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LOCALISM, WELFARE REFORM AND HOUSING MARKET CHANGE: IDENTIFYING THE ISSUES AND RESPONDING TO THE CHALLENGE

A REPORT FOR NASH
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BRENDAN NEVIN

PHILIP LEATHER

Contents

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Executive Summary

1. This report was commissioned by the North Area Social Housing Forum (NASH), to detail the housing and investment issues in North Staffordshire, Stafford and East Staffordshire. The report utilises housing market and economic development data to provide a context for the radical new policy framework context currently being introduced by the Coalition Government. The report concludes with a series of policy recommendations for Central Government, Local Authorities and local housing agencies which seek to improve the delivery of housing and renewal activity in the new environment, whilst minimising social costs for those in housing need.

2. Nationally the Coalition Government has moved away from centrally driven and financed housing policy. Between 2011 and 2015 housing capital spending will fall by 74%. This retrenchment has been introduced as part of a comprehensive approach to the devolution of powers and responsibilities for development, services and well being to local government. In future Local Government will drive the delivery of public services through its role as a commissioning agency and will directly finance housing and urban renewal from its own resources and borrowing capacity.

3. The radical reform of public service delivery aligned with the withdrawal of much of the redistributive funding on the basis of need from Central Government is accompanied by an equally radical reform of welfare spending. A key component of this reform is the introduction of measures to reduce housing benefit expenditure. The scale of reductions and restrictions to entitlement will in areas of concentrated deprivation and weak local economies lead to a radical restructuring of the local housing market which may produce significant social costs for particular groups of residents.

4. The study area has a diverse social and economic geography, which is reflected in the tenure and price structure of its component housing markets. In simplistic terms the core of the North Staffordshire conurbation contains high proportions of social and private rented accommodation, high levels of deprivation and low house prices. Conversely the periphery in the Staffordshire Moorlands, Stafford and East Staffordshire have higher rates of economic activity, owner occupation and house prices.

5. Despite the area's diversity, the various housing markets are currently all seriously affected by the ongoing depression in economic output, rising unemployment and continuing restrictions in mortgage demand and availability. Economic forecasts by the Office of Budget Responsibility and the Institute of Fiscal Studies suggest that consumer demand will remain depressed in the medium term and as such it will not be a significant driver of housing market change for the foreseeable future.

6. In contrast to the moribund nature of market forces, the radical reforms proposed for welfare and housing benefits are likely to be significant drivers of housing market restructuring, impacting upon rents, prices, vacancy rates and the occupancy of dwellings. Markets tend not to respond quickly or rationally to rapid and unanticipated change, and it is unlikely that the adjustment process will be smooth or without significant social and economic costs for some residents and for local landlords.

7. While the general economic performance of the United Kingdom is inhibiting the development of all locations, the short and medium term impacts of public sector reform and housing market dysfunction will not be uniform. In areas which have stronger latent economic potential and higher household growth, such as Stafford and East Staffordshire, the current failure in housing supply will increase housing shortages, raise prices and worsen affordability in the longer term as economic growth returns. In more disadvantaged locations, the collapse in market activity will stall urban renewal and the reform of housing benefit is likely to have a significant impact on housing services and the use of low value stock.

8. In areas such as Stoke-on-Trent, housing benefit is currently paid to 60% of all those who rent in the social or private rented sector. Public subsidy has therefore played a significant role in maintaining rents and the sales values of low value property. Withdrawal or reduction of public subsidy in a city with a surplus of property is likely to engineer a fall in rents and sales values, for some but not all low value dwellings. The changes to housing benefit will provide an incentive for landlords to subdivide properties for smaller families displaced from social housing because they have had housing benefit reduced as a result of under occupation. This benefit reduction, which averages £13 per week, will affect an estimated 28% of all working age social housing tenants in the NASH area. The more intensive use of some private rented property in Stoke, a city with a surplus of dwellings, may increase vacancy rates and homelessness simultaneously as smaller families relocate into multiply occupied dwellings, while the previous single person occupants have to move out to make way for them. This benefit reform which is being applied without regard to local market circumstances increases social and economic costs for the locality while producing savings for the National Exchequer. This is a redistribution of costs and benefits which appears both unplanned and chaotic.

9. The housing circumstances of younger single people who are unable to secure employment will be impacted on by the sharp reductions in housing benefit which will be up to 50% for some tenants. Given the economic crisis facing young people who are now benefit dependent, it is unlikely in the short term that many will be able to increase their income sufficiently enough to be able to retain their current accommodation. Given the speed and scale of these housing benefit reductions for

smaller families and young people it would be prudent for local authorities and landlords to plan for an increase in homelessness in the short to medium term.

10. Central Government has set out a direction of change for welfare reform and localism which it is unlikely to change. The recommendations in this report therefore focus on measures which improve clarity and coherence in the public policy framework and reflect the failure of the national economy to perform as envisaged when the coalition 'Blue Print' was introduced in 2010 immediately following the General Election. A key issue here is the responsibility that Central Government has for ensuring economic growth and the rebalancing of the economy. Central Government projections that the national economy would generate 500,000 new jobs per annum have proven inaccurate and the resulting increases in unemployment will multiply the social costs of housing benefit reductions. Some transitional housing support to vulnerable households should therefore be considered until growth in employment returns to the levels envisaged by the Coalition Government to ensure that unemployment does not translate into increased homelessness for the most disadvantaged.

11. In addition to transitional support for the most vulnerable people and places, the Government should move to stimulating local economic growth through the Regional Growth Fund using a more transparent allocation process while providing a comprehensive offer to support growth in the Local Enterprise Partnership areas which are experiencing economic decline and which have an over dependence on the public sector. This will allow localism to work effectively by coordinating investment streams to support economic growth.

12. The challenges for local authorities entailed in ensuring financial solvency whilst moving to operationalise the localism framework are substantial. The evidence in this paper suggests that there should be an immediate review by local authorities to ensure that: housing advice and homelessness services are adequately resourced; that the opportunities to commission new approaches to neighbourhood management and housing services for an ageing population are maximised; that new partnerships designed to optimise public and private funding sources are developed; and that the local authority rises to the challenge as the regulator of local housing markets and the agency which directs place shaping in the new environment.

13. Local housing agencies are dependent upon a strong localism framework emerging which embraces risk sharing and high quality partnership working and which is characterised by a clarity of purpose and strategic direction. Equally these agencies also have a significant role in strengthening the localism framework through the deployment of entrepreneurial skills, transparency in investment decisions and community engagement to support local policy development.

14. It is not envisaged that all local housing agencies will respond in a uniform manner to the challenges posed by welfare reform, public expenditure cuts and the new localism. Each agency should conduct a fundamental review of risk and allocations policies. In some cases agencies will decide to alter their client groups and diversify away from the most risky urban environments. Conversely other agencies will reaffirm their commitment to their historic client groups and traditional neighbourhoods. These agencies should as part of a due diligence process, explore the potential for increased partnership working, mergers and cost sharing arrangements with like minded organisations to reduce risk and financial pressures. Arrangements such as these may free up much needed resources to support residents and vulnerable places through an era of change.

1 Introduction

This report has been produced for the North Area Social Housing Forum (NASH) to assess the need the need for housing investment, regeneration and renewal in North Staffordshire and the surrounding Staffordshire area. The study has been conducted during a period of unprecedented economic and public policy change, with the economies of the developed world struggling to maintain recovery following the largest drop in output for ninety years, and central government bringing forward radical fiscal retrenchment and policy reform. This research seeks to explore the impact of housing and economic change upon the sub region and to assess the likely impact of public policy reforms on the operating environment of housing providers given the local context and baselines inherited from the previous decade.

The methodology for this study has four discrete but interrelated stages, each of which is set out below:

- *The new policy and financial framework* - Taking into account the most significant recent legislative reforms and the impact of the Comprehensive Spending Review (CSR) 2010.
- *Developing a baseline of housing market and economic indicators* - This section looks at change in the local economy and housing market and creates a baseline against which the new policy framework can be assessed for likely impact.
- *Housing market change, housing benefit reform and affordable housing* - The impact of welfare reform on the structure of local housing markets and the applicability and scope of new policy tools are highlighted in the context of local economic trajectories and the socio economic characteristics of residents.
- *New models of partnership working and policy implications* - The public policy innovations developed by central government over the last two years provide new tools for local agencies to raise development finance and implement change. This section of the research project looks at the strengths and weaknesses of the local area and how these strengths and weaknesses relate to the new menu of policy choices available to those delivering housing and regeneration programmes.

1.3 The housing issues in the sub-region must be considered in the context of the main trends affecting the national economy and the housing market. These include:

- A continuing low level of housing starts which is increasingly feeding through into completions. The onset of the credit crunch impacted severely on the house-building industry and this has continued as a result of a general lack of confidence in the market and expectation of further price falls on the one hand and an ongoing shortage of mortgage credit (for both owner occupiers and investors) on the other.

- A very low level of turnover in the market. Although turnover has recovered to some extent from late 2008 levels, in part as increasing numbers of sellers are unable to defer entry into the market, turnover levels remain historically very low and fragile. This has affected most areas of the country.

- The shortage of capital for mortgage lending has continued to be a serious constraint on the housing market, with some types of product (such as sub-prime lending) now more or less entirely absent.

- Levels of unemployment have not so far risen to the extent expected given the severity and length of the recession in output, in part as a result of measures taken by employers to retain labour (such as increased part-time working) and in part as a result of measures by the previous government to ameliorate the impact of the recession. However, unemployment is now rising more sharply, and the adverse economic prospects, further cuts in public spending and the onward impacts of these cuts on aggregate demand are very likely to produce a further substantial rise in unemployment in coming months.

1.4 The new policy and financial frameworks which have been introduced by the Coalition Government are heavily reliant upon markets working effectively to deliver resources and a cycle of growth which is driven by a new localism. Evidently the economic backdrop to these new initiatives is not benign and it will be some time before the locality is able to utilise all the powers which the Coalition envisages will decentralised to localities. Section 2 explores the new financial and policy frameworks in more detail.

2 The new policy and financial framework

2.1 The Comprehensive Spending Review was published in October 2010. This spending review produced a number of changes in the direction of housing policy which are of themselves as important as the overall changes to the volume of public finance which will be available over the four year spending review period from 2011/12 to 2014/15. These changes include: the discontinuation of a grant funded social house building programme after 2013; the introduction of a new affordable homes programme based upon intermediate renting and home ownership; the discontinuation of public expenditure on urban renewal after sixty years of investment; and the increasing integration of housing and economic development with housing resources being transferred into a new Regional Growth Fund.

2.2 The Comprehensive Spending Review was marked by a dramatic reduction in capital investment by the Department of Communities and Local Government (CLG). Capital expenditure will fall from £6.8 billion in 2010/11 to £2 billion in 2014/15, a fall of 74% in real terms. The reductions are not phased in an even manner. There has been a 58% fall in the first financial year (2011/12) to £3.3 billion and a low point of £1.8 billion will be reached in 2013-14, before recovering slightly in the last year of the spending review period, unless plans change.

2.3 The key funding programmes announced by CLG are summarised below:

- *Decent Homes* - the resources for this programme vary considerably on a year by year basis, falling from £625 million in this financial year to £260 million next year before increasing to £594 million in the last year of the CSR period.

- *Affordable Housing* - £4.5 billion is being made available, but £2.3 billion of this is already committed. From 2013/14 no further grant funded social housing schemes will be developed. The remaining £2 billion will be channelled into intermediate rent and ownership schemes.

- *Disabled Facilities Grants* – these are supported throughout the spending review period on a consistent basis rising from £168 million to £185 million in 2014/15.

- *Empty Property* - A new fund to bring empty property back into use has been created, with a value of £100 million. This has recently received an extra £50 million of resources through the National Housing Strategy - see below.

- *The Regional Growth Fund (RGF)* - The new RGF has a value of £1.4 billion and is being allocated via three competitive bidding rounds over a three year period. The first two rounds of RGF have allocated resources to only two Housing Market Renewal projects, in Hull and Merseyside. It is not envisaged that this fund will provide any significant resources for housing renewal or new construction.

2.4 As the spending review period progresses uncommitted resources will begin to reduce in absolute terms. In 2014/15, the £2 billion available for capital expenditure already has £779 million committed to the Decent Homes programme and Disabled Facilities Grant. Of the remaining £1.3 billion around 50% will be distributed to London and the South East given previous trends in allocations, leaving around £600 million for the rest of England which is uncommitted four years in advance.

2.5 The Comprehensive Spending Review has been the catalyst for a radical shift in housing policy. Housing provision is being reoriented away from housing those in greatest need, towards those who are working on low and average incomes. housing benefit reforms which introduce reductions in benefits for those out of work for more than a year reinforce this shift, and complement the move from grant funded social housing to intermediate rent based upon 80% of the median market rent. As the Spending Review period proceeds the emphasis shifts from Central Government capital subsidy, to more local responses to meeting need and improving quality through the open source planning system, sub market rents and intermediate housing, and through the reform of the Housing Revenue Account.

2.6 The remainder of this section of the report sets out the major policy announcements which will impact upon housing and regeneration in the NASH area. There are three Coalition programmes of reform which will have a fundamental impact upon the operation of housing and renewal projects in the area. These are the Localism Act, the Open Services White Paper, and the Welfare Reform programme being developed by Iain Duncan Smith. The most relevant actions flowing from each of these reforms are briefly set out below.

The Localism Act 2011

2.7 The Localism Act is underpinned by a belief that the Central State has grown too large and that decisions are frequently taken in Whitehall rather than being locally accountable. Critically, Localism is also underpinned by an equally strong belief that public expenditure costs associated with local government, housing and regeneration should be borne locally rather than being redistributed from central government and the general tax payer. The new localism introduces new rights for local people and businesses to challenge tax increases, and new powers to act for local government if they can secure a local mandate. In future it is envisaged that the costs, benefits, risks and rewards associated with development and growth will be internalised. Conversely so will be the costs and social impacts of decline. This new model of development clearly does not result in a level playing field for all local areas, and the challenges for North Staffordshire will be formidable in respect of continuing its economic and housing market change given this new regime.

2.8 The key proposals within the Act which impact upon housing and regeneration are as follows:

- The Act introduces a new general power of competence, giving councils greater freedom to work together.

- Councils will have greater control over locally raised business rates, including the power to offer business rate discounts. Increasingly, resources raised locally will be retained locally, rather than being centralised and redistributed according to need. The Act prevents plans to impose a business rate supplement on firms if a simple majority of those affected do not give their consent.

- Homelessness legislation will be reformed to enable councils to provide private rented accommodation where deemed appropriate, freeing up social homes for people in need on the waiting list. Additionally a prospective tenant's ability to pay for accommodation will be a material consideration when considering decisions to rehouse.

- Allowing councils to keep the rents they collect and use these locally to maintain social homes through the abolition of the housing revenue account (and conversely the removal of on-going capital and revenue subsidy from central government).

- Restricting Council Tax Rebate subsidy from Central Government to local government, thereby raising the possibility that even the poorest working age residents will contribute to local taxation from their benefit.

- Introducing a new right to draw up a neighbourhood plan, giving local people a voice to say where they think new houses, businesses and shops should go - and what they should look like (but not to oppose development).

- Enabling communities to bring forward proposals for development they want such as homes, shops, playgrounds or meeting halls, through the Community Right to Build.

- The Act brings forward the potential to develop Tax Increment Finance schemes which underwrite development through the issue of bonds and the provision of infra structure which pays for itself over a period of time through the increased flow of revenue from enhanced Business Rates.

2.9 The Localism Bill is therefore a substantial reform to the operation of local government, which introduces checks and balances into decision making whilst decentralising responsibility and authority to local government to manage change. This change has occurred at a time when Central Government grant to Local Government is being reduced by 27% and most needs based funding is being reduced or has been abolished (in respect of both capital and revenue budgets). Aligned with the new powers and duties contained with the Localism Act, the Government is proposing to introduce market reforms into the commissioning and delivery of all public services. The issues for this project are to highlight the opportunities and challenges which these reforms will pose for low income neighbourhoods and disadvantaged residents. The recent White Paper setting out these reforms is outlined below.

Open Public Services White Paper

2.10 In July 2011 the Government published its White Paper covering the reform of public services. The new approach to public services was widely trailed in the Comprehensive Spending Review where one of the filters applied to public spending proposals was the question 'can another private or third sector body provide this service rather than the State?'. The focus of the White Paper is therefore designed to encourage the outsourcing of services and if successful, it will change the role of local authorities from principal providers of local services to commissioning agents. This section summarises the main principles which underpin the White Paper and also sets out some of the issues which arise when considering the implementation of its proposals.

2.11 The White Paper for the first time provides a framework for decentralisation of services and budgets listing three different categories of public service, each of which will have a different framework for commissioning. These are as follows:

- *Individual services* - Personal services such as adult social care.
- *Neighbourhood Services* - Collective services, with the examples noted being public realm, leisure, recreation facilities and community safety.
- *Commissioned services* - Local and national services which cannot be devolved to individuals or communities - for example, revenue services or housing strategy.

2.12 In addition to the categories of services highlighted above there is also a focus on thematic issues such as tackling the problems of families with multiple needs. However there is no explicit link back to the commissioning framework or to how the new approach would facilitate a better approach to these issues - there is an assumption that best practice can and will emerge.

2.13 There is clearly a concern, which has emerged more recently, expressing the view that decentralisation and diversity of provision can only be supported by Central Government if minimum standards are achieved nationally and locally. Hence a new regulatory regime will also be introduced. The Government notes for example that 'We will ensure that providers of individual services who receive public money, from whichever sector, are licensed or registered by the appropriate regulator' (p.21). Additionally 'in the transition to achieving full individual choice there will continue to be a need for the Government to intervene where providers are failing to meet minimum standards or failing to make adequate improvements' (p.22). There will therefore be a new set of national targets to replace the ones which have been abolished, thus re-establishing a national framework, but this time based on minimum standards rather than on improvement targets (a critical change in emphasis). The new approach to regulation, minimum standards, transparency and the encouragement of challenge to service providers will create a new requirement to collect information and to set targets in relation to service delivery.

2.14 The Commissioned Services agenda heralds the reintroduction of Compulsory Competitive Tendering noting that 'in the services amenable to commissioning, the principle of open public services will switch the default from one where the state provides the service itself to one where the state commissions services from a range of diverse providers' (p.29). There is a strong desire/aspiration to seek bids for the contracts for public services from new mutuals run by ex-employees.

2.15 This White Paper if implemented as suggested will change the role of local government and much of the public sector from being a provider of services to being a commissioning agency. The shift in the role, function and shape of the public sector will be profound, as will the skills sets needed to deliver the new agenda. The consultation phase ended in September and firm proposals for each Government Department were expected in November. Following consultation proposals will then be imbedded in each of the Central Government Departmental Delivery Plans from April 2012.

Welfare reform

2.16 Shortly after being elected, the Coalition Government announced plans for major reforms to welfare benefits, spearheaded by the Secretary of State for Work and Pensions, Iain Duncan Smith. The Government's view was that the benefits system provides a disincentive to seeking work. For many, it was argued, the financial gains from work are limited and can be further eroded by transport and other costs. It was also argued that the welfare benefits system was too complex, making is expensive to administer.

