

West of England Strategic Housing Market Assessment Brief for consultants - March 2014

1.0 Introduction

1.1 The four local authorities in the West of England - Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire - are seeking to appoint suitably qualified consultants to produce a Strategic Housing Market Assessment(s) (SHMA). The SHMA must be compliant with the National Planning Policy Framework (NPPF), comply with the Duty to Cooperate, and the final version of the National Planning Practice Guidance (NPPG). The SHMA will help to inform the production and review of local plans and housing strategies by providing robust evidence of the housing needs in the area.

2.0 Background

2.1 The local authorities of Bristol, Bath and North East Somerset, North Somerset and South Gloucestershire form the West of England Local Enterprise Partnership (LEP) in respect of the future economic development of the area.

2.2 The previous SHMA for the area, published in 2009, also included the districts of Mendip and the former West Wiltshire (now part of Wiltshire Unitary Authority).

2.3 The Strategic Housing Market Assessment will need to review and define the extent of the Housing Market Areas (HMA) on which to base the SHMA. The HMA definition will need to take into account the outputs of the 2011 Census travel to work and migration flows data. Work to support the Bath and North East Somerset Core Strategy Examination in Public identified a separate Bath Housing Market Area; this work will need to be taken into consideration.

2.4 The geographical extent of the study is therefore to be established. The role of B&NES in the WoE SHMA is as explained by the B&NES Core Strategy examining Inspector in his note ref ID/39. If it is demonstrated that Bath is part of a greater Bristol HMA, then B&NES would be included in the outputs of the joint SHMA. However, if the evidence indicates a separate Housing Market Area to Bristol, the new joint SHMA would not include outputs for B&NES. However whatever the outcome of the HMA exercise, the outputs of the West of England SHMA will still be relevant to B&NES for the purposes of Plan review and the Duty to Co-operate

2.5 All four West of England local authorities are currently at different stages of plan production with their Core Strategies. Bristol has an adopted Core Strategy which anticipates a review of their housing requirement by June 2016. Bath and North East Somerset have undertaken their own SHMA to support plan production and their Core Strategy is currently being examined. North Somerset's Core Strategy was adopted in 2012, but following a high court judgement the housing requirement is currently being re-examined. South Gloucestershire has an adopted Core Strategy (January 2014).

2.6 This SHMA will inform and set the context for local authority Local Plan reviews from 2016 onwards.

3.0 Partnership and delivery arrangements

3.1 Consultants should set out their approach to delivering the SHMA, including details of any consultants they propose to sub-contract work to deliver the brief.

3.2 Consultants should set out their charging schedule and how it relates to the named persons who will work on the project, including their relevant expertise and experience.

3.3 Consultants should demonstrate their track record in the production of Strategic Housing Market Assessments.

4.0 Timetable

4.1 The project timetable is set out as follows:

May to June 2014	Produce market signals information
May to June 2014	Produce economic forecasts
June to July 2014	Produce interim demographic projections based on 2012-based SNPP
June to August 2014	Recommend Housing Market Area definition
October to November 2014	Update interim demographic projections based on 2012-based DCLG Household Projections
December 2014	Interim findings
Timetable to be agreed with consultants on appointment	Produce Affordable housing / housing Mix and Type
	Produce draft of final report
	Process and meetings to support final report publication

5.0 Budget and payment

5.1 There is a total budget of £70,000 to deliver the project. Please note that we will not be able to exceed this set budget.

5.2 First stage payment will be made after the confirmation of the Housing Market Area.

5.3 Further payment will be made on achievement of project milestones and a payment schedule will be agreed as part of the inception process.

6.0 Evaluation

6.1 The contract will be awarded to the bidder who satisfies the capability requirement and achieves the highest overall score.

6.2 Demonstration of capability (Pass/Fail)

Consultants must demonstrate all of the following:

- Suitably experienced staff to undertake the project.

- Key areas of related work undertaken by your business.
- Ability to meet the project timetable.
- Ability to deliver all the stated project outputs.
- Absence of conflicts of interest.
- That the outputs will be compliant with the National Planning Policy Framework (NPPF) and the final version of the National Planning Practice Guidance (NPPG).

6.3 The scoring will be split across 50% based on price and 50% based on quality of the proposal.

6.4 Quality of the proposal

Proposals should be no more than 20 A4 pages, minimum font size 11. Consultants must set out how they will produce the outputs for the main areas of work. The breakdown of the scoring awarded for the different elements of the quality of the proposal is set out below. There is a threshold score for quality that all proposals must reach to be considered, this threshold is 40% (out of 50%).

