

RE-ENGAGEMENT OF CONSULTANTS FOR WIRRAL HOUSING NEEDS AND MARKET ASSESSMENT AND STRATEGIC ECONOMIC VIABILITY ASSESSMENT

1.0 EXECUTIVE SUMMARY

This report seeks the approval of Fordham consultants to carry out work in relation to an update of the Strategic Housing Market Assessment (SHMA) for the Borough and to undertake a Strategic Economic Viability Assessment to provide the evidence base for the preparation of the Local Development Framework without the need to obtain written quotes pursuant to Rule 5.2 of the Contract Procedure rules.

2.0 BACKGROUND

- 2.1 In order to respond to the needs of local communities and deliver its strategic housing function, Wirral must have a sound understanding and knowledge of local housing needs, local housing markets and their interaction with the wider sub region. This information is essential to effectively develop Wirral's Housing Strategy Statement, deliver our local strategic priorities and meet our objectives for transforming local housing markets in Wirral through investment programmes such as Housing Market Renewal Initiative. It is also an essential element of the Council's Local Development Framework and response to the Regional Spatial Strategy.
- 2.2 The Council has a duty to undertake a local housing needs survey every five years to update and inform its Strategy Statement and strategic priorities. Wirral's Strategic Housing Market Assessment which was completed in September 2007 was reported to Members at Cabinet on 7th February 2008 and approved as a material consideration in negotiating with developers on affordable housing contributions through S106 agreements. The 2007 SHMA assessment has been used by the Council's Housing Strategy Team in determining priorities and in its justification for securing investment to deliver its affordable housing programme.
- 2.3 However, Members will be aware of the current economic climate and its impact upon the need for affordable housing. It has become clear that the onset of the 'credit crunch', has triggered a serious downturn in the housing market. People's inability to raise deposits, a severe reduction in the availability of mortgages, and reducing house prices has both led to an increase in demand for affordable housing and at the same time has impacted on purchaser confidence. This has resulted nationally in private developers being more cautious on developing houses for sale, which has caused concerns around viability and housing developments coming forward, something which is now being reflected locally in Wirral.
- 2.4 In addition, during 2008 there have been two specific cases (Blyth Valley Borough Council and Newcastle City Council) where the appeals to the High Court have set out serious flaws with these Councils Core Strategies in relation to affordable housing targets. In both instances it was upheld that the Councils did not have regard to recent Planning Policy Statement 3 (PPS3) Guidance which clearly states affordable housing targets '*should also reflect an assessment of the likely economic viability of land for housing within the area*'. Paragraph 29 of PPS3 places the requirement on local authorities to set a target for affordable housing provision to be delivered through Section 106 policies that take into account the need for development to be viable, once allowance is made for factors such as

the availability of grant funding. These two cases have reinforced the requirement for local authorities having a robust viability assessment so as not to impose a burden of planning gain and affordable housing target so great as to depress any land value.

- 2.5 A growing proportion of affordable housing is delivered via Section 106 agreements. However in light of the recent economic climate and the impact this is having on the housing market and the outcome of the Blyth Valley and Newcastle challenges it is essential that Wirral's housing policy is realistic and credible taking into account current circumstances. An economic viability study sits alongside and is informed by the work of a SHMA and forms the evidence base which informs the affordable housing target for the district. Therefore it is proposed that Wirral re-engages Fordham to update their original SHMA work and undertake in tandem the viability assessment. This will determine through rigorous analysis, what affordable housing targets can be achieved without undermining site viability, preventing sites from coming forward and stifling the development of not only affordable housing but also open market housing.

3.0 THE CONSULTANTS WORK

- 3.1 Fordham consultants will undertake a review of the current SHMA findings and provide a report with a detailed description of the methodology of the approach that would be undertaken to provide the update. It will also contain a range of outputs that would inform the Councils housing and planning policies. In summary the update will include and set out the following elements:-

- a) A review of secondary data to provide the financial capacity of households, market trends and entry level prices to both buy and rent compared to the original findings;
- b) An affordability profile as per Communities and Local Government (CLG) guidance showing the net result of the housing need assessment model compared with the previous estimate and a discussion of the reasons for the change presented;
- c) The results of the affordability profile will be used to recalculate the Balanced Housing Market Model outputs;
- d) The proportion of all new housing that should be affordable and market in the Council area;
- e) The type of households that require market housing in the future and the size and type of the market housing required;
- f) The proportion of new affordable housing which should be social rented, equity based intermediate and rent based intermediate;
- g) The size and type of social rented and intermediate accommodation required;
- h) Whether any of the intermediate housing should be targeted specifically at key workers.