2.17 A range of measures were announced in the Government's first Budget and Spending Review, with more fundamental reforms set out in the White Paper *Universal Credit: welfare that works*, published in November 2010. Firm proposals were published in Welfare Reform Bill, introduced to Parliament in February 2011. The most radical proposals in the Bill were:

- Personal Independence Payment: a proposal to replace Disability Living Allowance for people of working age with a new benefit, the Personal Independence Payment, from 2013.

- Universal Credit: a proposal to create a Universal Credit to radically simplify the benefits system.

2.18 The key welfare reforms and proposals affecting housing are as follows:

Reforms targeted on private tenants

- Local Housing Allowance rates were changed from being based on the median market rent to the 30th percentile rent threshold, and the higher rate for dwellings with five or more bedrooms was abolished. These changes have affected all areas.

- Local Housing Allowance caps were introduced to limit the amounts payable – this has mainly affected higher rent areas

- Abolition of the entitlement of tenants to retain up to £15 of any difference between the actual rent they paid and the appropriate Local Housing Allowance limit (in cases where rent paid was lower).

- The criteria determining the appropriate Local Housing Allowance rate (in terms of the number of bedrooms) were amended to allow for non-resident carers.

- Application of the Local Housing Allowance shared accommodation rate to apply to 25 to 35 year old single people who were previously entitled to the one-bedroom accommodation rate. (The shared accommodation rate already applies to those under 25). (April 2012)

- From 2013, changes in Local Housing Allowance rates will be indexed to the Consumer Prices Index rather than to market rents.

Other reforms

- The introduction of reductions in housing benefit for working age households living in social housing where those tenants are under-occupying their homes according to the occupancy standards which currently apply in the private rented sector.

- A total benefit cap for working age claimants across all tenures.

- The withdrawal of direct housing benefit payments to social landlords.

- The localisation of Council Tax Benefit costs.

- Possible future changes to housing benefit for supported housing tenants.

2.19 More generally, all of the proposed reforms to benefits will impact on those tenants in both the social and private rented sectors who are dependent on benefit. Wider impacts on incomes will feed through to their ability to afford rental costs and increase the potential for rent arrears or the need to move to cheaper accommodation. The higher the proportion of benefit dependent tenants in each sector, the greater will be the impact on incomes. The impact of these already impacted and proposed reforms is a highly controversial and contested issue.

Conclusion

2.20 The Comprehensive Spending Review introduced the largest reductions in public expenditure since 1945. Housing investment was highlighted as a policy area which was subject to a comprehensive reduction in investment and a radical retrenchment in Central Government activity. The legacy of these changes will mean that national subsidy for housing refurbishment and new supply is likely to remain at historically low levels for the remainder of this Parliament and into the medium and long term given the current prognosis for economic growth and public expenditure.

2.21 The redefinition of Central Government's role in housing policy from being one which it influenced directly through housing subsidy to one in which it indirectly steers policy through welfare reform, is also accompanied by sweeping public service reforms and a shift in the role of local authorities from direct providers of services to strategic commissioning agencies providing a leadership role within an increasingly risky environment. The quality and supply of housing within any given locality will be increasingly related to the quality of local governance and the strength of the local economy and tax base. Partnership working will be critical to achieving positive outcomes locally but in the transitionary period this may prove to be difficult as local institutions grapple with the twin problems of solvency and future form and function.

2.22 This current phase of public policy is dominated by the restructuring of public expenditure and services. The focus of reform is currently on the form and function of public institutions and on the achievement of specified resource/efficiency savings. The Government is not seeking to specify the outcomes from policy change in housing or related public services, having explicitly abolished many national targets and monitoring frameworks in favour of a localist approach which is monitored by voters and consumers. As the finance and national frameworks have been stripped away and the new localism is not yet operational or fit for purpose, a vacuum exists for many local housing agencies, which will limit any immediate response to the emerging housing and economic crisis.

2.23 The scale of change faced by housing providers is so great in respect of the reduced volume of investment, welfare reform and the development of a localism framework that it could be argued a period of strategic review is now essential to determine how agencies should respond over the next decade. The issues for local authorities and RSLs to consider are considerable and will include re assessments of: risk in relation to investment in places; the type of demand and need which will be prioritised in future; the relationship between housing investment and economic growth; and the organisational structures and assets needed to operate effectively in the new environment. These issues will take some time to resolve for most organisations and it is likely that the housing sector will be defined by diversity of responses at a local level rather than by monolithic agreement. The success of a localist response will be dependent upon local authorities working with diversity and developing long term partnerships based upon shared risks. An immediate response to the emerging housing crisis would therefore probably not be appropriate for local agencies, and the current void in the public policy framework gives an opportunity for localities to assess the opportunities and risks inherent to the new way of working given local economic, social and housing characteristics.

3 Socio economic, housing market and economic baseline

Context

3.1 This section reviews recent research evidence on the housing market in North Staffordshire and Staffordshire more widely. It also assembles new evidence on emerging trends to provide an up to date picture of housing market trends and provides the social and economic mosaic against which the new localism will be deployed.

3.2 The five local authorities comprising the NASH area (Newcastle-under-Lyme, Staffordshire Moorlands, Stoke-on-Trent, East Staffordshire and Stafford) had an estimated population of 695,000 in 2010. The North Staffordshire conurbation is the main urban area, with Stoke accounting for 35% of the total population. Other major population centres outside the conurbation include Burton, Stafford and Leek. There were 306,000 households living in the area in 2010, with an average of 2.27 persons per household.

3.3 Home ownership is the main tenure but Stoke and Newcastle have high levels of social rented and Stoke and Stafford relatively large private rented sectors. In Stoke private rented sector tenancies are more than usually dependent on local housing allowance support. All the authorities in NASH area with the exception of Stafford have relatively high vacancy rates in the housing stock, with Stoke again standing out.

3.4 As the rest of this chapter shows in more detail, the NASH area is diverse with Stoke and the conurbation generally differing significantly from the remainder of the sub-region, and Stafford and East Staffordshire having more in common with the southern Staffordshire authorities. In terms of demographic change, growth rates in Stoke have been low in the past, but this is projected to change over the next two decades. The remaining areas have experienced more substantial growth rates in the last decade, with East Staffordshire and Stafford notably higher than Newcastle and Staffordshire Moorlands. The population of the whole area is expected to age significantly with the exception of Stoke which has a relatively younger population.

3.5 Average incomes in most of North Staffordshire are above the West Midlands average, but the major exception is Stoke where incomes and earnings are notably lower and well below the regional average. This is reflected in house prices which are also notably lower in Stoke, along with parts of Newcastle and Stafford. Yet some of the more rural areas in the sub-region have comparatively high prices, leading to affordability problems.

3.6 Stoke has lower rates of economic activity and employment, and a higher unemployment rate, than the rest of the sub-region or the region, whereas the rest of the sub-region has more favourable rates than the region on most economic indicators. All of the Staffordshire authorities except Newcastle are more dependent than average on manufacturing employment and Stoke and Stafford are also more dependent than average on public sector employment. Apart from Stafford, the NASH area has a relatively unskilled workforce. Hence there is significant economic vulnerability across the whole of the sub-region. Stoke is the main centre of deprivation in the sub-region, with high levels across much of the conurbation. Stafford also has concentrations of deprivation.

Housing demand

Demographic change

3.7 Table 3.1 shows varied rates of population growth across Staffordshire and adjoining areas. From 1981 to 2001 the NASH authorities experienced low growth rates or even population decline, notably Stoke. There was something of a recovery from 2001-2011, except in Stoke, which continued to experience a small decline, and in Stafford which grew by 5%. Growth rates elsewhere in Staffordshire and around were generally much higher, notably of course in nearby Telford through New Town and the successor private sector growth led strategy, but also in South Staffordshire (1981-91), Tamworth (1981-2001) and East Staffordshire and Lichfield (2001-2011).

3.8 Projected population growth rates (from 2011-2031) are generally much greater than those achieved in the past in North Staffordshire and in Stafford, notably in Stoke where a sharp turnaround is projected. Figure 3.1 shows the components of projected population change over the 2009-2031 period. This suggests that the majority of projected growth in Stoke will arise from natural change (the excess of births over deaths). More confidence can be attached to this than to migration change, especially international migration. Almost all of the growth projected in Staffordshire Moorlands and Newcastle arises from internal migration, mainly from Stoke. There are differences in profile between the other Staffordshire authorities, but all are projected to experience significant net internal migration, in this case from both Stoke and the West Midlands conurbation. Cheshire East is projected to experience much greater net growth from internal migration. Some of this will be from North Staffordshire but the majority on the basis of past trends will come from Greater Manchester and perhaps Merseyside.

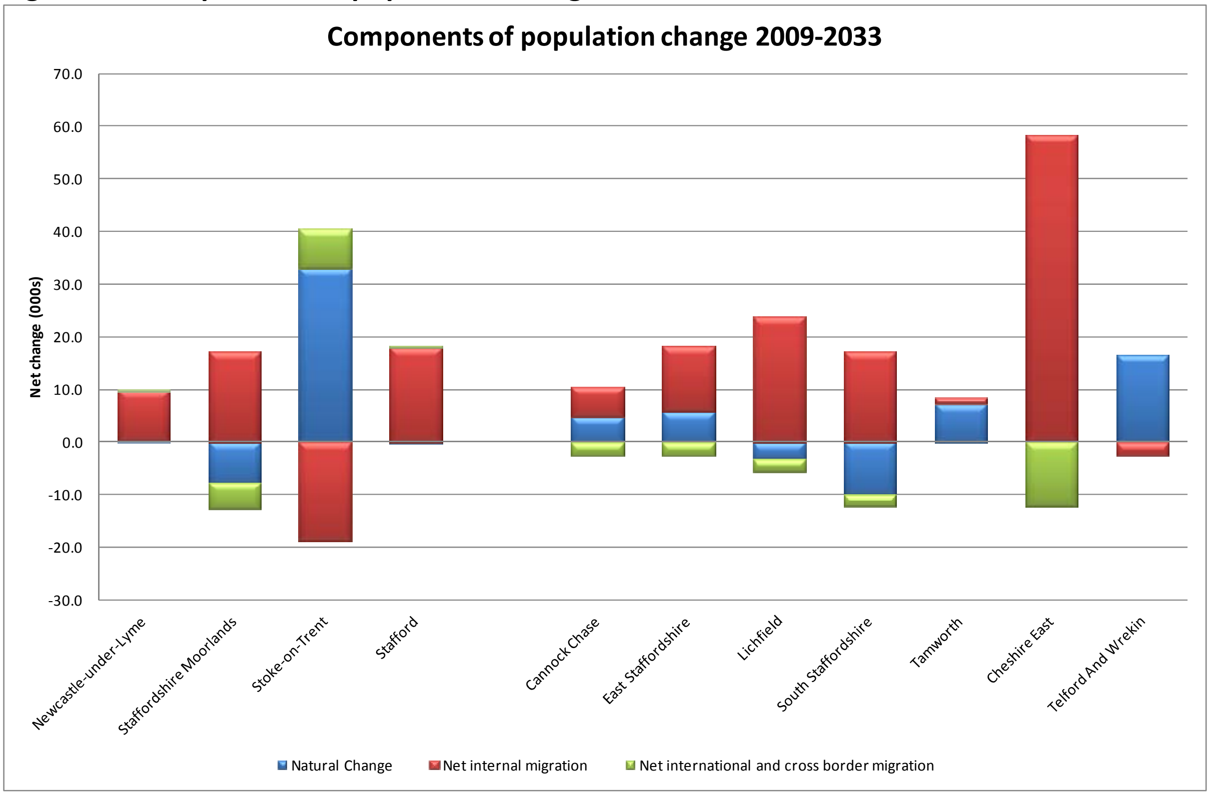
3.9 Population projections are trend rather than policy-based, but past trends reflect past policies and market circumstances, both of which may be different in the future. Trends from 2001-2011 in particular are reflected in projections, and although the period from 2008-2011 was strongly affected by the credit crunch and recession, trends since 2001 strongly represent a period of high net international migration and the expansion of higher education in cities and the conurbations and strong regeneration-based planning policies seeking to reverse or contain strong outward movement of population from these areas. The ending of the HMR initiative in North Staffordshire, and the weakening of regional and sub-regional planning policies, might both have the effect of shifting the balance of population growth to towns and more rural areas. On the other hand sustained poor economic performance might depress migration altogether and lead to a greater emphasis on natural change. The assumption that natural population growth in Stoke will be retained within the local authority rather than leading to migration to other areas can also be challenged. Natural change arises through both extra births and fewer deaths, but if more of those living longer choose, and are able, to move out of Stoke the projections would over-estimate growth there. Overall there is a clear need to monitor population change over time and take any deviations from trends into account, and to consider the impact of market and policy trends carefully.

Table 3.1 Population growth 1981-2031

	Ten year population growth rate (%)				
	1981-1991	1991-2001	2001-2011	2011-2021	2021-2031
Newcastle-under-Lyme	0.2	1.0	2.3	2.7	3.4
Staffordshire Moorlands	-0.2	-1.1	0.9	2.9	2.6
Stoke-on-Trent	-1.1	-3.6	-0.1	3.6	3.3
Stafford	1.9	1.0	4.9	6.0	4.9
East Staffordshire	1.6	6.1	5.9	6.5	5.6
Cannock Chase	4.8	3.2	3.0	3.5	2.9
Lichfield	4.4	0.1	6.6	7.8	5.9
South Staffordshire	8.7	1.2	0.7	1.7	2.2
Tamworth	8.1	5.8	2.1	3.6	2.9
Cheshire East	3.7	3.4	3.7	5.4	4.9
Telford and Wrekin	12.6	12.2	2.8	3.5	3.1

Source: ONS

Figure 3.1 Components of population change



Source: ONS

3.10 Household growth levels (Table 3.2) show greater resilience as a result of the steady decline in average household size which demographers anticipate will continue, other things being equal. Household growth rates are more relevant to housing need and demand because they indicate the demand for additional dwellings and even areas of relatively weak projected population growth such as Stoke are projected to experience 5% growth rates over the next two decades. Growth in areas like Stoke is driven primarily by declining household size rather than growth whereas in East Staffordshire (for example) both factors are driving increased housing demand. Changes in patterns of population growth if they occurred would affect these household projections, but in addition, if higher unemployment has an impact on the ability of households to demand housing and to form independent households, the level of household growth would be smaller as increased occupancy rates would reduce the fall in average household size.

Table 3.2 Household growth 1991-2031

	Ten year household growth rate (%)			
	1991-2001	2001-2011	2011-2021	2021-2031
Newcastle-under-Lyme	4.1	5.1	6.7	5.2
Staffordshire Moorlands	5.4	5.6	5.8	6.9
Stoke-on-Trent UA	1.0	2.1	4.8	5.1
Stafford	6.4	8.4	10.3	7.4
East Staffordshire	10.3	8.8	10.7	8.5
Cannock Chase	8.8	7.0	7.6	7.0
Lichfield	8.6	10.0	10.5	8.7
South Staffordshire	5.0	5.2	5.4	3.0
Tamworth	11.5	9.0	8.2	5.3
Cheshire East	7.3	8.3	9.2	7.6
Telford and Wrekin	18.5	7.5	7.3	6.0

Source: CLG 2008-based household projections

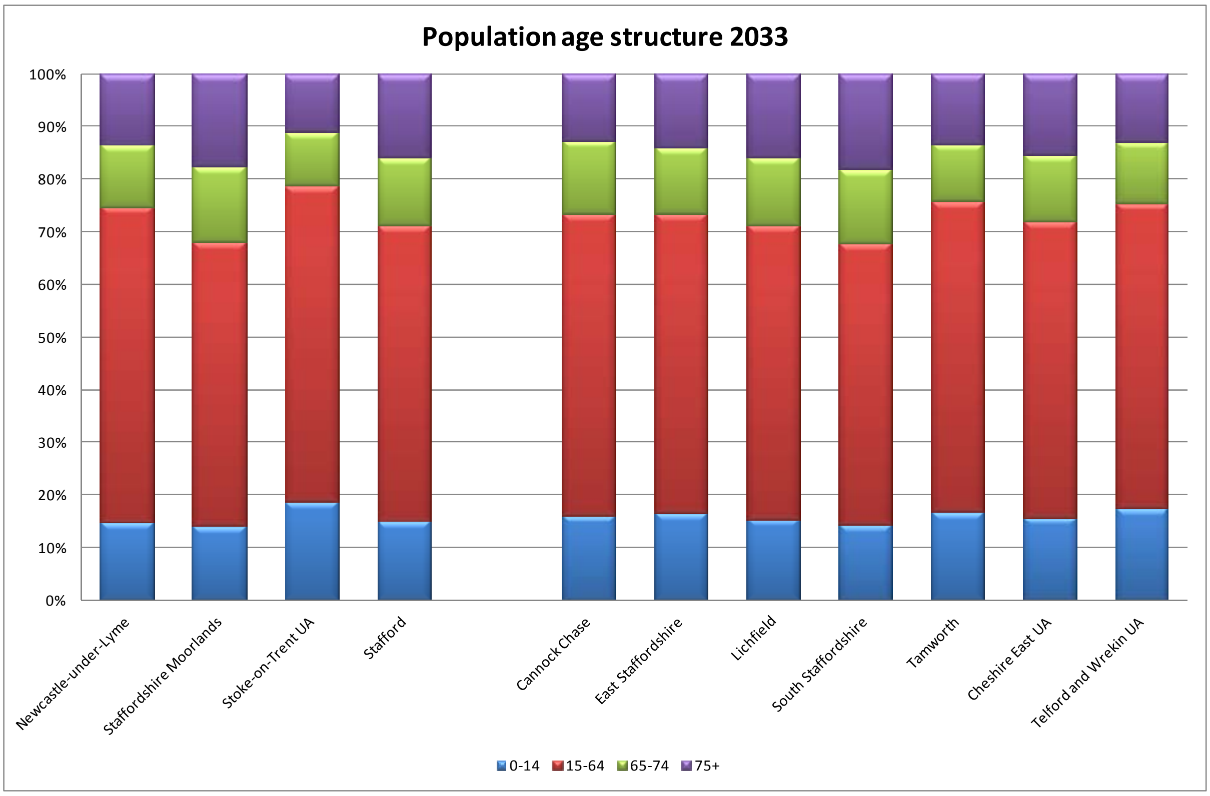
Population ageing

3.11 The population ageing process is affecting parts of North Staffordshire, as many other areas, as Figure 3.2 shows. Population ageing has a threefold impact:

- Increasing longevity contributes to the overall demand for housing by sustaining the number of households.
- The ageing population creates obvious demands for housing and care/support services. The nature of this demand has evolved over time with increased emphasis on independent living and the growing level of home ownership amongst the older population.
- Population ageing reduces the size of the economically active population and creates a need for inward migration to replenish the labour force, again with house demand implications.