	Percentage score
1. Reviewing and defining the Housing Market Areas	5%
2. Establish overall need for housing arrived at through:	
a. Demographic sensitivity testing;	17%
b. Employment trends;	5%
c. Market signals; and	5%
d. Affordable homes;	1%
3. Overall need for housing broken down by housing tenure, household type and size, and housing needs of specific groups;	5%
4. Affordable housing need.	12%

6.5 Consultant should advise whether the affordable housing requirement can be translated to zone levels (sub areas within each Local Authority) and the additional cost of this element to be identified in their bid.

7.0 **Outputs**

7.1 The detailed outputs for each element of the brief are set out below. Consultants will also be expected to produce an overall SHMA report on the housing requirement for the HMA and constituent local authority areas. The SHMA report should take account of all available up to date information and include supporting tables where appropriate. The SHMA report must clearly detail the inputs, assumptions, methodology and scenario outcomes and should make fully explained and justified recommendations.

7.2 The data and spreadsheets underpinning the production of the SHMA will be made available. The detailed requirements for these for each element of the brief are set out below.

8.0 Reviewing and defining the Housing Market Areas

8.1 Consultants will need to set out how they will review and make a recommendation of the definition of the housing market area(s) for the four local authorities and any neighbouring authorities as appropriate. This should take into account:

- house prices and rates of change in house prices;
- household migration and search patterns; and
- contextual data (e.g. travel to work area boundaries, retail and school catchment areas).

8.2 Consultants should set out where there are choices to be made on assumptions/inputs used and the implications of those choices.

8.3 The HMA definition will need to take into account of the outputs of the 2011 Census travel to work and migration flows data. Recent work to support the Bath and North East Somerset Core Strategy Examination in Public has identified a separate Bath Housing Market Area; this work will need to be taken into consideration.

9.0 Overall housing need

9.1 Consultants must demonstrate how they will make recommendations for the overall housing need for each of the four local authorities and the West of England. This should include consideration of the four elements set out in the National Planning Practice Guidance:

- Demographic Sensitivity testing
- Employment trends
- Market signals
- Affordable housing

These elements are set out in detail below.

9.2 Demographic sensitivity testing

9.2.1 Consultants will need to demonstrate how they will work with officers from the local authorities. Consultants will carry out a critique of the official published population and household for the local authorities and the HMA. This will include commentary on the Office for National Statistics (ONS) 2012-based Sub National Population Projections and Department for Communities and Local Government (DCLG) 2012-based Household Projections and provide advice on their suitability as a basis for plan-making in the West of England.

9.2.2 Consultants must show how they will provide variant demographic projections for population, economically active population and households using a standard cohort component model for each of the four local authorities and the West of England. Projections should be produced for each year up to 2036 for comparison with the national datasets. Outputs should be provided by age (5 year bands) and sex. All scenarios should

be presented in a clear and consistent manner to allow comparison when considering the outcomes. A set of output spreadsheets (see data outputs below) should be provided to include the key inputs and outputs of each scenario. The variant projections to be produced are set out below:

- A. Migration variants:
 - 5 year and 10 year average migration flows.
 - Zero net migration.
 - Migration scenario taking account of ONS unattributable intercensal population change.

- B. Household formation rate variants:
 - DCLG 2012-based household formation rates.
 - Scenarios will also be needed to test higher household formation rates which may be based on 2008- and 2011-based household formation rates, and should also consider whether any alternatives are appropriate e.g. indexing of 2008 rates after 2021 or hybrid rates.

- C. Employment-led variants based on the outputs of employment forecasts (see below):
 - High, medium-high, baseline, lower-medium and lower employment scenarios.
 - Variant economic participation rates forecasts - alternative scenarios taking into account expected increases in the participation in the workforce of older people.
 - Variant commuting ratios - potentially testing different pattern of commuting based on different policy outcomes (to be defined).

- D. Dwelling-led variants:
 - To be defined. May be required to test implications of policy scenarios or past market signals re possible build rates.

9.2.3 Spreadsheets of the variant projection outputs will be provided to the Local authorities and will include:

- Unrounded population by five-year age and sex;
- Separate data for each local authority;
- Data for each year of the projections up to 2036;
- Economically active population projections;
- Household projections by age and type of household;
- Estimated data from 2001 included for comparison;
- Data on migration and other assumptions used.

