb.co.uk) datasets i.e. the BRES as well as economic forecast data commissioned by the authorities / LEP. Data is released on a regular basis;
  - Future employment forecasts. The 2013 SHMNA research examined a range of commissioned economic forecasts. GVA subscribes to Experian forecasts and the updates (assuming subscription is maintained) will include the latest run of the Experian model (noting these are re-run on a biannual basis) as well as any newly

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commissioned forecasts available to the authorities. This should also take account of a review of any individual authority released economic strategy or evidence based documents, for example in Cornwall the Cornwall LEP Work & Skills Plan is due to be released in May/June 2013 as well as outputs by Cornwall Economic Development looking at further analysis of future job prospects in the authority;

- **Commuting Ratios.** The 2011 Census Phase 3 and 4 data releases will include important updated travel to work information that will provide an update to the 2001 Census data used and presented within the 2013 SHMNA. These are anticipated to be released in October 2013. This data will also allow for some updated travel to work flows analysis to be undertaken to show the spatial distribution of commuting flows (Any work analysing sub housing market areas will fall outside of the scope of the Update);
- **Unemployment.** The 2013 SHMNA uses an average unemployment level built over the period 2007 – 2011. Further years data will need to be included in this averaging process with data sourced from the Annual Population Survey and [nomisweb.co.uk](http://nomisweb.co.uk) and updated regularly; and
- **Economic activity rates by age.** The 2013 SHMNA research uses derived economic activity rates by age using Labour Force Survey and Census data. More detailed data releases from the Census 2011 will present an opportunity to have a detailed 2011 snapshot with updated data sourced from [nomisweb.co.uk](http://nomisweb.co.uk) also providing an opportunity to update and revise economic activity rates for each authority.

### *The Supply of Housing*

1.18 Whilst this indicator is considered in Section 3 rather than Section 4 of the Main SHMNA report the supply of housing has a direct impact on the capacity of the population and certainly the number of households to grow. It is important to balance the provision of new housing against the updated demand indicators above noting that the relationship is cyclical. It is therefore necessary to assess whether supply has constrained demand and linked future projections of change.

1.19 Monitoring should review the following datasets:

- Total net completions at an authority level – sourced from Annual Monitoring Report exercised usually prepared for March / April; and
- Total new affordable properties completed (as within the indicator above) – Annual Monitoring Report

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- 1.20 In addition it would be useful if data could be broken down to show the size of properties built noting that this data was not available consistently to inform the 2013 SHMNA research.

#### *Assessing the implications*

- 1.21 A review of the datasets noted above will need to tabulate and compare those used in the 2013 research with the latest data. This will clearly highlight where there is strong evidence of a departure from the trends and modelled projections annually. This will be reported with a view taken as to whether the cumulative impact suggests an evidenced increase / decrease on the level of objectively assessed need.
- 1.22 Where there is clear evidence of fundamental differences in the underpinning assumptions within datasets and or a significant departure from one year to the next the consultant team will recommend options for undertaking a more fundamental update of the modelling outputs. This would need to involve the use of the POPGROUP suite of software and depending upon capacity and resources within the authorities may require the support of Edge Analytics.

#### *Updating the Assessment of the Need for Affordable Housing*

- 1.23 The calculation of the need for affordable housing presented in section 7 of the Main SHMNA Report follows the stepped process set out within the 2007 DCLG SHMA Guidance. It is anticipated following the findings of the Taylor Review (2012) that the DCLG will be issuing an updated Guidance in the near future. The exact timescales of this release are unknown.
- 1.24 This section considers the main inputs to the affordable housing need calculation process, many of which draw on data presented in section 5 of the Main SHMNA report. It is considered likely that any revision to the calculation process will still draw upon iterations of these data inputs, however, it is recommended that once new guidance is released that the implications are considered by both the consultancy team and the steering group on the resource inputs required to 'build' rather than adopt a new model. A full scale re-building of the model will fall outside of the scope of the Updates as described above and may require additional resource inputs if the calculation process is fundamentally different.

#### *House Prices / Rents*

- Analysis of data released by the Land Registry on a monthly basis (all property sales). This will be used to track change over the 12 months and to arrive at a new lower quartile house price against which incomes can be assessed to examine affordability; and



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- Private rents. VOA data will be sourced at the time of the update to present an update figure; again this will be compared against incomes to assess affordability.

#### *Incomes*

- Incomes. A range of data sources available at the time of the 2013 SHMNA research were used. Where the Councils have updated information this will be used within the Update. It is recommended that the authorities consider commissioning updated income data on an annual basis to provide a more consistent level of analysis. If this is required GVA can purchase additional households income Data from CACI and passed to the Council at cost price.

#### *Housing Register / Waiting List*

- Waiting list data. The 2013 SHMNA research used Devon and Cornwall Home Choice data to analyse the backlog of households in need, existing households falling into need and annual lettings. For the update a snapshot will be taken of the waiting list and the data analysed using the same approach adopted in the 2013 SHMNA. For the 2013 SHMNA those officers responsible for analysing the housing register were issued with a proforma to complete, this could be used for the update process.

#### *Affordable Stock*

- Stock data. An update will be sought from each authority as to the numbers of vacant properties as well as a snapshot of the current committed supply of new affordable housing and units to be taken out of management using the same methodology adopted in the 2013 SHMNA.

- 1.25 The above updates will be used to re-run the affordable housing need modelling<sup>1</sup>. Assuming that data is provided at a sub-area level this will provide updated authority and sub-area assessments of the net annual need for affordable housing.

## **A Programme of Monitoring and Updating**

- 1.26 The 2013 SHMNA has a May 2013 base date with the majority of analysis built using data sourced between November 2012 and March 2013.

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<sup>1</sup> Note: without an update to the POPGROUP modelling stage 4.1 will not be updated although based on the outputs of the assessed implications of the changing level of overall need from population and household projection estimates a proportionate correction could be applied.

- 1.27 The Monitoring Report has identified that there is anticipated to be a high volume of data releases between April and October 2013 which will have implications for the updating of the SHMNA research. Given the importance of a number of these data releases, including new versions of the SNPP / SNHP datasets as well as Census 2011 data releases it is recommended that an update is undertaken around November / December 2013.
- 1.28 This would then form the benchmark for the two remaining updates.
- 1.29 If there is a fundamental change to the methodology as part of the update guidance then this may trigger an earlier than expected update to the report.
- 1.30 It is acknowledged that individual authorities Local Plan programmes may require data to be updated and the implications assessed outside of this updating programme. The steering group and consultant team would need to consider whether the scope of the Updates (and the resources allocated to undertaking these updates) would be appropriate and sufficient to meet these needs and agree to bring forward a programmed update as considered appropriate.
- 1.31 If the scope of the Update was not considered sufficient to meet the requirements of one of the authorities for a particular timed update requirement additional work would need to be commissioned as required.