3.12 Most of the Staffordshire and surrounding authorities will have around 30% of their population aged 65 or more by 2033 – Stoke is the main exception with a much younger profile caused by differential inward and outward migration. Tamworth also has a relatively young population. Staffordshire Moorlands, Stafford, Lichfield and South Staffordshire have the highest proportions of people aged 75 or more who are the most likely group to require housing and care services. In absolute terms, to illustrate the potential increase in the scale of demand from this group, there will be 87,000 people aged 75 or more in the three North Staffordshire authorities and Stafford combined in 2033, compared to 46,000 in 2009, an increase of over 90%.

Figure 3.2 Population age structure 2033

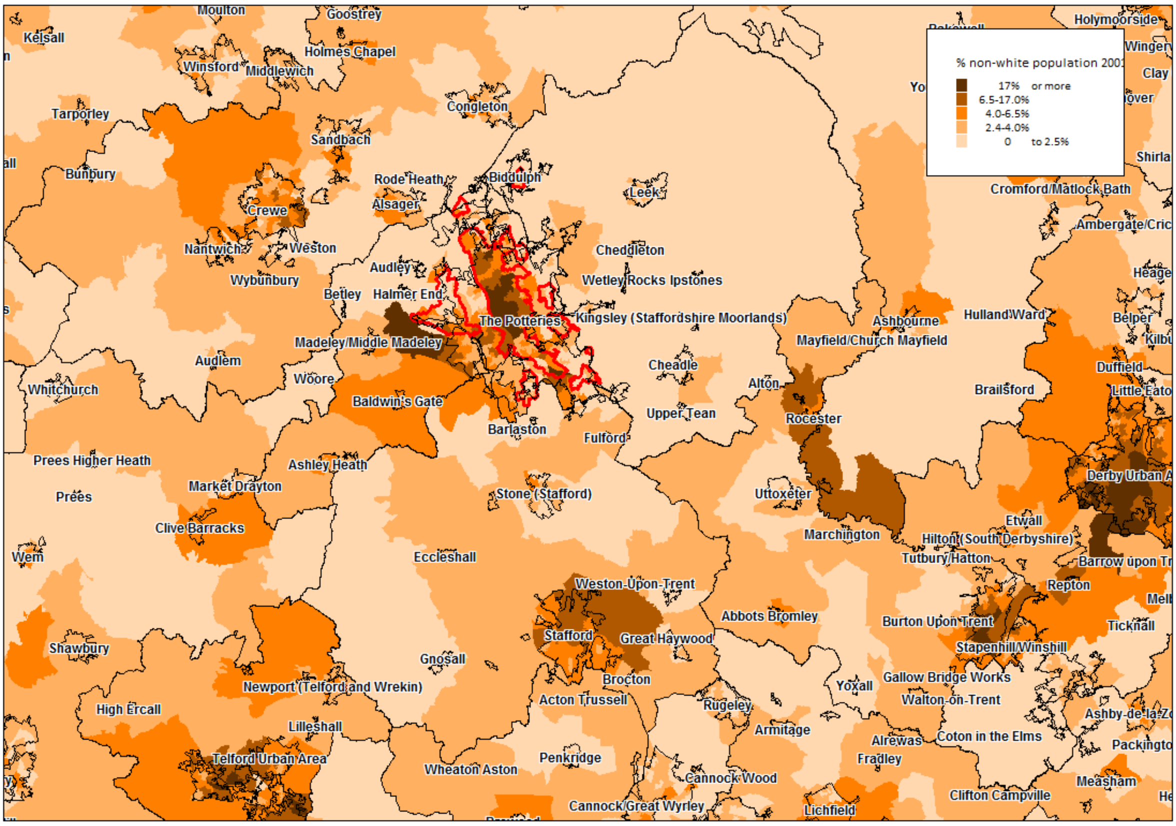


Source: ONS

BME population

3.13 Map 3.1 shows the location of the non-white population in North Staffordshire in 2001, the latest date for which detailed information is available. The main concentrations of non-white population in 2001 were in Stoke, Newcastle, Burton and Stafford. Since 2001, estimates made by ONS at local authority level suggest that the non-white population increased from 5.2% in 2001 to 7.4% in Stoke in 2007; in Newcastle from 2.1% to 4.3%, in Stafford from 2.6% to 4.3%, in Staffordshire Moorlands from 1.0% to 2.4%, and in East Staffordshire from 6.0% to 7.7%. East Staffordshire thus had the highest proportion of non-white residents in the area in 2007. Non-white households in the area in 2001 were less likely than the white population to live in social rented housing and more likely to live in older-terraced housing in inner city locations. Some ethnic groups, notably Indian and Pakistani households, were more likely than average to be owner occupiers, and as the map shows to live in areas with strong concentrations of non-white households.

Map 3.1 BME population in North Staffordshire



Source: 2001 Census

Incomes and resources

3.14 Household incomes and resources determine the nature of housing demand, but the relationship between the two is extremely complex. Household incomes at any point in time may not be reflected in housing consumption. A simple example is provided by a retired household on a relatively low income living in a high value owner occupied dwelling which they can sustain in the short term because they own the dwelling outright and bought it at a time when prices were lower and their household income was higher.

3.15 Data on incomes are limited and many of the available sources relate to individual incomes (as distinct from household incomes) or to earnings (thus excluding retired people and those not in employment). Table 3.3 shows average household incomes in 2007 drawing on estimates produced by ONS at small neighbourhood level. Setting aside actual income levels, the table shows that average household incomes in most of Staffordshire and the other areas in the table were above the West Midlands average. The exception was Stoke where incomes were notably lower than elsewhere and 14% below the regional average. Most areas were below the national average household income and incomes in Stoke were only just over three quarters of this level.

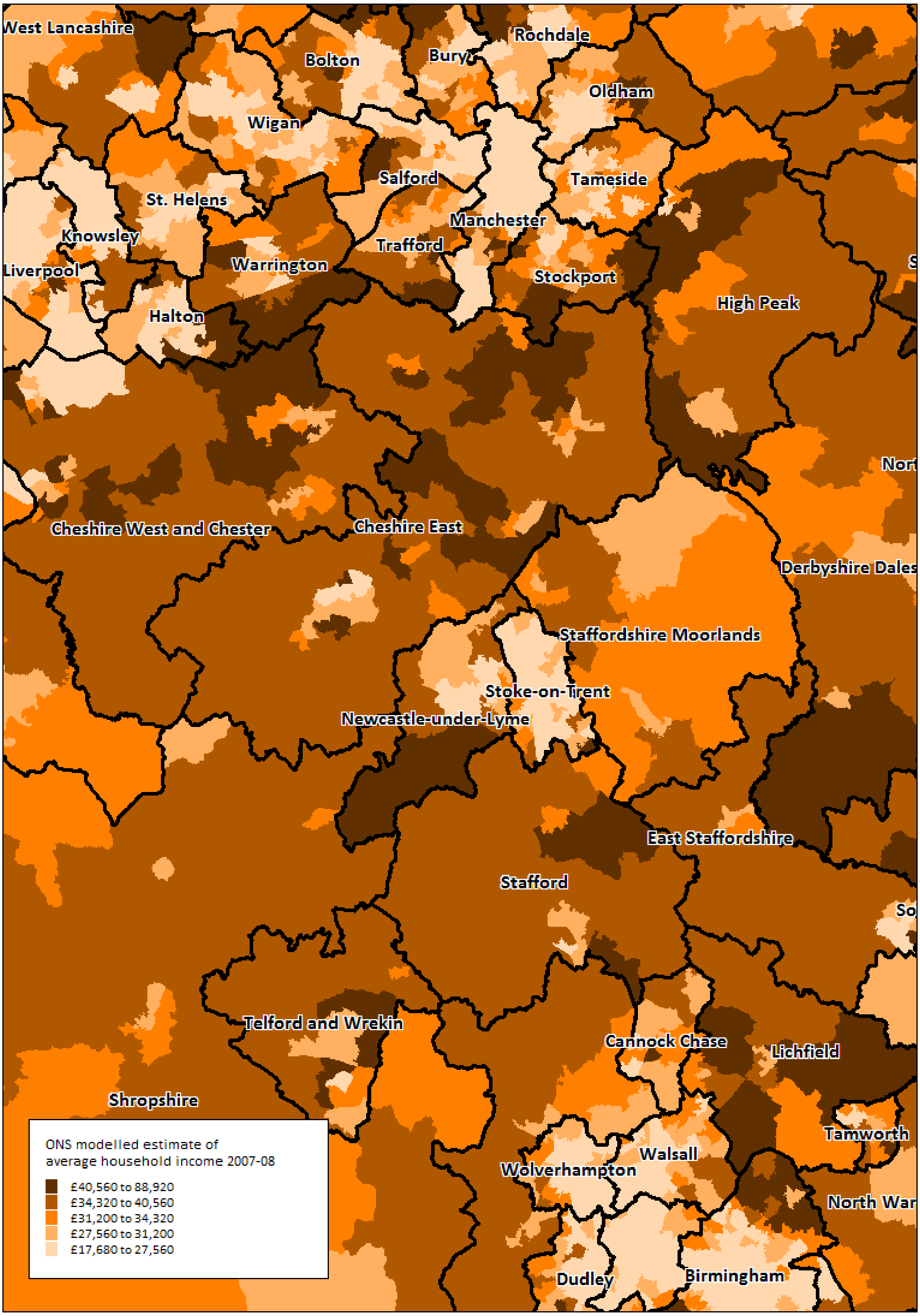
Table 3.3 Average incomes and ratio of incomes to West Midlands and national averages

	Households	Average income (£)	Ratio to WM average	Ratio to EW average
Newcastle-under-Lyme	50,736	30,803	0.99	0.89
Staffordshire Moorlands	38,741	32,120	1.04	0.93
Stoke-on-Trent	103,549	26,766	0.86	0.77
Stafford	50,216	35,026	1.13	1.01
East Staffordshire	42,840	32,698	1.05	0.95
Cannock Chase	37,248	31,052	1.00	0.90
Lichfield	37,445	36,377	1.17	1.05
South Staffordshire	42,075	33,793	1.09	0.98
Tamworth	29,418	33,048	1.07	0.96
Cheshire East	147,651	36,365	1.17	1.05
Telford and Wrekin	63,759	32,798	1.06	0.95
West Midlands	2,154,741	31,027	1.00	0.90
England and Wales	21,662,712	34,547	1.11	1.00

Source: ONS

3.16 There were considerable variations at smaller area level within these local authority averages. Map 3.2 shows average incomes in 2007-08 by super output area. The strong concentration of low incomes in Stoke (extending into Newcastle) shows up clearly, with the majority of neighbourhoods in the City falling into the lowest 20% of neighbourhoods nationally. Stoke is comparable with the inner areas of the West Midlands and Greater Manchester conurbations. Parts of Stafford, Burton and Cannock also show up with low incomes. At the other extreme many of the more rural areas in Staffordshire fall in the top 40% of areas nationally and there are relatively few areas falling between these extremes. This suggests that incomes in Staffordshire are relatively polarised.

Map 3.2 Average household incomes by super output area 2007-08



Source: ONS

3.17 Household incomes have changed substantially since 2007-08. The credit crunch and the subsequent recession had a significant impact. Lower employment and rising unemployment were compounded by modest earnings growth and more recently, by sharply rising inflation. Real disposable incomes continued to grow slowly, by around 1% per annum, in 2008 and 2009, as a result of low interest rates and increased benefit payments. But in 2010 real disposable incomes fell by 0.8%, the largest decline since 1977. This fall is contributing to reduced household spending and saving, and reduced economic growth, as well as to the continuing weakness in the housing market and affordability problems.

3.18 Data on *personal* earnings is available from the Annual Survey of Hours and Earnings. This covers individuals rather than households and does not cover income from unearned sources. It also excludes unemployed and inactive people. The data shows that Staffordshire residents (apart from Lichfield and South Staffordshire) have lower median earnings than the Great Britain average but all apart from Stoke have higher earnings than the West Midlands average. Stoke stands out with a low level of median earnings, at only 85% of the national average. East Staffordshire and Telford also have relatively low median earnings. The table also shows work-place based earnings (earnings of those working rather than living in an area). This shows very low earnings rates for workers in Newcastle, Staffordshire Moorlands, Stoke, Cannock Chase. Tamworth and Telford. Comparing the two sets of earnings suggests that Stoke and East Staffordshire both ‘export’ earnings to surrounding areas in that earnings for residents are lower than those for those working in the area. This tends to reflect a prevalence of inward commuting by higher paid employees.

Table 3.4 Workplace- and residence-based earnings 2010

	Residence-based					Workplace-based				
	Median	Annual % change	Mean	Annual % change	Ratio local to natnl median	Median	Annual % change	Mean	Annual % change	Ratio local to natnl median
Newcastle-under-Lyme	387.2	1.0	429.0	-0.8	0.95	337.1	0.3	383.3	-1.0	0.83
Staffordshire Moorlands	404.9	3.3	457.8	0.0	1.00	331.3	-3.5	376.8	-5.5	0.82
Stoke-on-Trent	348.0	1.1	389.2	0.9	0.86	367.5	2.1	422.1	1.1	0.91
Stafford	399.3	-3.9	489.1	-0.7	0.98	403.9	2.0	462.8	-0.2	1.00
East Staffordshire	366.4	0.3	439.0	1.6	0.90	381.3	4.2	467.7	10.8	0.94
Cannock Chase	385.5	5.9	431.3	8.5	0.95	377.4	4.7	421.1	3.3	0.93
Lichfield	466.6	3.8	532.3	2.0	1.15	403.1	7.6	449.6	2.7	0.99
South Staffordshire	416.2	2.0	478.8	2.0	1.02	379.0	-8.7	437.0	-1.5	0.93
Tamworth	400.7	5.4	418.6	-2.3	0.99	351.6	4.1	402.1	5.2	0.87
Cheshire East	403.7	3.2	510.9	-1.1	0.99	376.6	3.4	451.5	3.1	0.93
Telford and Wrekin	364.5	5.7	417.9	4.9	0.90	366.9	4.0	416.7	0.6	0.90
West Midlands	382.0	1.4	450.6	2.0	0.94	376.8	0.8	445.3	1.5	0.93
Great Britain	406.7	1.8	491.1	1.5	1.00	405.7	1.8	489.7	1.5	1.00

Source: Annual Survey of Hours and Earnings

Employment and worklessness

3.19 Underlying these differences in incomes and earnings are important differences in local economies. Table 3.5 shows a range of economic indicators for Staffordshire authorities compared with the West Midlands and Great Britain. For much of Staffordshire, most economic indicators show a better performance than regional, and in some cases, national averages. Stoke and Tamworth, and on some indicators Telford, stand out from this picture with higher levels of unemployment, people inactive but seeking work and higher JSA claimant rates. Only two thirds of people of working age in Stoke are in employment compared to 70% nationally. 9.5% of people working age people are JSA claimants, compared to 7.9% across Great Britain. Lower incomes are thus explained by the high rates of unemployment and economic inactivity in some areas.

Table 3.5 Economic activity, employment and receipt of benefits 2010

	Percentage							
	Economically active	In employ-ment	Unemp-loyed (as % econon-ically active)	Inactive seeking employ-ment	Inactive	Claim-ing JSA	Claim-ing JSA aged 18-24	Claimants per job vacancy
Newcastle-under-Lyme	74.1	69.3	7.0	6.0	19.9	3.0	5.8	3.3
Staffordshire Moorlands	81.7	79.1	4.6		16.6	2.0	5.3	6.4
Stoke-on-Trent UA	72.7	65.7	9.7	8.2	19.1	5.1	9.5	5.9
Stafford	74.0	69.0	6.0	5.0	20.0	2.3	5.7	1.7
East Staffordshire	77.6	73.3	6.3	5.2	17.2	3.0	8.0	1.9
Cannock Chase	84.0	78.8	7.2		12.6	3.8	10.0	3.4
Lichfield	78.5	74.4	5.3		20.2	2.5	7.2	2.8
South Staffordshire	77.1	70.1	7.0		18.7	2.7	6.9	2.2
Tamworth	71.3	61.4	9.4		21.6	3.5	8.6	2.5
Telford and Wrekin	74.4	68.6	8.1	6.2	19.4	4.3	10.1	3.5
West Midlands	74.2	67.5	8.8	5.5	20.7	4.9	10.1	5.2
Great Britain	76.2	70.3	7.7	5.7	18.1	3.9	7.9	5.6

Source: NOMIS

3.20 Table 3.6 summarises other key economic indicators. All of the Staffordshire authorities except Newcastle are more dependent than average on manufacturing employment. Given the long-term trend towards declining employment in this sector, this has made them vulnerable during the recent (and earlier) recessions and in any future recession. Staffordshire Moorlands, Stoke, East Staffordshire and Cannock have the strongest representation in manufacturing. Stoke and Stafford are also more dependent than average on public sector employment, making them vulnerable to current and forthcoming public expenditure reductions. South Staffordshire authorities are less vulnerable on this indicator.

Table 3.6 Summary economic indicators

	% jobs								Qualifications				Benefits		Employment change	
	Manu-factur-ing (%)	Ratio	Pub admin educn hlth (%)	Ratio	Profl/ Mgerial (%)	Ratio	Un-skill-ed (%)	Ratio	NVQ4 and above (%)	Ratio	No quals (%)	Ratio	Key out of work benefits (%)	Ratio	2000-2006 (%)	2006-2009 (%)
Newcastle-under-Lyme	9.2	0.9	25.5	0.9	41.0	0.9	21.5	1.2	32.5	1.0	13.4	1.2	11.8	1.0	-3.8	0.0
Staffordshire Moorlands	18.4	1.8	23.6	0.9	39.6	0.9	22.4	1.3	34.8	1.1	13.5	1.2	9.9	0.8	8.8	0.0
Stoke on Trent	16.1	1.6	31.0	1.1	30.3	0.7	25.8	1.4	17.8	0.6	18.5	1.6	19.2	1.6	-4.1	-1.7
Stafford	10.8	1.1	39.6	1.5	46.9	1.1	18.5	1.0	35.9	1.1	14.1	1.2	8.8	0.7	10.6	-8.2
Cannock Chase	16.7	1.6	20.8	0.8	31.5	0.7	24.4	1.4	20.3	0.6	6.7	0.6	13.0	1.1	5.7	16.2
East Staffordshire	20.9	2.0	22.9	0.8	36.3	0.8	30.3	1.7	30.4	1.0	11.4	1.0	10.6	0.9	12.7	-1.6
Lichfield	12.8	1.3	22.8	0.8	53.4	1.2	15.0	0.8	29.6	0.9	7.8	0.7	8.7	0.7	11.4	4.1
South Staffordshire	14.1	1.4	24.4	0.9	50.8	1.1	17.5	1.0	26.6	0.8	6.3	0.6	8.0	0.7	-2.8	-2.9
Tamworth	12.8	1.3	15.3	0.6	27.8	0.6	31.4	1.8	17.1	0.5	15.9	1.4	11.8	1.0	0.0	-16.7
Telford and Wrekin	18.6	1.8	26.2	1.0	39.4	0.9	22.6	1.3	24.0	0.8	11.7	1.0	13.8	1.1	7.2	-5.6
West Midlands	13.8	1.4	27.0	1.0	40.8	0.9	19.9	1.1	26.0	0.8	15.1	1.3	13.7	1.1	4.7	-0.2
Great Britain	10.2	1.0	27.0	1.0	44.6	1.0	17.8	1.0	31.3	1.0	11.3	1.0	12.3	1.0	4.1	-3.9

Source: ONS. Ratio: the ratio of the percentage in each local authority to the Great Britain average.