9.2.4 Consultants will need to explain how they intend to make a fully explained and justified recommendation of any adjustments to be made to the overall level of housing provision based on the variant projections to reflect factors affecting local demography and household formation rates which are not captured in past trends.

9.3 Employment trends

9.3.1 Consultants will need to demonstrate how they will provide variant economic forecasts. In August 2013 the West of England Local Enterprise Partnership (LEP) commissioned a series of economic growth forecasts from Oxford Economics to inform the development of the Strategic Economic Plan (SEP) were produced at a West of England level. These forecasts are used in the SEP to underpin the LEPs ambition of delivering, by 2030, baseline employment growth of +65,000 new jobs and a higher level growth of yet to be determined but previously stated as +95,000 new jobs. The higher growth ambition is predicated on a higher level of investment being secured from Government through the SEP process.

9.3.2 Consultants must show how they will produce forecasts for each of the constituent areas and the HMA. These will need to take into account a number of updates to key national datasets since August 2013 (e.g. ONS (BRES) employment figures) or are set to be revised shortly (e.g. the ONS 2012 based population projections). These new forecasts must therefore incorporate the latest available evidence.

9.3.3 The following specification sets out the requirements for the economic growth forecasts needed to inform the West of England SHMA.

- A. Forecasts should be produced for the following geographical areas:
 - England;
 - West of England;
 - Bath and North East Somerset;
 - Bristol;
 - North Somerset; and
 - South Gloucestershire
 - Any neighbouring LAs as appropriate
- B. Historic data from 1991 and forecasts to 2036 by year covering:
 - a. Total employment by industrial sector (19);
 - b. FTE by industrial sector (19);
 - c. GVA by industrial sector (19);
 - d. Population – reflecting the ONS 2012-based sub-national population projections; and
 - e. Unemployment.
- C. Forecasts should include:
 - Trend based projections;
 - Updated baseline reflecting the 2012-based population projections;
 - Updated scenarios (high, medium-high, lower-medium and lower); and
 - 1 or 2 scenarios reflecting different employment distributions (to be defined).
- D. The 19 industrial sectors (2007 SIC) are as follows:
 - Agriculture, forestry and fishing;

- Mining and quarrying;
- Manufacturing;
- Electricity, gas and steam;
- Water supply; sewerage, waste management;
- Construction;
- Wholesale and retail trade;
- Transportation and storage;
- Accommodation and food service activities;
- Information and communication;
- Financial and insurance activities;
- Real estate activities;
- Professional, scientific and technical activities;
- Administrative and support service activities;
- Public administration and defence;
- Education;
- Human health and social work activities;
- Arts, entertainment and recreation;
- Other Service Activities; and
- Total.

9.3.4 Outputs to be provided by the consultants include:

- Excel spreadsheets for each of the scenarios; and
- A technical report setting out the forecasting methodology and a clear indication of assumptions on which the forecasts are based. The report should also include appropriate caveats relating to known issues with data quality.

9.3.5 Consultants will need to explain how they intend to make a fully explained and justified recommendation of any adjustments to be made to housing provision based on the economic forecasts, reflecting where the projected labour force supply is not aligned with future employment change.

9.4 Market signals

9.4.1 Consultants will need to explain how they intend to make a fully explained and justified recommendation of any adjustments to be made to the overall level of housing provision based on the advice in the National Planning Practice Guidance on the need to reflect appropriate market signals. Consultants will need show how they will work with local authority officers to compare indicators of longer term trends with other HMAs, similar areas and nationally; and identify divergence in these trends. Indicators may include: land prices; house prices; transactions/sales; rents; affordability; rate of development; and overcrowding.

9.5 Affordable homes

9.5.1 Consultants will need to explain how they intend to make a fully explained and justified recommendation of any adjustments to be made to the overall level of housing provision where it could help deliver the required number of affordable homes.

10.0 Housing tenure, household type and size – housing needs of specific groups

10.1 Consultants will need to show how they will address the needs for all types of housing. This should include a breakdown of the overall housing figure down by tenure, including the private rented sector, household type (singles, couples and families) and household size. They will also need to show how age profile and household mix relate to each other, and how this may change in the future.

10.2 Consultants will also need to demonstrate how, working with local authority officers, they will produce evidence of the need for certain types of housing and the needs of different groups, this should include but not necessarily be limited to:

- the private rented sector;
- people wishing to build their own homes;
- family housing
- housing for older people;
- households with specific needs; and
- students

11.0 Affordable housing need

11.1 Consultants must set out how they will assess the need for affordable housing for each of the four local authorities and the West of England in line with the overall need for housing. In particular, the consultants should provide evidence of how they have assessed the future requirement for affordable housing arising from backlog housing need, existing households falling into affordable housing need, and future need arising from newly forming households and net migration.