- 3.2 As detailed in Section 2 of this report, in tandem with the SHMA update Fordham's will undertake a Strategic Economic Viability Assessment which will be used as the evidence based for Wirral's Local Development Framework Core Strategy and will clearly inform the required level of contribution towards affordable housing on all residential developments. The reduction in house prices and hence land values for housing, particularly over the last six months will have made previously reasonable targets for affordable housing unviable, however this is a temporary phase. Therefore it is the expectation that this assessment will not hinder development of private market housing in the current climate and that for the future but at the same time ensure Wirral maximises the potential for the provision of affordable housing using section 106 agreements with regards to the guidance detailed in PPS 3.

3.3 In summary the Viability Assessment will:-

- a) Test the viability of different site types in different locations, in order to understand how viability varies with site size, different values of the housing developed and different locations;
- b) Identify the impact of the economic viability of the Council's affordable housing targets and thresholds on a range of residential development sites across the local authority area;
- c) Establish the effect that the proportion of affordable housing sought would have on the value of a potential development site and the point at which the bringing forward of such sites would be discouraged by an increase in affordable housing requirement.
- d) Consider where to pitch the threshold requirement for onsite affordable housing and the relationship to the potential for a commuted sum requirement in some areas of the Borough where it is clearly evidenced that on site provision may not be practical.
- e) Take account of PPS3 requirements for affordable housing targets, however through a dynamic approach allow changes of policy according to levels of viability in line with changing housing markets. This will enable Wirral to respond and maximise use of section 106 agreements to deliver affordable housing with the eventual upturn in the housing market.

3.4 Fordham's undertook the Council's current Strategic Housing Market Assessment and they are the only company that has the detailed knowledge to update this assessment within the timescales required. To engage another consultant to undertake this work would significantly increase the cost of the commission and the time taken to do it. There is also an urgent need to progress with the Strategic Economic Viability Assessment because of recent legal cases and the necessity of having this assessment to inform planning applications regarding affordable housing. As the viability assessment is closely related to the housing market assessment then detailed knowledge of the latter is very important to the production of the former assessment. It is therefore for these reasons that it is in the best interests of the Council to engage Fordham's to undertake this commission.

4.0 FINANCIAL IMPLICATIONS

4.1 The cost of the combined SHMA update and Strategic Economic Viability Assessment is £24,000. This work is being funded through the Housing Strategy Research Budget.

5.0 STAFFING IMPLICATIONS

5.1 There are no staffing implications arising from this report.

6.0 EQUAL OPPORTUNITY IMPLICATIONS

6.1 The research will detail local housing needs and the findings will continue to be used by both the Council and related partners to inform and shape future strategies and policies, reduce social exclusion and ensure appropriate housing and related services are available and accessible to all citizens in Wirral.

7.0 COMMUNITY SAFETY IMPLICATIONS

7.1 There are no community safety implications arising from this report.

8.0 LOCAL AGENDA 21 IMPLICATIONS

8.1 There are no Local Agenda 21 Implications arising from this report.

9.0 PLANNING IMPLICATIONS

9.1 Following the update of the assessment and the Viability Study, the results will be presented in a separate report to Members for approval. This would then become a material consideration in the determination of planning applications for new housing development and be used as evidence to inform the Local Development Framework for Wirral.

10.0 ANTI POVERTY IMPLICATIONS

10.1 The delivery of affordable housing within the borough will ensure that quality housing will be delivered and will be available for local citizens who do not have the financial means to purchase market housing.

11.0 SOCIAL INCLUSION IMPLICATIONS

11.1 The delivery of affordable housing within the borough will have a positive effect on the promotion of social inclusion. Affordable housing includes accommodation for vulnerable people who have the potential to be excluded from society.

12.0 LOCAL MEMBER SUPPORT IMPLICATIONS

12.1 The research and any associated findings will have an impact on the whole of the Wirral area, affecting all Wards.

13.0 BACKGROUND PAPERS

13.1 None

14.0 RECOMMENDATIONS

That the appointment of Fordham consultants to carry out the work identified in the report without the need to obtain written quotes pursuant to Rule 5.2 of the Contract Procedure Rules be approved.

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