3.21 With the exception of Stafford the North Staffordshire authorities also have a relatively unskilled labour force, with low proportions of people working in professional and managerial positions. Lichfield and South Staffordshire have more professional and managerial workers than average, reflecting the high levels of commuting from these areas to the West Midlands conurbation. All of the Staffordshire authorities except Lichfield have high proportions of people in unskilled occupations, with East Staffordshire and Tamworth having exceptionally high proportions. These patterns are also reflected in data on qualifications. Stoke, Cannock and Tamworth have exceptionally low proportions of people with qualifications at NVQ4 or above, and Stoke has a correspondingly high proportion of people with no qualifications, along with the rest of North Staffordshire.

3.22 All these indicators help to account for relatively low levels of earnings amongst residents. They also suggest vulnerability to unemployment and longer term worklessness. Stoke has by far the highest level of dependence on out of work benefits (19% of the resident population of area aged 16-64), 1.6 times the national average level. Cannock and Tamworth also have higher than average levels of benefit dependency.

3.23 Finally the table shows changes in the number of jobs in each area between 2006-2006 and 2006-2009. Between 2000 and 2006, Stafford and Staffordshire Moorlands experienced a higher rate of jobs growth than the national or regional average, but in Stafford a significant proportion of the growth was in now vulnerable public sector employment. In Stoke and Newcastle the number of jobs fell in contrast to the national trend. From 2006-2009 job numbers fell nationally by 4%. Stafford experienced a decline almost double this rate. Jobs in Stoke also continued to decline. Newcastle and Staffordshire Moorlands remained static. Table 3.7 below drawn from a 2010 study by NLA of the impact of the recession on housing looks at the issue of vulnerable employment in more detail. The study concluded that the West Midlands as a whole was highly vulnerable to recession because of its employment structure, but within the region, Stoke, Stafford and Cannock were amongst the most vulnerable. These include a high proportion of the authorities in the region with the highest claimant and lowest employment rates.

Table 3.7 Residence-based employment in vulnerable and public sectors, 2008

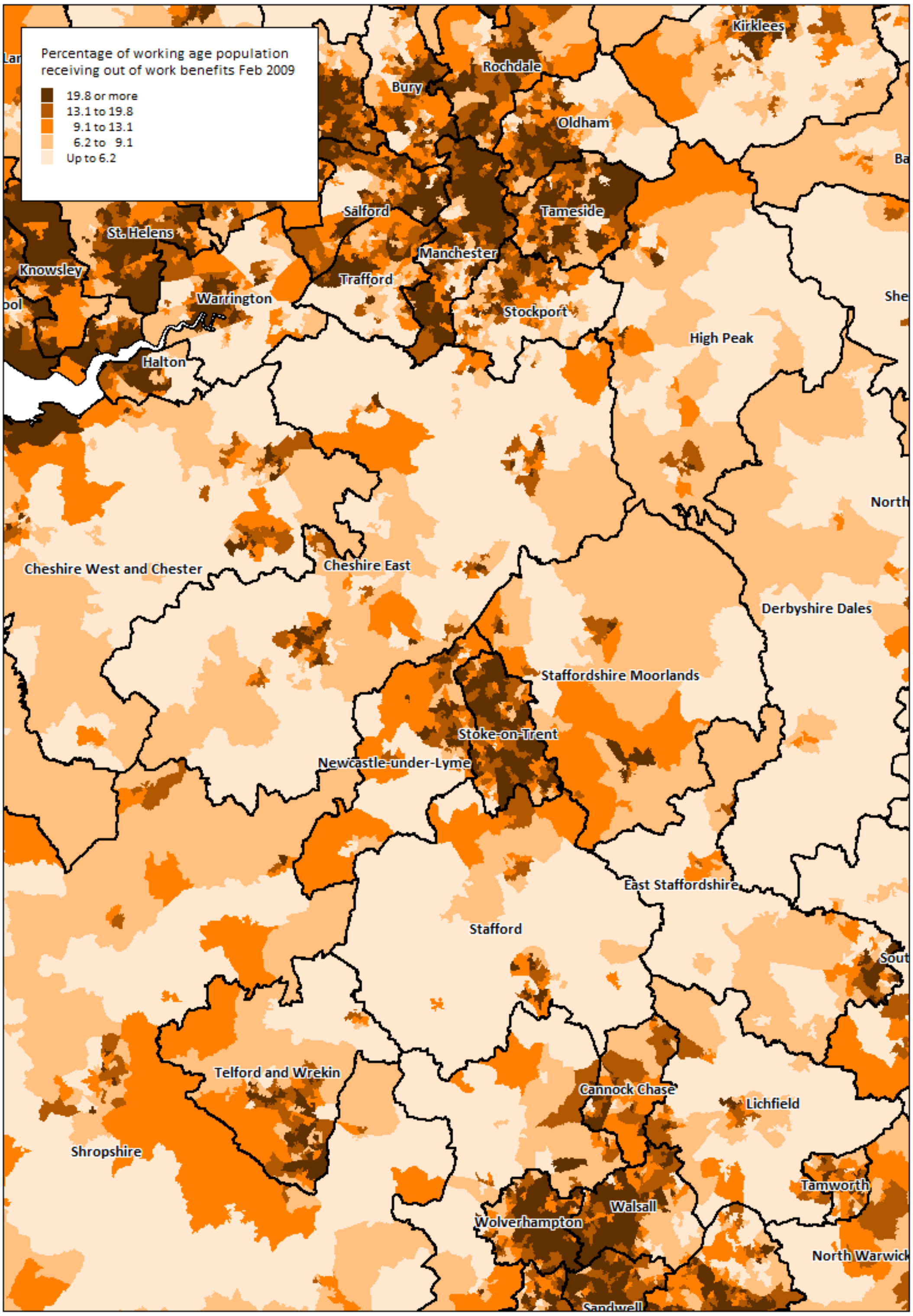
	Number Vulnerable sectors	Public sector	Percentage Vulnerable sectors	Public sector	Both
Stoke-on-Trent	37238	32477	35.6	31	66.6
Wolverhampton	37302	31849	35.9	30.7	66.6
Stafford	16169	24052	26.6	39.6	66.2
Nuneaton Bedworth	15185	10046	39.1	25.9	65
Wyre Forest	13539	7836	40.9	23.7	64.6
Cannock Chase	15451	7366	43.7	20.8	64.5
Worcester	16427	16050	32.5	31.8	64.3
Shropshire	37958	34100	33.8	30.3	64.1
Dudley	42188	32651	35.9	27.8	63.7
Bromsgrove	11065	10294	32.8	30.5	63.3
Walsall	37450	23247	37.7	23.4	61.1

	Number Vulnerable sectors	Public sector	Percentage Vulnerable sectors	Public sector	Both
Sandwell	48686	28831	38.2	22.6	60.9
Birmingham	136233	156045	28.1	32.2	60.3
South Staffordshire	10624	7214	35.9	24.4	60.3
East Staffordshire	20107	12613	36.6	22.9	59.5
Redditch	13882	8477	36.8	22.5	59.3
Rugby	16164	9583	37.2	22	59.2
Newcastle-under-Lyme	14921	11293	33.6	25.5	59.1
Coventry	41348	42118	29.2	29.7	59
Staffs Moorlands	10505	7216	34.4	23.6	58.1
Herefordshire	25739	18519	33.5	24.1	57.6
Telford and Wrekin	24891	21279	30.6	26.2	56.8
Stratford-on-Avon	20927	11591	36.5	20.2	56.7
Solihull	35205	18984	36.8	19.8	56.6
Tamworth	11286	4239	40.6	15.3	55.9
Lichfield	13096	9101	32.7	22.8	55.5
Malvern Hills	8226	6424	31	24.2	55.2
Wychavon	15907	10931	31.7	21.8	53.5
Warwick	21259	17049	27.7	22.2	49.9
North Warwickshire	12089	5415	31	13.9	44.9

Source: Annual Business Enquiry. © Crown copyright. Taken from The impact of recession on housing in the West Midlands and the implications for policy, NLA 2010

3.24 The pattern of economic disadvantage also varies within districts. Map 3.3 shows the pattern of receipt of out of work benefits in the area. Worklessness levels are high across most of Stoke as local authority level data indicates, but there are also concentrations of worklessness in Newcastle, Stafford, Cannock, Lichfield and Burton.

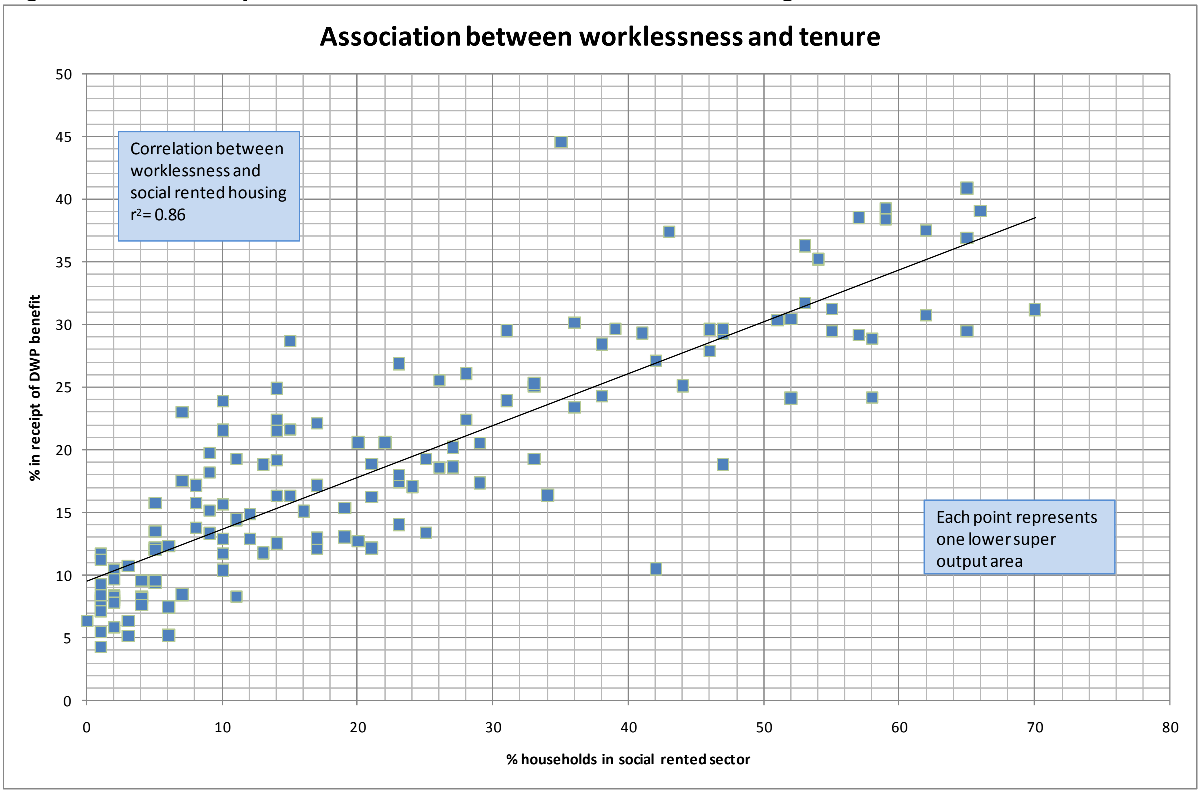
Map 3.3 Receipt of out of work benefits



Source: DWP

3.25 There is a strong association between worklessness and social renting, which arises because workless people, especially those without employment in the long term, have lower incomes and are thus more likely to be unable to afford home ownership. Work carried out by NLA in Stoke revealed a close correlation at LSOA level between the proportion of dwellings which are social rented and the proportion of working age people in receipt of benefit (Figure 3.3).

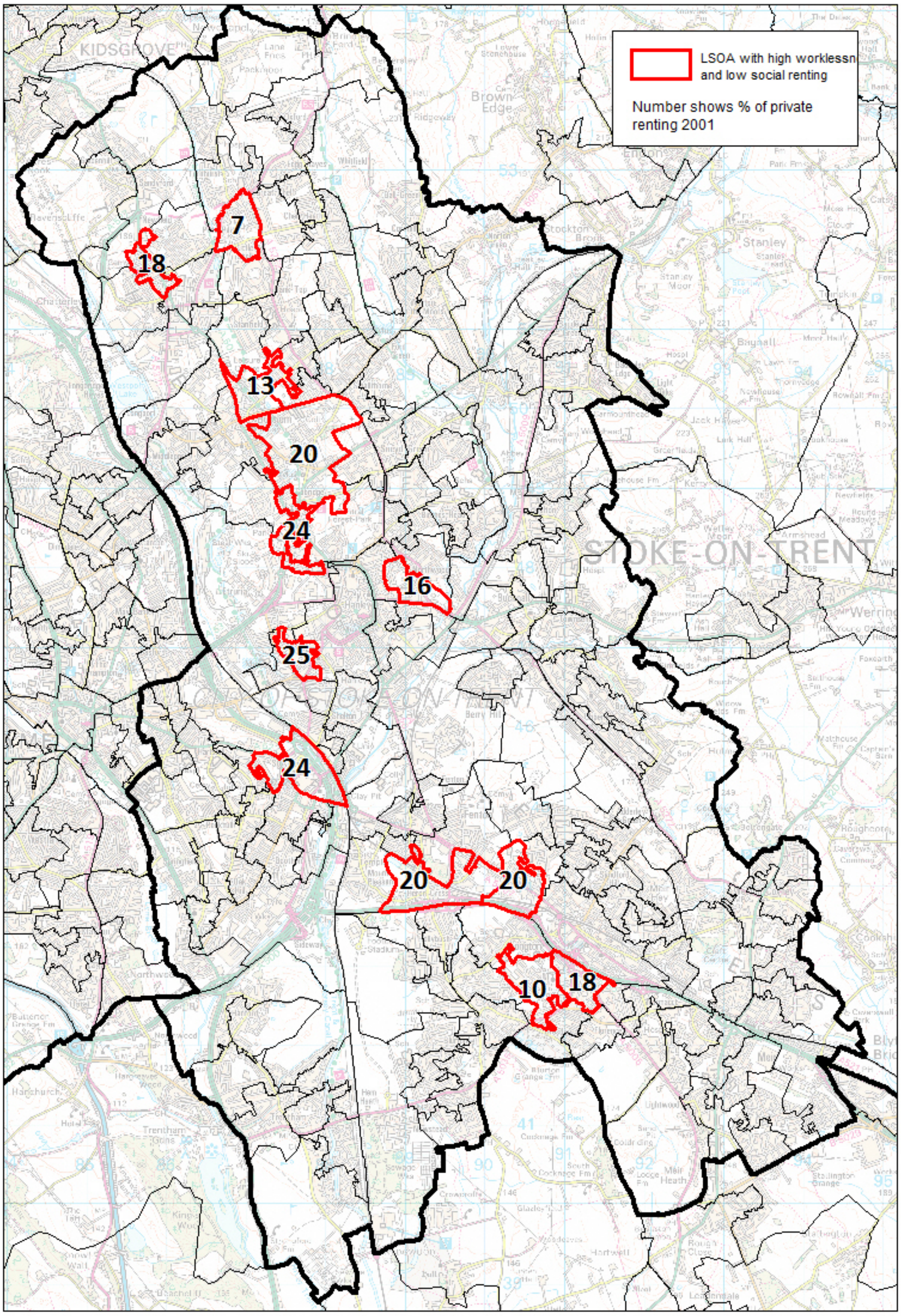
Figure 3.3 Scatter plot of association between social renting tenure and worklessness



Source: WPLS and 2001 Census

3.26 There are also concentrations of worklessness in parts of the private rented sector, especially those areas housing high proportions of people in receipt of local housing allowance. Map 3.4, taken from the same study, shows these areas in Stoke on Trent.

Map 3.4 LSOAs with high levels of worklessness and low levels of social renting



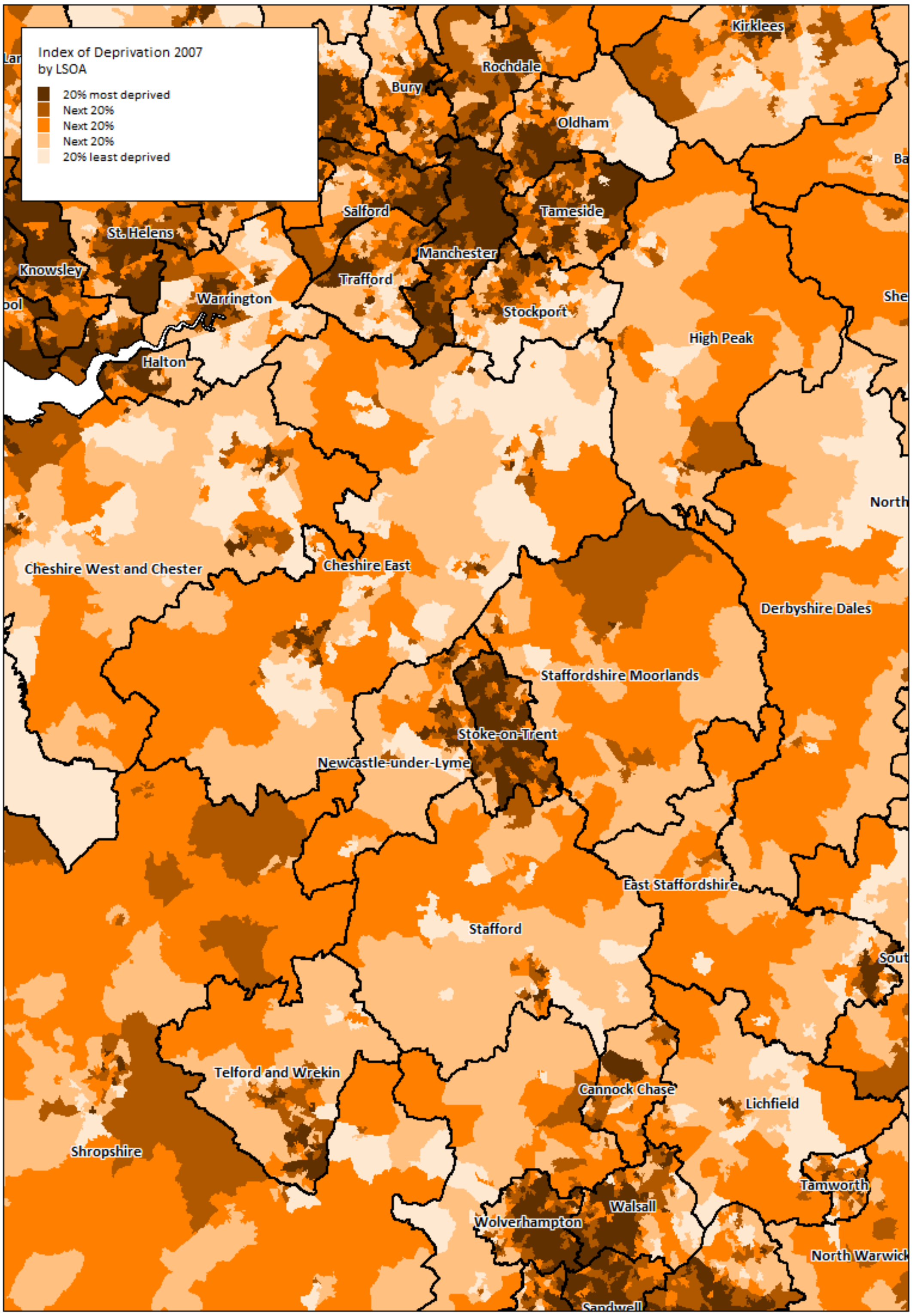
Source: WPLS and 2001 Census

3.27 The strong association between social renting and worklessness revealed here of course needs to be treated with caution. Living in social rented housing does not cause worklessness, nor (exclusively) vice versa. The factors leading to spatial concentrations of worklessness are complex, but at the simplest level, they arise in the social rented sector because long term worklessness at household level results in low household incomes, and social rented housing is allocated predominantly to such households (and equally, households with higher incomes tend to seek to and be able to access owner occupied housing). Cultural and structural factors may reinforce such concentrations once they develop.