11.2 They should show how they will research new demand arising from:

- Changing profile of existing households, including the needs of specific groups;
- Census data/new household formation rates/economic and demographic scenarios;
- Net in-migration of households;
- Income levels of new households (stating source and methodology); and
- House price information including entry level for the Private Rented Sector (PRS), Help to Buy, market purchase and Shared Ownership (stating the source and methodology).

11.3 Consultants should demonstrate how they will include sensitivity testing of different inputs and assumptions which give rise to different household numbers and assess the impact on household incomes. They should also show how key data sets such as backlog need from filtered LA housing registers with trends contained in the English House Survey will be tested.

11.4 Consultants should identify the data sources and explain how they relate to local market conditions, following the promotion of the use of secondary data in the NPPG.

Affordability

11.5 Consultants must set out how they will recommend and justify a definition of affordability across all tenures based on entry level prices and a minimum residual income level, in the absence of a definition of affordability in the NPPG.

11.6 They should show how they intend to prepare scenarios including tests based on applying different percentages of gross household income against housing costs. The starting point for these tests should be housing costs at 25% of gross household income (as set out in the 2009 SHMA Guidance) with additional testing being conducted to reflect emerging good practice elsewhere, the appropriateness of which the consultant should advise. These could include, for example, proportions of 30% and 35%.

11.7 Consultants should explain how they would provide evidence of the impact of different scenarios including being able to buy a home, the number able to access Low Cost Home Ownership (LCHO) at an appropriate equity share purchase to maintain affordability and the number able to afford private rent at a given affordability ratio. Forecasts should be provided over a timespan in line with demographic and economic commissions. They should identify the number and proportion of net housing need households per year unable to access the housing market without falling below the considered affordability thresholds levels.

11.8 They should show how they will provide advice on the appropriate measures of residual income (i.e. so households have enough to live on after housing costs) and the impact this will have on the need for additional affordable homes to meet need.

11.9 Consultants must demonstrate how the methodology and sourcing of gross household income data and the elements will be taken into consideration in that calculation, including the receipt of benefits and the impact of welfare reform. Total housing costs are assumed to include rent and/or mortgage payments and all service charges but exclude utilities and other household bills.

The role of the Private Rented Sector in meeting future housing requirements

11.10 Consultants should show how they will consider the current and future role of the private rented sector in the housing market, for the purpose of estimating the availability, size, location and cost of stock that may be available over the SHMA period. The consultant will test variant market and welfare reform scenarios and explain any assumptions made and limitations considered in relation to the private rental market. This needs to be a variable that can allow for future changes in the private rented sector in terms of availability and access.

Outputs

11.11 Consultants must show how they expect to produce an evidence paper on the affordable housing requirement for each of the constituent areas and the HMA by property

tenure, type and size so that an appropriate affordable housing mix can be sought. The tenures should include:

- Social Rent (let at Target Rent).
- Affordable Rent (up to 80% of Market Rent, and identify appropriate percentages where Local Housing Allowance levels may be breached).
- Shared Ownership (consultant to advise on appropriate equity shares and residual rent charge on the unsold equity by testing variant scenarios).

11.12 Consultant should advise whether the affordable housing requirement can be translated to zone levels (sub areas within each LA) and the additional cost of this element to be identified in their bid.

11.13 Consultants will need to show, by combining data delivered from in-house sources with their own projections, how they will:

- Differentiate and provide evidence of the need for family housing and non-family housing and include identifying separate need figures for 2 bed houses and 2 bed flats for all tenures.
- Identify the affordable housing requirements for specific needs such as wheelchair accommodation by property tenure, type and size.
- Identify the affordable housing needs of older people. The care needs of older people will be carried out at a local level and is therefore outside of this commission.
- Combine the likely supply of housing available to meet housing need in order to reach a position of net demand.

11.14 The report should take account of all available up to date information and include supporting tables where appropriate. The final report must clearly detail the inputs, assumptions, and methodology and scenario outcomes and should make recommendations on appropriateness of each scenario in the context of the HMA.

11.15 Consultants will need to set out the broad explanation of any models used and provide a training workshop for key staff on the model and outputs.

11.16 Consultants will be required to present the SHMA outputs as appropriate to Officer, Member and Developer groups and other presentations as required to a maximum of 5.

Tenders must be returned by 11th April 2014