Deprivation

3.28 A further picture of the overall pattern of low incomes and worklessness is provided by CLG's Index of Deprivation at neighbourhood level (Map 3.5). This shows a similar pattern with Stoke standing out but smaller concentrations in the other towns within Staffordshire. It is important to consider this smaller area analysis which tends to be masked by data at local authority level.

Map 3.5 Index of deprivation 2007



Source: CLG

Housing supply

Housing tenure

3.29 Home ownership is the dominant tenure across Staffordshire (Table 3.8) but Stoke and Telford have lower levels of ownership than elsewhere whilst Staffordshire Moorlands and South Staffordshire have exceptionally high rates. In line with trends nationally the rate of home ownership has fallen since 2001 as a result of the growth in private renting, with an acceleration in the rate of change since the start of the housing market recession in 2007. With the exception of East Staffordshire, the three North Staffordshire authorities and Stoke have higher proportions of private renting than the south of Staffordshire. Tamworth and Stoke have relatively high levels of social rented supply, but the other southern districts and Staffordshire Moorlands have a very restricted social supply.

Table 3.8 Housing tenure 2001 and 2012

	2001			2010		
	Social rented	Private rented	Owner occupied	Social rented	Private rented	Owner occupied
Newcastle-under-Lyme	20	8	73	18	11	71
Staffordshire Moorlands	9	8	83	8	11	81
Stoke-on-Trent	24	10	65	23	15	62
Stafford	14	10	76	15	12	73
East Staffordshire	14	10	76	13	16	71
Cannock Chase	19	7	74	17	11	72
Lichfield	13	7	79	13	10	76
South Staffordshire	14	7	80	14	14	72
Tamworth	21	6	73	20	9	72
Cheshire East	13	9	79	12	14	74
Telford and Wrekin	22	9	69	22	14	63
England	20	10	70	18	17	65

Source: 2001 Census, CLG Live Tables. Note: the private rented sector stock in 2010 has been derived from a model developed by NLA which apportions English Housing Survey data on private renting at regional level to local authorities on the basis of their 2001 private rented stock and a range of factors influencing subsequent change in the sector including growth in higher education, growth in new build apartments, and change in local housing allowance recipient numbers

3.30 An estimated 52% of private rented tenancies in Stoke are supported by local housing allowance, so this sector contributes significantly to housing supply for those on low incomes. In comparison, less than 20% of private tenants receive LHA in Stafford and Staffordshire Moorlands just over a quarter in Newcastle.

New house-building

3.31 Data on new build for Staffordshire is incomplete but with estimates for missing data, Table 3.9 shows new build since 2004. The impact of the credit crunch is evident across the whole area within declining completion levels since 2008-09. Completion rates (per 1,000 existing dwellings) are in the 25-35 per 1,000 range over the whole of Staffordshire, with only Lichfield and Tamworth above this level as a result of their proximity to the West Midlands conurbation. The rate of completions in Stoke reached a comparable level to that for Staffordshire as a whole between 2004 and 2011, although in absolute terms it was of course by far the highest. The level of completions suggests a relatively low level of overall housing demand. When compared to Cheshire East and to Telford, Staffordshire new build levels were comparatively low. Although Telford was a focus for development, many parts of Cheshire East were areas of severe planning restraint but completion rates were still much higher.

Table 3.9 New house building

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Total	Per 1,000 dwgs	Private	Public
Newcastle-under-Lyme	190	230	210	130	250	200	150	1360	25.4	94.9	5.1
Staffordshire Moorlands	350	310	260	190	110	110	80	1410	33.0	100.0	0.0
Stoke-on-Trent UA	660	720	800	300	190	340	330	3340	29.6	94.4	5.6
Stafford	350	410	250	280	240	150	200	1880	33.6	85.7	14.3
East Staffordshire	220	190	190	100	100	190	100	1090	24.4	90.0	10.0
Cannock Chase	350	320	10	90	30	100	100	1000	24.3	60.0	40.0
Lichfield	530	570	300	440	170	130	210	2350	55.2	95.7	4.3
South Staffordshire	180	240	180	290	250	230	120	1490	33.1	87.8	12.2
Tamworth	330	300	200	100	100	110	40	1180	36.9	75.0	25.0
Cheshire East	2540	2640	1920	1530	800	290	280	10000	60.9	47.8	52.2
Telford and Wrekin	610	330	250	310	380	420	500	2800	41.2	83.9	16.1

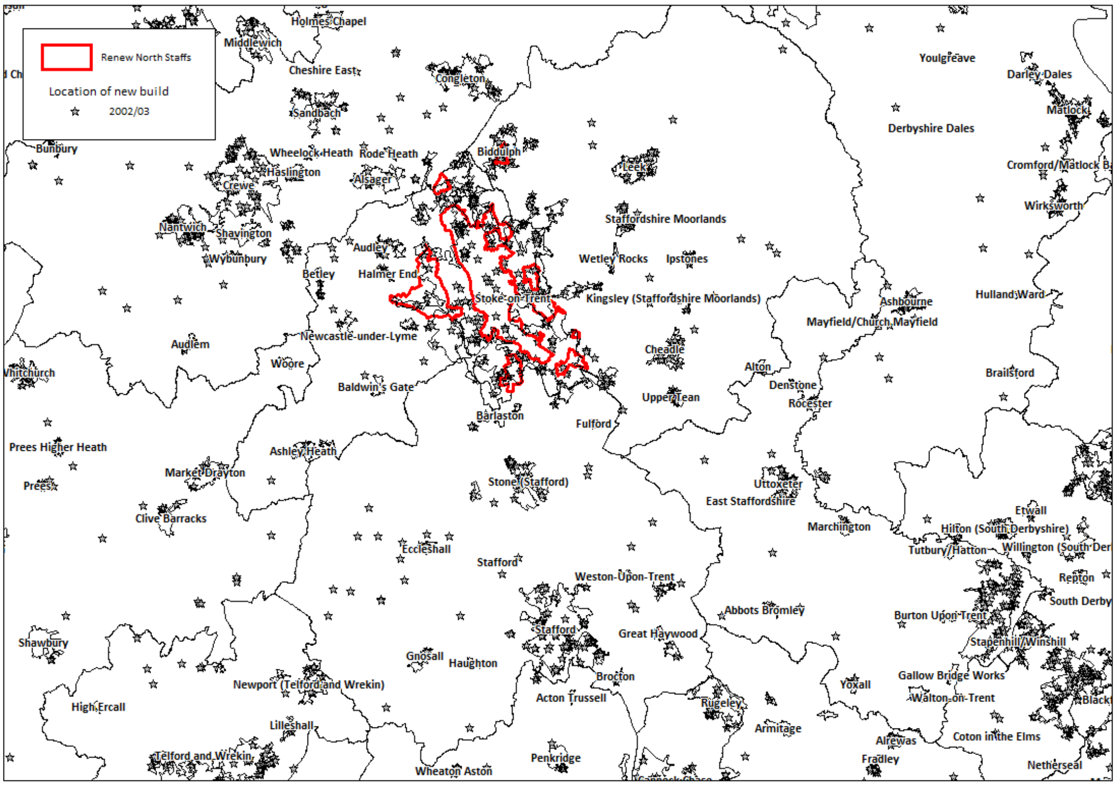
Source: CLG Live Tables

3.32 Although not directly comparable with local authority completions data, HM Land Registry records on new build sales give a more detailed indication of the location of new housing. Over 2000 new dwelling sales were recorded in the Renew North Staffordshire area in the 2002-2010 period, with almost 1,000 sales in the 2005-2007 period when sales peaked. From 2002-2004, the rate of new build in the RNS areas was only about three quarters of the rate in the three 'parent' local authorities, but it was 10% greater in the 2005-2007 period and 1.6 times greater from 2008-2010 when HMR-supported projects helped to mitigate the collapse of the new building sector. As a result, by 2008-10, over 50% of all new development in the three parent authorities was concentrated in the RNS area, compared to under 30% when the HMR project was first established. This shows that the project had a significant impact in stimulating new housing investment in areas where it had previously been relatively low.

3.33 Maps 3.6-3.8 show the detailed location of new build as reported in the HM Land Registry data for 2002/03, 2007/08 and 2010 respectively. The main foci of development remain unchanged throughout the period but the increased concentration (albeit at lower overall levels of completion) in the RNS area is clear, as is the impact of the housing market recession on Stafford, Burton and Uttoxeter.

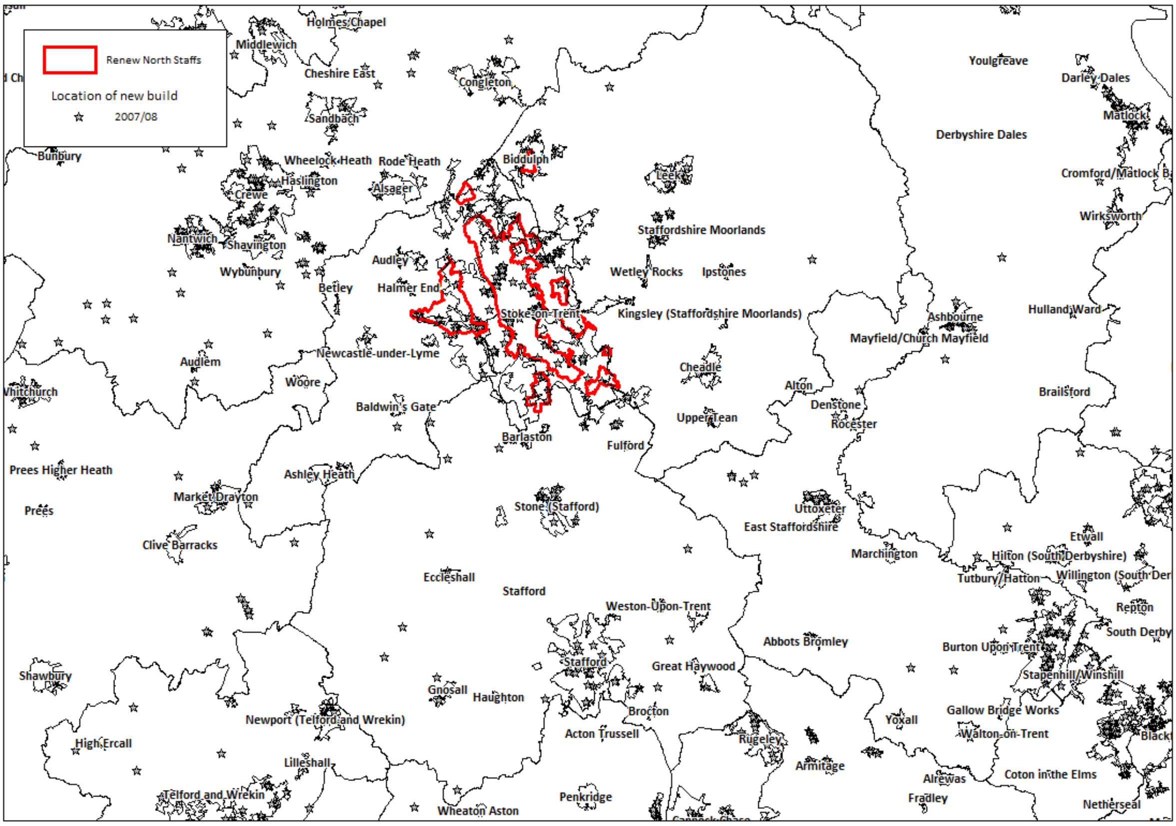
3.34 Map 3.9 shows the more detailed location of new build in the RNS area. It needs to be borne in mind that the map shows private sector new build.

Map 3.6 Location of new build 2002-03



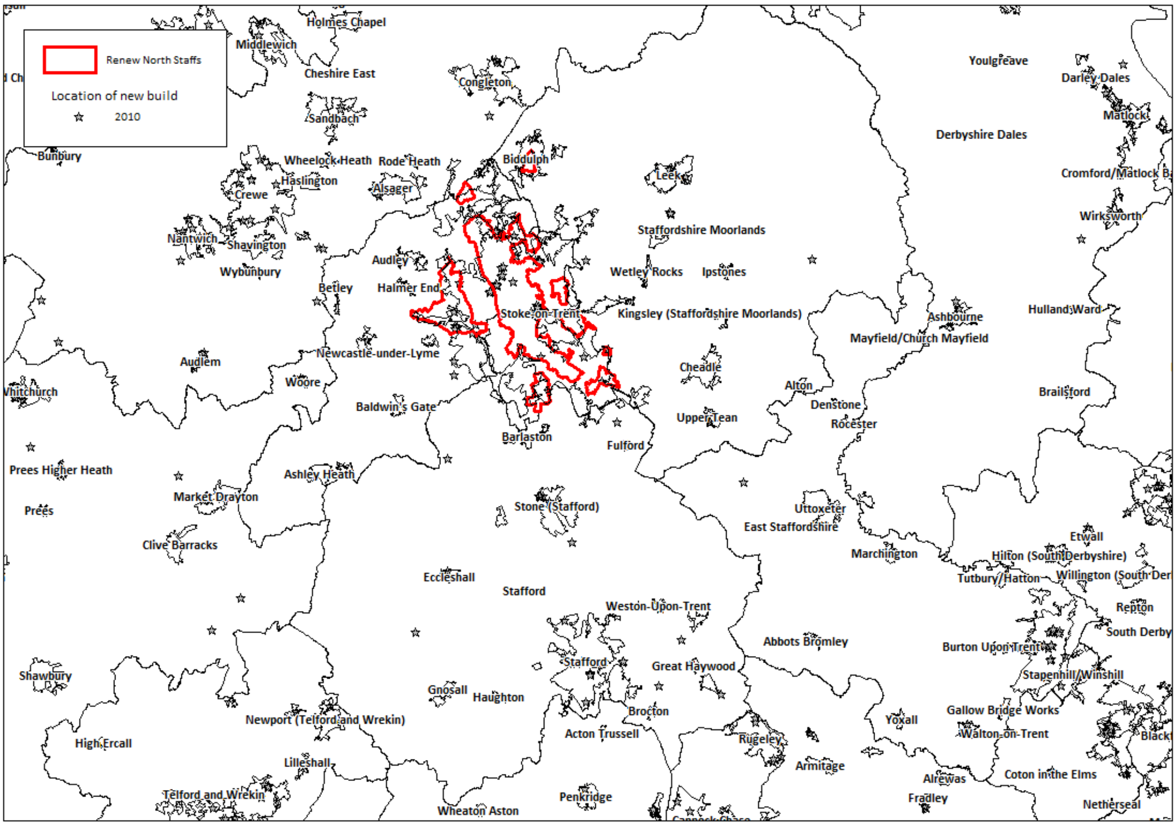
Source: HM Land Registry

Map 3.7 Location of new build 2007-08



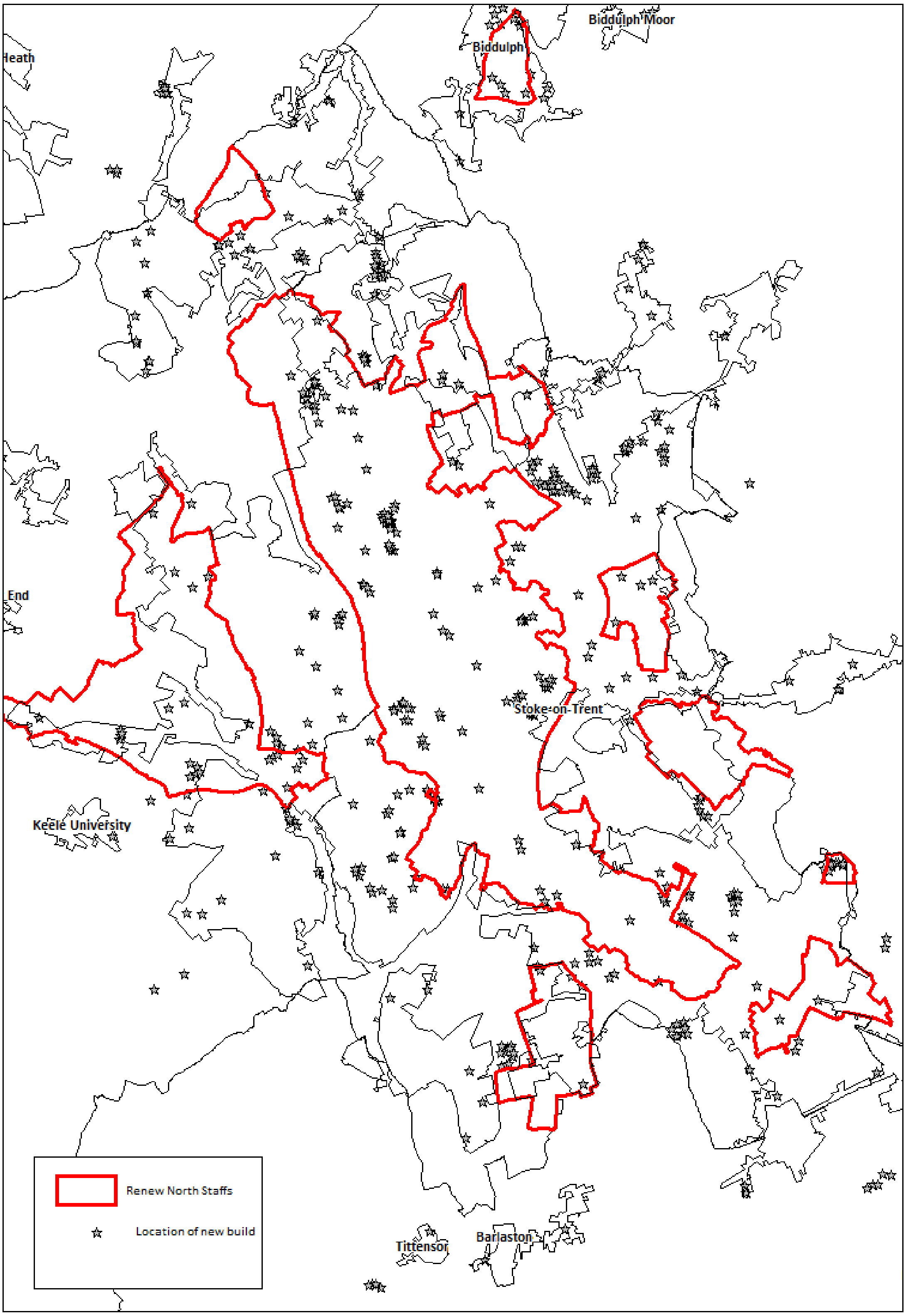
Source: HM Land Registry

Map 3.8 Location of new build 2010



Source: HM Land Registry

Map 3.9 New build in Renew North Staffs area 2002-2010



Source: HM Land Registry

Net housing supply

3.35 Table 3.10 shows changes in net housing supply in North Staffordshire since 2004-05, taking into account gains from sources such as conversions, and losses through demolitions. Relative to size, the largest gains in dwellings stock occurred in Lichfield, Tamworth and Stafford and the smallest net gains were in the North Staffordshire conurbation. The gains in stock were greater than the level of household growth in most of Staffordshire. Relatively low figures in East Staffordshire and Lichfield probably merely reflect missing data. Net gains in dwellings were also lower than household growth in Newcastle, but this is more than compensated for by the growth of the stock in Stoke which was more than three times the level of estimated household growth. Even allowing for uncertainties in estimates of dwelling stock and household growth, this is an exceptional outcome which is likely to be reflected in vacancy rates within the city.

Table 3.10 Net change in housing supply related to household growth

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Total	Per 1,000 dwgs	As % household growth 2005-11
Newcastle-under-Lyme	220	230	210	140	280	220	180	1480	27.4	92
Staffordshire Moorlands	350	380	260	260	240	190	110	1790	41.7	149
Stoke on Trent	760	700	620	640	230	60	790	3800	33.8	317
Stafford	570	600	320	570	470	170	210	2910	52.0	132
East Staffordshire	NA	630	220	480	400	240	NA	1970	41.8	70
Cannock Chase	NA	280	550	240	240	170	260	1740	42.4	109
Lichfield	600	650	340	580	270	NA	NA	2440	56.8	87
South Staffordshire	220	310	170	370	320	360	190	1940	42.8	162
Tamworth	320	230	460	200	210	150	140	1710	54.9	107
Cheshire East UA	1220	1494	1274	1361	737	630	480	7196	44.4	100
Telford and Wrekin	190	580	490	370	460	480	550	3120	44.9	111

Source: CLG Live Tables

Vacancy rates

3.36 Table 3.11 shows vacancy rates in 2001, 2004, 2007, and 2010, the latest year for which data is available. There is no 'normal' vacancy rate but 3% is a commonly used standard. Vacancy rates are low across much of Staffordshire, especially in Lichfield, South Staffordshire and Tamworth, and around the 3% level in Staffordshire Moorlands, Stafford, Cannock and East Staffordshire. Stoke stands out with a much higher rate throughout the period. This is not surprising given the high level of net growth in stock shown above relative to new household formation.

3.37 Vacancy rates often vary substantially at neighbourhood level. ONS publish neighbourhood vacancy data but this is missing for most Staffordshire authorities so regrettably no interpretation can be provided.

Table 3.11 Vacant dwellings by local authority

	2001		2004		2007		2010	
	No	%	No	%	No	%	No	%
Newcastle-under-Lyme	1536	2.9	1052	2.0	1064	2.0	1,857	3.5
Staffordshire Moorlands	1104	2.7	1081	2.6	1250	3.0	1,290	3.0
Stoke-on-Trent UA	NA	NA	5438	5.0	7474	6.7	4,722	4.2
Stafford	NA	NA	1284	2.4	1317	2.4	1,500	2.7
East Staffordshire	1512	3.4	1869	4.1	1800	3.9	1,498	3.1
Cannock Chase	631	1.7	670	1.7	767	1.9	1,333	3.2
Lichfield	495	1.3	529	1.3	551	1.3	383	0.9
South Staffordshire	NA	NA	941	2.2	769	1.7	503	1.1
Tamworth	616	2.1	1119	3.6	725	2.3	762	2.4
Cheshire East	NA	NA	4569	2.9	5690	3.5	6,083	3.7
Telford and Wrekin	2332	3.7	1650	2.5	1546	2.3	1,957	2.8

Source: CLG, HSSA returns

Housing market

3.38 North Staffordshire remains a comparatively low house value area. Stoke stands out with exceptionally low average values (only £106,000 in 2010) and lower quartile threshold prices (£65,000 in 2010). Stafford stands out from the North Staffordshire authorities with a higher average. In the south, Lichfield and South Staffordshire also have high average values, with the remaining areas falling between.

3.39 The pattern of values at a finer grain is far more complex. Map 3.10 shows the results of an analysis of average sale prices between 1996 and 2007, representing a complete house price cycle and excluding the atypical period since 2007. It categorises neighbourhoods into three value bands, with the lowest value band further sub-divided to distinguish between low turnover mainly social rented sector areas, and higher turnover mainly private sector areas. Stoke (and parts of the adjoining authorities) form a large low value island surrounded by areas of much higher and even prime values, mainly to the north in Cheshire East but also in Lichfield and East Staffordshire. There are a few smaller areas of low value, notably in Stafford, Crewe, Telford and Cannock, but elsewhere a relatively organised pattern of market values. Setting aside the area of very low values in and around Stoke, North Staffordshire is no different from large areas of the Midlands outside the conurbations. This is particularly relevant when looking at the issue of affordable housing supply.

Table 3.12 Mean sale price

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Newcastle-under-Lyme	78,751	100,114	121,615	130,097	139,533	145,107	151,178	143,540	145,211
Staffordshire Moorlands	93,614	113,917	142,871	151,818	160,750	168,032	170,004	156,475	159,131
Stoke-on-Trent	51,522	62,075	80,646	92,671	98,931	103,325	103,562	98,541	106,254
Stafford	113,513	137,452	162,483	177,281	180,409	187,377	190,883	174,702	182,652
East Staffordshire	99,991	117,627	139,520	143,263	156,849	166,321	157,259	158,973	167,216
Cannock Chase	88,513	107,769	121,963	134,696	145,054	151,207	143,905	137,243	137,272
Lichfield	144,707	171,979	195,852	207,502	216,476	227,886	226,981	207,124	234,615
South Staffordshire	138,680	162,617	178,834	192,180	206,277	219,381	208,759	200,517	212,548
Tamworth	99,791	115,759	137,749	144,453	154,449	154,837	153,068	149,016	148,979
Cheshire East	135,655	162,955	186,794	195,498	210,845	230,130	222,983	211,977	232,967
Telford and Wrekin	92,626	113,825	135,011	138,250	147,356	155,516	156,982	155,108	156,962

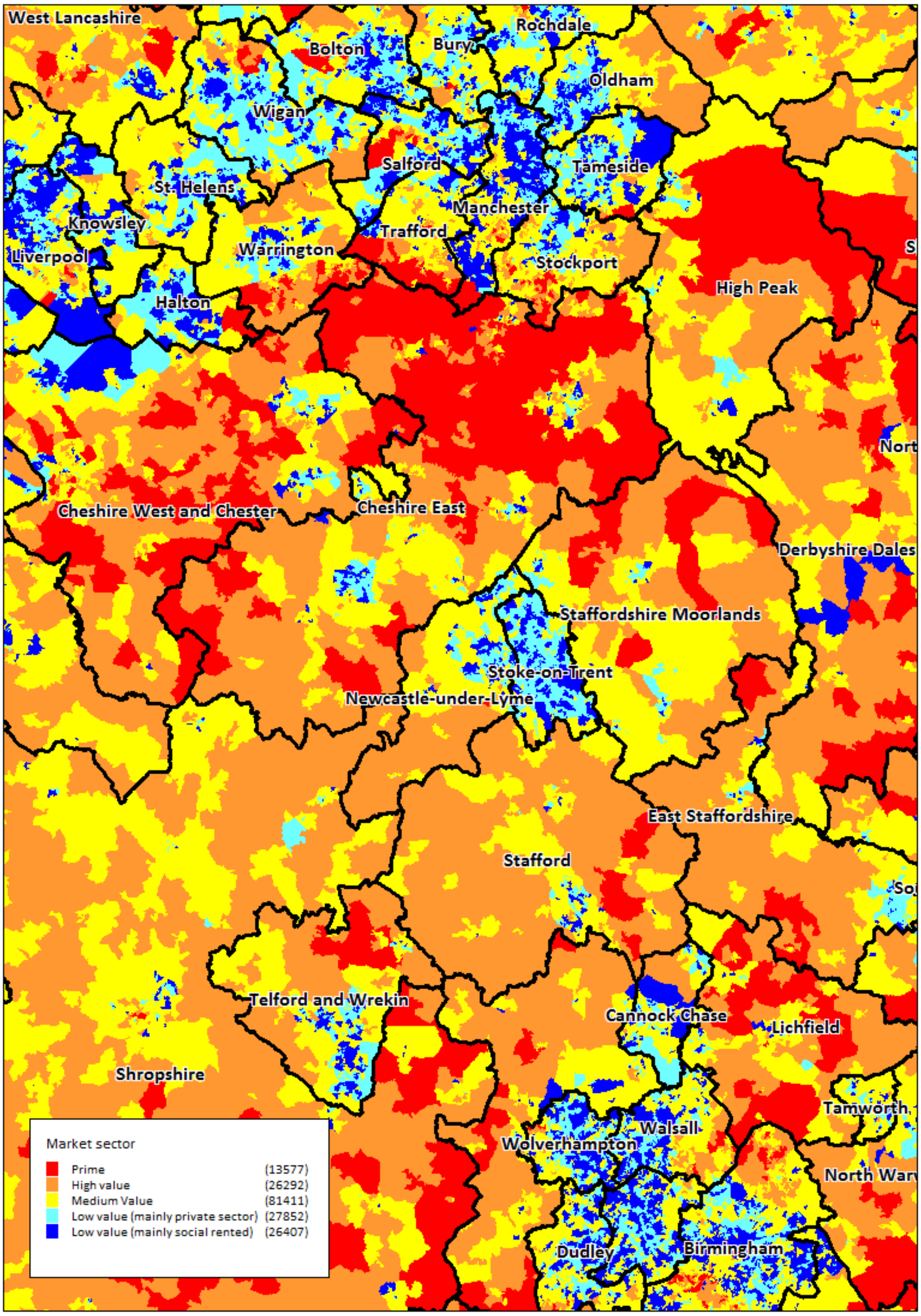
Source: HM Land Registry

Table 3.13 Lower quartile price

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Newcastle-under-Lyme	44,000	59,000	77,000	84,950	92,500	99,000	99,950	90,000	92,500
Staffordshire Moorlands	51,000	69,000	89,950	95,000	110,000	114,000	110,000	100,000	105,000
Stoke-on-Trent	27,500	32,950	49,000	60,000	65,000	71,000	73,000	64,000	65,000
Stafford	69,500	85,000	108,000	116,500	120,000	125,000	125,000	120,500	123,000
East Staffordshire	54,000	69,500	83,000	95,000	102,500	110,000	104,060	100,000	105,000
Cannock Chase	58,500	75,000	87,500	100,000	107,000	115,000	110,000	100,000	100,000
Lichfield	80,000	101,950	122,950	130,000	137,000	145,000	142,000	130,000	138,000
South Staffordshire	84,000	105,000	119,995	126,000	135,000	142,500	137,500	135,000	142,500
Tamworth	70,000	80,000	101,783	108,500	117,000	119,000	117,000	110,000	108,750
Cheshire East	69,950	86,500	105,000	113,995	119,950	125,000	120,000	120,000	123,000
Telford and Wrekin	55,000	72,000	88,750	94,000	100,000	107,995	107,500	107,000	106,000

Source: HM Land Registry

Map 3.10 Housing market sectors

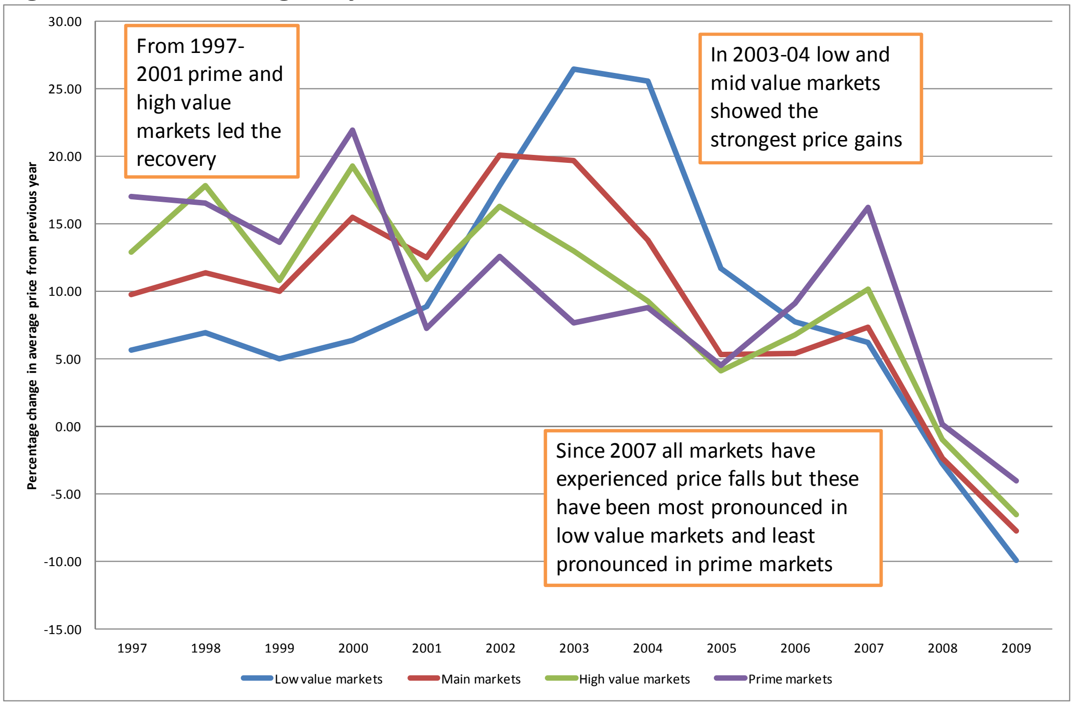


Source: HM Land Registry

3.40 Figure 3.4 shows year on year price changes in these market sectors nationally. Since 2007, all market sectors have experienced price falls but these have been most pronounced in low value markets. Analysis of price changes in the HMR areas nationally (Figures 3.5 and

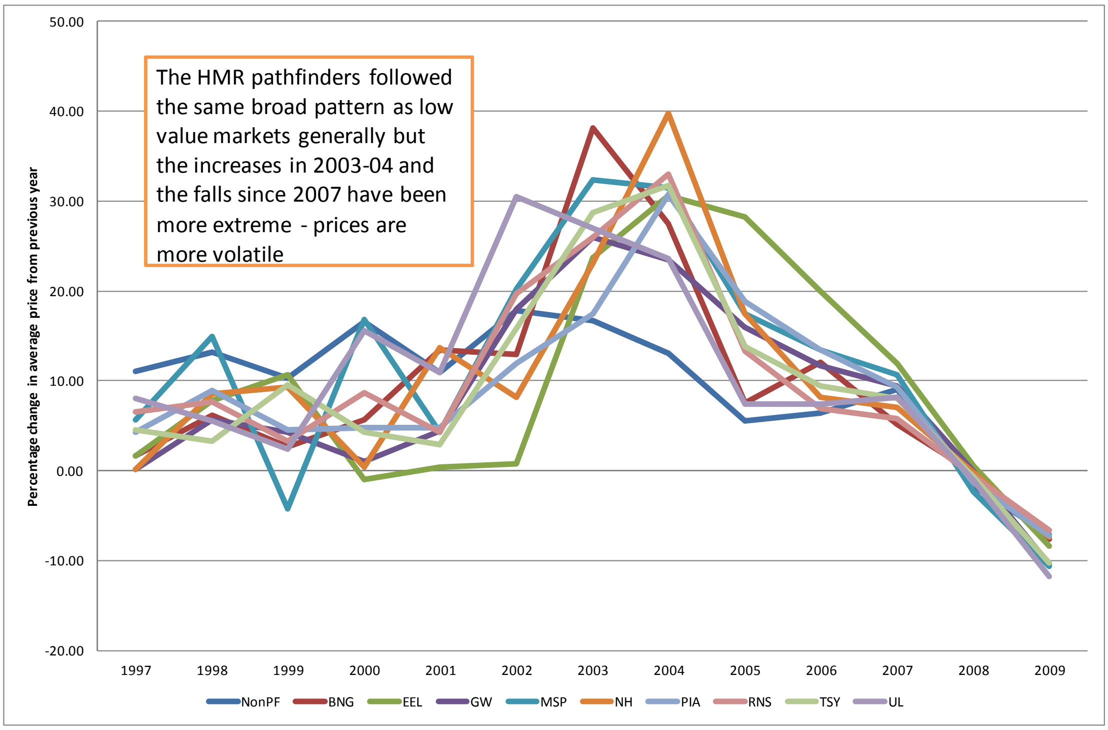
3.6) has shown that prices in these areas (including Renew North Staffordshire) have fallen since 2007 at a steeper rate than regional and parent local authority averages, after making gains relative to other areas between 2003 and 2007. This reflects the underlying vulnerability of many of the neighbourhoods in HMR areas despite the improvements of the 2003-2005 period.

Figure 3.5 Price changes by market sector



Source: HM Land Registry

Figure3.6 Price changes by market sector in HMR areas



Source: HM Land Registry

3.41 As in most areas, prices fell across North Staffordshire between 2007 and 2009, with higher falls in high value areas than in low value areas, but by 2010 prices had recovered to 2007 levels in the majority of areas, with Staffordshire Moorlands the slowest to recover. Since then, prices have followed the national pattern with slight falls and a fluctuating picture from month to month. The same factors hang over the market as elsewhere – a continuing shortfall of accessible mortgage finance and a severe lack of confidence on the part of buyers brought about by continuing economic uncertainty and rising unemployment. Short term variations reflect cat and mouse behaviour in the market by buyers and sellers but the underlying trend is static, with many commentators now expecting the position to worsen.

3.42 One feature of the market in Stoke is an increase in the number of very low value sales – under £50,000 (Table 3.14). After accounting for less than 5% of sales from 2005-2007, the proportion increased to 11% in 2009 and 2010 and evidence from the local press suggests that this proportion has increased further in 2011. A further feature of the market is a shift towards cash purchases. These can reflect retirement-based moves (as in parts of Staffordshire Moorlands) but in Stoke are more likely to reflect the increased importance of investment purchases in the market. More generally this further illustrates the shortage of mortgages in the market. The rate of cash sales in the RNS pathfinder area is much higher than average and has increased steadily to reach 38% in 2010.

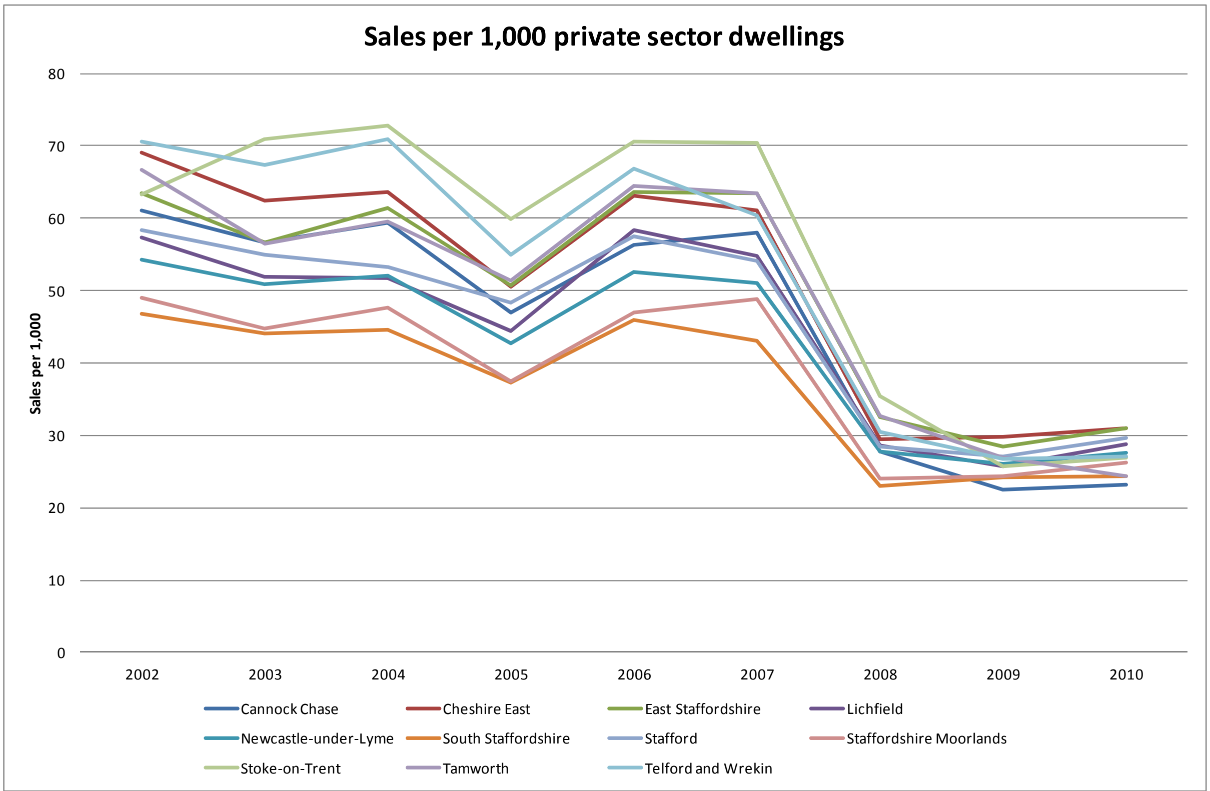
Table 3.14 Cash sales as a proportion of all sales

	Percentage of cash sales				
	2006	2007	2008	2009	2010
Newcastle-under-Lyme	22	22	24	33	28
Staffordshire Moorlands	25	26	29	37	36
Stoke-on-Trent	23	24	26	34	34
Stafford	23	22	32	29	28
Cannock Chase	16	17	20	30	29
East Staffordshire	22	22	24	33	31
Lichfield	24	24	28	30	33
South Staffordshire	20	21	26	31	29
Tamworth	15	19	21	25	24
Cheshire East	23	23	28	34	32
Telford and Wrekin	16	16	19	24	27
Renew North Staffs	25	27	28	37	38

Source: HM Land Registry

3.43 Figure 3.7 shows the sales turnover rate by local authority (sales per 1,000 private dwellings). From 2003-2005, Stoke and Telford had the highest turnover rates, probably reflecting the more active speculative markets in these areas. The differences between areas apparent in the early 2000s have subsequently been substantially reduced since 2007 as the whole market has flat-lined.

Figure 3.7 Sales turnover rates



Source: HM Land Registry

Social rented housing supply and demand

3.44 The social rented sector forms an important source of housing in North Staffordshire, but its availability varies substantially between local authority areas and within them. Table 3.15 shows the social rented stock in each local authority in North Staffordshire in 2010. Only 8% of dwellings are social rented in Staffordshire Moorlands, in contrast to Stoke with 23%. In Stoke the social rented stock is almost 30% greater than the national average, and the City has about one third of all the social rented stock on Staffordshire. Tamworth and Newcastle have around the national average level of social rented dwellings, but the remainder of Staffordshire is under-provided with Staffordshire Moorlands having less than half the national average level. As a result, access to social rented housing in most of Staffordshire is likely to be difficult. In North Staffordshire the picture varies.

3.45 Over the period from 2008-11 there were around 7,650 new social rented lettings per year in Staffordshire, of which 72% were general needs and 28% supported housing lets. About 40% of lettings were in Stoke. Turnover rates relative to the social rented stock as a whole have tended to increase slightly in recent years. The rate was highest in Stoke (13% in 2010-11 and East Staffordshire (13%) and relatively low (8%) in Newcastle, Cannock, Lichfield and South Staffordshire.

3.46 Comparisons with waiting lists for social rented housing must be interpreted with caution because of differences in the criteria for eligibility. In Stoke and Newcastle letting rates are high relative to the number of people registered for social rented housing. Elsewhere in Staffordshire annual letting levels run at around 30% of the number on the waiting list (implying an *average* wait of 3.3 years). If lettings to supported housing are excluded, implied waiting times increase, but no data is available to separate the supported housing stock from the total.

Table 3.15 Social rented stock, lettings and waiting lists

	SRS stock 2010			Lettings as % SRS stock			All lets as % SRS stock		
	No	% all dwgs	SRS as % natl ave	2010-11	2009-10	2008-09	Whole Waiting List	In reasonable preference category	GN lets as % of Waiting List
Newcastle-under-Lyme	9,895	18.36	101.76	8.5	8.8	8.0	44.5	58.1	36.0
Staffordshire Moorlands	3,604	8.42	46.67	10.6	8.0	10.2	26.8	49.7	16.7
Stoke-on-Trent	26,097	23.22	128.71	12.8	10.1	11.9	58.0	146.0	37.6
Stafford	8,520	15.22	84.35	10.6	7.5	8.3	28.2	66.2	15.0
East Staffordshire	6,233	13.20	73.20	13.4	11.7	10.3	37.9	71.9	27.3
Cannock Chase	7,040	17.17	95.16	8.1	7.5	6.7	32.0	32.0	22.8
Lichfield	5,702	13.29	73.68	8.2	7.1	8.5	28.8	94.3	21.5
South Staffordshire	6,342	13.97	77.46	8.4	8.7	8.2	30.6	57.8	24.6
Tamworth	6,090	19.56	108.41	8.8	3.4	9.5	27.7	54.6	21.1
East Cheshire	18,914	11.67	64.66	12.2	11.3		33.5	59.4	17.9
Telford and Wrekin	15,605	22.43	124.35	8.6	7.1	7.8	14.5	18.8	10.6

Source: CLG Live Tables, CORE, HSSA Returns

Housing needs and affordability

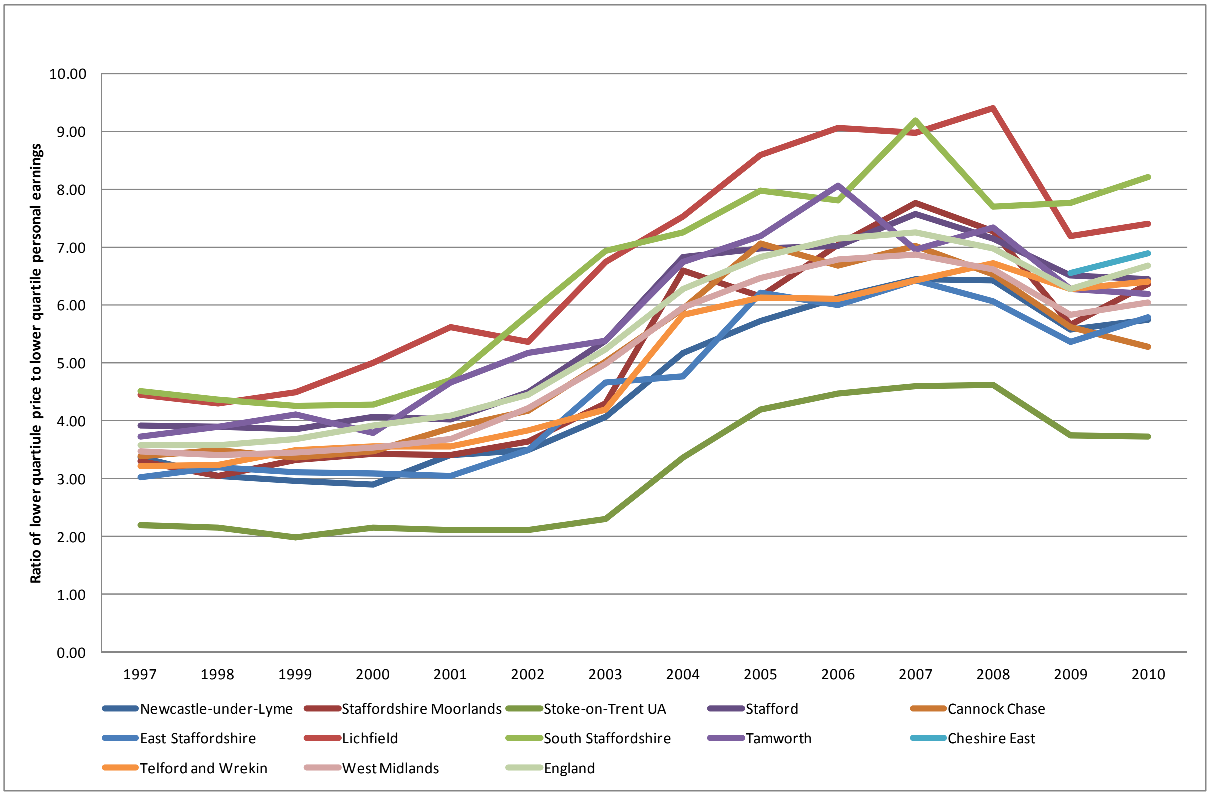
3.47 Table 3.16 below shows the ratio of average prices to average household incomes, which provides a measure of the relative affordability of housing in Staffordshire. The ratio is lowest in Stoke (3.97) which is well below either the national or the regional average ratios. The highest ratios are found in Lichfield, South Staffordshire, Stafford and Cannock, and in Cheshire East to the north. Household income data is not available as a time series, but CLG publishes an time series measure of affordability based on lower quartile prices and personal earnings (Figure 3.8). This shows the same contrasts, with Stoke and Lichfield standing out at each end of the spectrum of affordability, and a fairly consistent pattern with a severe deterioration in affordability from 2002-2006, an improvement from 2007-09 as prices fell, and a more or less static position in the last two years.

Table 3.16 Average incomes and prices by local authority

	2010 Average income	Average price 2010	Ratio of price to income
Newcastle-under-Lyme	30803	145211	4.71
Staffordshire Moorlands	32120	159131	4.95
Stoke-on-Trent	26766	106254	3.97
Stafford	35026	182652	5.21
East Staffordshire	32698	167216	5.11
Cannock Chase	31052	137272	4.42
Lichfield	36377	234615	6.45
South Staffordshire	33793	212548	6.29
Tamworth	33048	148979	4.51
Cheshire East	36365	232967	6.41
Telford and Wrekin	32798	156962	4.79
West Midlands	31027	177935	5.73
England and Wales	34547	240201	6.95

Source: HM Land Registry, ONS

Figure 3.8 Ratio of lower quartile prices to lower quartile personal earnings



Source: HM Land Registry, Annual Survey of Hours and Earnings

3.48 Ratios of this kind have many limitations and only show *relative* rather than absolute affordability – namely that housing is on average more affordable in Stoke than elsewhere in the sub-region. But this is not to say that there are no households with affordable housing problems in Stoke for example. CLG's ratio, for example, uses data on personal earnings and so takes no account of unemployed people, and the comparison of prices with average household earnings includes both affluent and poor households.

3.49 To produce an estimate of the number of households in need of affordable housing, in 2010 NLA prepared estimates of affordable housing need in 2009 in the four authorities of North Staffordshire and East Staffordshire. Table 3.17 shows the results. East Staffordshire had the largest number of households in affordable need, followed by Newcastle, and Stoke had the lowest number. When compared to the overall number of households in each authority to discount the effect of size, East Staffordshire still displayed the highest level of need (19 households per 1,000), with Newcastle and Staffordshire Moorlands also having relatively high numbers in need. The level of need in Stafford and especially in Stoke was much lower. Gross numbers in need in Stoke were high but this was offset by the relatively large supply of social housing relets and by its larger population overall. When affordable need is set against social housing supply, Staffordshire Moorlands stands out, as a result of the small supply of social rented sector lettings already noted.

Table 3.17 Affordable housing need

	2009 assessment				2007 assessment		
	Annual gross afford-able need	Annual afford-able supply	Annual net afford-able need	Net need per 1,000 SRS dwgs	Net need per 1,000 SRS dwellings	Net need per person on Waiting List	Net need per 1,000 households
Newcastle-under Lyme	1,473	853	620	63	63	33	12
Staffordshire Moorlands	871	283	588	163	163	41	14
Stoke-on-Trent	2,596	2,155	441	17	17	8	4
Stafford	1,312	824	488	57	57	15	9
East Staffordshire	1,464	577	887	142	142	40	19

Notes: *Derived from unnumbered table following para. 71 of West Midlands North Housing Market Area Strategic Housing Market Assessment 2007 Final Report, Outside Consultants.

Renew Housing Market Renewal Programme

3.50 The Renew Housing Market Renewal Programme was terminated in 2011 following eight years of public sector investment to restructure the local housing market. The final strategic review by the Audit Commission noted that the programme had generated £848 million of public and private sector investment. This investment resulted in: 7,500 homes being improved; 2000 being demolished; 667 new dwellings being financed and a further 3,646 being built without direct subsidy.

3.48 Despite the success noted earlier in this report in increasing the supply of dwellings within the North Staffordshire urban core, the early termination of the HMR programme has left a number of issues unresolved including:

- A large pool of older terraced dwellings which have severe problems of disrepair and structure instability; and

- A housing market with continuing structural weaknesses relating to low incomes and a declining local economy.

3.51 The abandonment of national regeneration programmes is likely therefore to expose the reliance of housing development on public subsidy within the most disadvantaged areas within the NASH area, and without the identification of substitute funding from within the localities we can expect to see a distinctive split in housing market performance between rural and suburban areas and inner city locations once economic recovery begins.

Conclusion

3.52 A review of the baseline of housing and economic performance over the past decade highlights a diverse sub region where differences in local economic performance have to some extent been masked by a significant focus of regeneration and welfare resources on the most disadvantaged areas and the impact of the housing market 'bubble' on values and new build completions on hitherto marginal locations.

3.53 The whole sub region is now being reshaped by the combination of economic restructuring and public sector fiscal retrenchment. These changes will not impact in a uniform manner, and the following issues arise from the data:

- The downsizing of public sector employment will impact most severely on the employment base of Stoke-on-Trent and Stafford. In the case of Stoke, this retrenchment is likely to impact upon the broader sub regional housing market because of its tendency to export higher earners for residential purposes.

- The North Staffordshire economy and labour market has more profound weaknesses than the adjoining areas of Stafford and East Staffordshire. Median workplace incomes are low in Newcastle and Staffordshire Moorlands as well as Stoke. The social and economic profile of the Staffordshire Moorlands is distorted by out migration of higher earners from Stoke. Median earnings are lowest in the Moorlands, and the local economy has the highest dependency on manufacturing.

- Housing demand in Stoke and parts of Newcastle will be most affected by welfare and housing benefit reform and these issues are discussed in more detail in the next section of this report.

- The current dysfunction of the housing new build market will have the most significant impact in East Staffordshire and Stafford where latent economic potential and high levels of projected household growth will not, given current market performance be met by sufficient increases in supply. This is likely to lead to growing affordability problems and rising prices as the economy recovers.

- The highest levels of affordable housing need are located in Stafford, East Staffordshire and the Staffordshire Moorlands. In the case of the Moorlands this is not a function of latent economic potential or especially high household growth, rather it reflects a low wage local economy and a high price housing structure supported by long term migration trends, aligned with the smallest proportion of social housing in the sub region.

- The housing market depression which was evident from 2008 onwards has had a disproportionate impact on the lowest value stock in the core of the conurbation with an increase in very low value sales being evident. This occurred despite the support given to the older stock by housing benefit and the growth of low income private renting.

- Vacancy rates remain problematic in some older housing areas, and there are additional issues surrounding some unfinished regeneration programmes, which could destabilise stock in affected neighbourhoods which has been refurbished by where private sector confidence has been damaged by the abrupt cessation of renewal activity.

- In both East Staffordshire and the Core of Stoke on Trent the growth of the BME community is likely to be a major driver of change over the next decade. Local housing strategies will need to reflect these changes and seek to enable a market response which can meet changing patterns of need and aspirations.

- The new build market in Staffordshire saw a balanced spatial pattern of new house building between suburban and inner city sites over the last decade, albeit at a lower level than some adjacent areas. The availability of regeneration resources enabled this balance to be achieved and there a number of sites which have been to some extent de risked by investment prior to 2011. A good example of this is the City Waterside development which sits adjacent to major commercial development opportunities and has an established new build market. Additionally the adjacent BME community will need additional dwellings over the next few years and the sites adjacent to the City Centre provide a significant opportunity to meet this new demand. Conversely more difficult regeneration sites where Investment was curtailed before a momentum had been attained will be more difficult to build out without significant new resource being found. An example of one of these challenging areas will be Middleport in the north of Stoke on Trent. This suggests that local authorities will need to refine their renewal and land development strategies to reflect these different circumstances and potentially build linkage policies which cross subsidise from sites with value to those with a need for subsidy.

4 Housing Market Change, Housing Benefit Reform and Affordable Housing

Future housing market performance

4.1 As Section 3 showed, the housing market in North Staffordshire has mirrored the trend apparent in much of the rest of England, with low levels of transactions arising from a lack of confidence on the part of purchasers, the unwillingness of sellers to reduce prices (or an inability to do so arising from negative equity), and a continuing acute shortage of mortgage finance or unduly restrictive loan terms, especially for first time buyers. Prices fell from 2007-2009, increased until early in 2010, and have subsequently fluctuated with unpredictable month to month changes.

4.2 There is no consensus amongst housing market commentators about short term or longer term housing market change. There is considerable uncertainty about the short term future trajectory of the housing market. The Royal Institution of Chartered Surveyors (RICS) reports monthly on market trends including the views of surveyors and estate agents[1]. The most recent report (November 2011) continues to show substantially more respondents reporting price declines than price increases, but most thought that prices were not falling radically. Looking forward, price expectations remain negative. There is a clear regional disparity with London the only region recording a positive balance of both turnover and prices and price expectations. The most negative expectations are for the West Midlands and Yorkshire/the Humber.

4.3 Web-based property sales sites such as Rightmove[2] also provide housing market commentaries although such sites have a commercial interest in promoting housing market activity. Rightmove reports a monthly fall of 2.4% in prices nationally (November 2011). The growing economic uncertainty has discouraged both buyers and sellers in recent months and implies a gloomy outlook for economic sectors reliant on consumer spending. The number of new properties coming on to the market fell to the lowest November level since the collapse of Lehman Brothers. 70% of home-movers reported that it is currently a bad time to sell'. The slow down has provided what Rightmove terms 'winter bargain opportunities' for investors, fuelled by rising rents and intensifying competition among buy-to-let lenders.

4.4 The Council of Mortgage Lenders' December 2011 market 'commentary'[3] suggests that poor short-term economic prospects make prospects for the housing and mortgage markets challenging. The cost and availability of mortgages is tied to wholesale funding, and

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[1] See links to Housing Market Surveys at http://www.rics.org/housingmarketsurvey for recent reports.
[2] Rightmove is a property buying and selling website which produces a monthly housing market newsletter - see http://www.rightmove.co.uk/news/house-price-index.
[3] See http://www.cml.org.uk/cml/publications/marketcommentary for the latest in this monthly series and access to earlier commentaries.

so dependent on how the Eurozone deals with sovereign debt problems. CML assumes that this will be resolved but even if this is the case, housing transactions and mortgage lending will be broadly flat in 2012. Consumer confidence is felt to be very weak and even with more supply the appetite for borrowing is limited and will remain so until real incomes improve or at least stabilise. The impact of government housing initiatives to boost the proportion of house purchases made by first-time buyers will be limited. More worryingly in the short term, CML consider that falling real incomes and higher unemployment will lead to increased mortgage arrears and a higher level of possessions in 2012.

4.5 Longer term market forecasts remain scarce after the plethora of wildly inaccurate forecasts dating from 2007 and 2008, most of which grossly over-estimated price falls during the 2008-2009 period, but even more recent forecasts (such as that in September 2009 from the Ernst and Young ITEM Club[4]) have not proved very accurate. Most forecasts still expect a prolonged period of market doldrums, or 'treading water', with the more pessimistic expecting significant price falls of up to 10% over the next year and further falls beyond this. Mortgage lending is expected to remain depressed despite continuing low interest rates. On the demand side, increased unemployment is discouraging major decisions such as buying a house. Affordability has not improved to any great extent. Commentators are increasingly noting the high demand for private renting from households obliged to stay in the sector rather than moving on to purchase. The number of cash sales in the housing market is high against historic levels, especially in London and the South West. People in late middle age and above are thought to be downsizing and investing the income from previous housing booms, financial settlements and other sources in housing, rather than in the unattractive stock market or more traditional forms of saving which produce almost no return at present. Commentators increasingly see this as a representing a fundamental shift away from ever-rising rates of home ownership towards a more divided market with many more people unable to buy until they have accumulated a large deposit, or perhaps remaining as tenants throughout their housing careers.

4.6 Following the Autumn Statement at the end of November 2011, the Institute of Fiscal Studies produced forecasts of medium term changes in household incomes[5]. Real household disposable income has been falling since 2009 and will continue to fall until 2014. This will be the largest fall in real incomes since the 1950s. Real per capita disposable income in 2016 will still be lower than in 2006. Under these circumstances downward pressures on both house prices and rents seem inevitably, compounded by the impact of the benefit changes described in Chapter 2.

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[4] See link at http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/Economic-Outlook.

[5] See presentation by Robert Joyce *What does yesterday's news mean for living standards?* Available from Institute of Fiscal Studies at http://www.ifs.org.uk/publications/5930

4.7 The inescapable conclusion from this analysis is that the current weakness in the housing market, both in terms of turnover and prices, will at best continue for a number of years. An equally feasible conclusion is that the market will see pressure for significant price falls, driven by falling household incomes and rising unemployment. This may depress turnover further as sellers wherever possible withhold their properties from the market. Falling incomes, rising unemployment and reductions in benefits are also likely to place a downwards pressure on rents, but the increasing numbers of households remaining out of owner occupation will increase the demand for private renting and this may have the opposite effect. It is likely that the strongest upward pressure on rents will occur in areas with the best economic performance and converse that in areas with weaker economies the downward pressures on rents will be greater. As a corollary, the pressures for sharing and the demand for cheaper/smaller accommodation in the private rented sector will increase. Fewer households will be able to secure independent accommodation, more children will remain living with parents, and more people will share accommodation with friends or others.

Impact of housing benefit changes

4.8 Given the conclusion that both economic growth and the national housing market are likely to remain depressed for at least the remainder of this Parliament, the conclusion reached by the authors is that significant housing market restructuring will be driven by public policy change rather than market forces in the medium term. This section looks therefore at the impact on North Staffordshire of the Coalition Government's proposed changes to housing and related benefits.

Incidence of housing benefit recipients

4.9 Within North Staffordshire, the proportion of social rented and private rented tenants in receipt of housing benefit varies. Table 4.1 shows the number of housing benefit recipients in the social rented sector and the number of recipients in the private rented sector, in each case expressed as a percentage of all tenants in the sector. The final column also shows HB/LHA recipients as a percentage of all dwellings. The proportion of social rented sector tenants receiving HB in North Staffordshire is slightly lower than the national or regional averages, except in Staffordshire Moorlands. In the private rented sector, Stoke stands out clearly with an exceptionally high proportion of private rented tenants receiving housing benefit – 54%, compared to the regional and national averages of 38%. In Stoke about 23% of all households are receiving housing benefit. This indicates that the reforms to housing benefit, and especially to local housing allowances, will impact particularly on Stoke.

Table 4.1 Housing Benefit and Local Housing Allowance Recipients in North Staffordshire

	All HB recipients	Recipients in social rented sector	Recipients in private rented sector	% SRS tenants receiving HB	% private rented tenants receiving LHA	HB/LHA recipients as % of all dwellings
England	4,189,540	2,789,480	1,397,510	67.9	35.5	18.4
West Midlands	449,960	319,160	130,730	71.5	37.6	19.2
Newcastle-under-Lyme	8,140	6,350	1,790	64.4	30.2	15.0
Staffordshire Moorlands	3,960	2,620	1,340	71.9	24.4	9.2
Stoke-on-Trent	25,710	17,770	7,940	67.8	53.9	22.7
Stafford	6,190	4,600	1,590	63.3	24.2	11.0
East Staffordshire	6,800	4,090	2,710	65.6	36.2	14.3

Sources: DWP online statistics, HSSA returns, authors' estimates

Changes to housing benefit rates

4.10 In April 2011 DWP removed the five bedroom Local Housing Allowance rate so that the maximum level available is for a four bedroom property, and introduced caps so that Local Housing Allowance rates cannot exceed £250 for a one bedroom property,£290 for a two bedroom property, £340 for a three bedroom property, and £400 for a four bedroom property. In addition, the £15 weekly excess that some households received under the Local Housing Allowance arrangements was removed. From October 2011 the Rent Service set LHA rates at the 30th percentile of rents in each Broad Rental Market Area rather than the median as previously. Table 4.2 shows the impact of these changes on LHA rates for private tenants in the Staffordshire North BRMA which covers much of the North Staffordshire area. The largest reductions were in the shared accommodation rate (£14.62 per week or 27%) and in the four bedroom and (by definition) five bedroom categories. These are very substantial reductions to be borne by households on low incomes.

4.11 The age threshold for the shared accommodation rate was also increased from 25 to 35 from the beginning of 2012, so that single claimants in the 25-35 age band will in future be entitled only to the shared rate. At December 2011 this would have reduced their allowance rate by almost £36 or 47%. Those making new claims from 1 January 2012 have been affected immediately. Existing claimants will receive transitional protection for a short period.

4.12 The proportionately greater reduction in the shared accommodation rate as a result of the move from median to 30th percentile based rates, and the forthcoming shift of many single adults onto the significantly lower shared accommodation rate will act in combination to produce a massive reduction for some groups. For example since people aged 25-35 with an appropriate rate of £80.77 in January will find this reduced to £40.38 assuming that December 2011 rates apply in January, this implies a reduction of £40 per week or 50%. Some may be entitled to transitional relief but this will provide only temporary relief.

Table 4.2 Changes in LHA rates during 2011

	Staffordshire North BRMA January 2011 (£ per week)	December 2011 (£ per week)	Difference (£ per week)	% reduction
Shared Accommodation	55.00	40.38	-14.62	-27
One bedroom	80.77	76.15	-4.62	-6
Two bedrooms	98.08	91.15	-6.93	-7
Three bedrooms	115.38	109.62	-5.76	-5
Four bedrooms	160.38	144.23	-16.15	-10
Five bedrooms	219.23	NA	-219.23	-100

Source: The Rent Service

4.13 Recent work by the Chartered Institute of Housing[6] demonstrated the extent to which the reductions in LHA rates will leave low income families with shortfalls in their rent payments. The changes will mean that housing benefit claimants face the choice of debt, cutting back on basic living expenses or facing the risk of homelessness. Nationally, CIH estimate that more than 800,000 homes will become out of reach to low income families as a result of reductions in LHA rates, including caps. In North Staffordshire, CIH estimates that there will be a shortfall of 7,900 dwellings, with 47% of these located in Stoke, where the impact will be most severe.

Social rented sector occupancy levels

4.14 From 2013, the Government intends to introduce occupancy criteria for new and existing working age housing benefit claimants living in the social rented sector. The criteria will replicate those which already apply to claimants of local housing allowance in the private rented sector. The maximum applicable rent will be reduced by a percentage reflecting the number of bedrooms which the household is deemed not to require. Changes to the state pension retirement age by to 2020 will be taken into account in determining whether a housing benefit client is of working age. Using data from the English Housing Survey, the official impact assessment estimates that this will affect 670,000 households, representing 32% of all working age housing benefit claimants in the social rented sector, and 18% of all social rented sector tenants. This will increase to 760,000 by 2020 as a result of the increase in the state pension retirement age. Those deemed to have two more bedrooms than they require will lose an estimated £20 per week in 2013 whilst those with one bedroom more (who from about 70% of the total affected) will lose an average of £11 per week.

4.15 Comprehensive data on the impact of the changes on North Staffordshire is not available, but recent data on new lettings through the CORE system provides an indication of the proportion of tenants who might be affected (Table 4.3). Taking all new lettings from

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[6] See http://www.cih.org/PressReleases? *Housing Benefit cuts will put 800,000 homes out of reach*, 5th January 2012.

2008-2011, just over 35% of new general need lettings resulted in an occupancy level below the standard used in local housing allowance assessment. Most of these lettings were to tenants of working age affected by the proposed changes (people over working age are not affected). Of these, between two third and three quarters were in receipt of housing benefit and so will experience a reduction in rent as a result of the new arrangements. As a proportion of all general needs lettings, the percentage of tenants affected ranges between 15% and 20% across most of Staffordshire, although higher in Cannock Chase and South Staffordshire. It should be noted that both letting practices and income levels influence the proportion affected. The relatively high proportion affected in South Staffordshire for example, arises because 44% of new tenants will be deemed to have excess bedrooms, rather than because a particularly high proportion are in receipt of housing benefit.

4.16 These estimates relate to new tenants rather than to the population of social rented sector tenants as a whole. They are broadly comparable to the official impact assessment estimate that 18% of all social rented sector tenants will be affected by this proposal. Hence by 2013 almost one in five social rented sector tenants will be faced with a choice between moving to smaller accommodation or finding an average of £13 per week in additional rent payments. If social rented tenants over working age are excluded, the proportion affected rises to 28%.

4.17 The combination of changes and the process of ageing may lead some households to need to move to smaller accommodation in the first year of the new system and then to move back to larger accommodation in subsequent years as children pass the threshold years for sharing with members of the opposite sex (10) and requiring a bedroom to themselves (16).

Table 4.3 Estimated percentage of recent social rented sector tenants affected by Housing Benefit occupancy changes

	All new tenants last three years			Tenants with excess bedrooms		In receipt of HB	
	% with excess bed-rooms	Exact fit	% over-crowded	Of working age	Working age with excess bedrooms as % of all new tenants	As % of working age tenants with excess bedrooms	As % of all new General Needs tenants
Newcastle-under-Lyme	24	74	2	93	22	72	16
Staffordshire Moorlands	27	70	2	100	27	73	20
Stoke-on-Trent	30	67	3	95	29	63	18
Stafford	25	74	1	97	24	70	17
East Staffordshire	28	70	2	96	27	60	16
Cannock Chase	29	69	2	96	28	75	21
Lichfield	25	73	2	94	23	73	17
South Staffordshire	44	55	1	86	38	69	26
Tamworth	24	74	1	97	24	54	13
East Cheshire	31	67	2	95	30	72	21
Telford and Wrekin	51	48	1	92	47	71	33

Source: CORE

Non-Dependant Deductions

4.18 Deductions can be made from an HB claimant's benefit where non-dependent adults are resident. This includes, for example, adult children over the age of 18. This deduction is based on the presumption that non-dependent adults should make a contribution towards rental costs, irrespective of whether they in fact do so. The rate of deduction was increased from April 2011 in stages. It is not practical to produce an assessment of the numbers affected across North Staffordshire but the impact is likely to be substantial.

Incapacity benefit

4.19 Amongst a number of other changes to benefits, DWP is undertaking a reassessment of entitlement to Incapacity Benefit. As Table 4.4 shows, there are 25, 000 Incapacity Benefit claimants in the NASH area with a particular concentration in Stoke. All are undergoing review based on new tighter eligibility criteria. Local agencies estimate that 50% of Incapacity Benefit claimants could lose benefit, resulting in an average loss of income of £28 per week.

Table 4.4 Incapacity Benefit

	000s		%
	Caseload	Working age population	Receiving benefit
England	1,402	34,477	4.1
West Midlands	156	3,529	4.4
Newcastle-under-Lyme	4	82	5.0
Staffordshire Moorlands	3	61	4.4
Stoke-on-Trent	12	158	7.7
Stafford	3	82	3.2
East Staffordshire	3	62	4.8

Source: DWP online statistics

Rents and incomes

4.20 The Government is also introducing a range of reforms to the way that social housing is delivered. Social landlords will be given greater flexibility to determine the types of tenancies they grant to new tenants with provision for shorter tenancy periods. A new 'Affordable' rent will be introduced, set at a maximum of 80% of the local market rent. Affordable Rent will form the principal element of new supply under the national Affordable Homes programme from 2012-2015, but a proportion of existing social rent properties will also be re-let at this higher rent level in order to generate resources to fund new Affordable Rent dwellings.

4.21 To assess the impact of this in North Staffordshire, data on local rent levels has been assembled from CORE (the system for recording data on new tenancies in the social rented sector) and from various published data sources on private rents. There is no comprehensive source of data on private sector rent levels. There are several on-line sources of private rents but these tend to reflect asking rents and the geographical basis on which they provide data varies. Some sources use settlements but definitions of the areas these cover are often not provided. There are considerable differences between rent levels indicated by these various sources so the limitations of estimates of rent levels must be borne in mind. The Rent Service also provides details of agreed rents used for setting local housing allowance rates, and Local Reference Rents. These are published at the level of Broad Housing Market Areas which are relatively large and include a number of settlements. Four BHMAs (Staffordshire North, Eastern Staffordshire, Mid Staffordshire and Black Country) cover the majority of Staffordshire, but do not correspond to local authority boundaries. The Hometrack housing data service also provides estimates of private rents but a subscription is required for this service. Most data sources on rents break down rent levels by number of bedrooms and in some cases by type (shared or self-contained). Categories with insufficient supply have been excluded.

4.22 On the basis of these sources, Table 4.5 below shows median rent levels for social rented and private rented accommodation by number of bedrooms. Assuming maximum expenditure of 25% of income on gross rent payments, the table also shows the annual household income required to afford social and private rents in each local authority.

4.23 There is some variation in social rented sector rent levels between authorities but this is relatively small. Social rents in Stoke and Cannock are significantly lower but elsewhere the variation in incomes required to afford social rented housing is confined with the £14-15,000 per annum range. In comparison, and again excepting Stoke, incomes in the range of £21,000-29,000 per annum are required to afford median private sector rents.

4.24 The table also shows the annual income required to afford a rent set at 80% of the median private sector rent.

Table 4.5 Social and private sector weekly median rents

	Median weekly rent No. of bedrooms 1	2	3	4	5	All	Income to afford median rent	Income to afford 80% private rent
Social sector								
Newcastle-under-Lyme	61.42	68.37	74.96	81.98	0.00	67.82	14,106	
Staffordshire Moorlands	67.16	71.97	79.09	0.00	0.00	72.11	14,999	
Stoke-on-Trent	52.25	58.61	63.56	86.09	0.00	59.33	12,340	
Stafford	60.43	69.16	75.45	82.13	0.00	67.82	14,106	
East Staffordshire	62.68	70.29	75.42	96.18	0.00	70.32	14,627	
Cannock Chase	55.55	66.08	69.68	93.05	0.00	64.34	13,383	
Lichfield	69.96	74.37	83.81	109.11	107.42	73.38	15,262	
South Staffordshire	66.34	72.56	80.28	85.42	0.00	72.56	15,092	
Tamworth	58.47	69.06	75.02	81.80	0.00	67.43	14,026	
East Cheshire	67.95	73.91	79.29	87.26	0.00	74.06	15,404	
Telford and Wrekin	67.62	75.40	84.40	101.24	115.16	75.85	15,777	
Private sector								
Newcastle-under-Lyme	105.22	131.23	179.32	187.15	172.62	131.61	27,374	21,882
Staffordshire Moorlands	78.64	99.07	117.10	160.10	219.00	103.52	21,532	18,953
Stoke-on-Trent	87.21	98.08	115.38	153.56	206.54	90.91	18,910	15,128
Stafford	95.86	123.92	135.26	171.43	185.08	122.72	25,525	21,507
East Staffordshire	91.08	110.91	136.97	174.82	175.96	121.93	25,362	23,430
Cannock Chase	95.19	111.84	137.31	178.03	0.00	129.25	26,883	20,290
Lichfield	101.08	128.08	154.23	253.85	195.46	140.81	29,287	21,899
South Staffordshire	NA	78.51	94.46	219.23	0.00	104.12	21,656	17,325
Tamworth	103.85	126.92	155.77	199.15	219.23	141.91	29,518	20,420
East Cheshire	90.63	120.67	148.88	225.46	276.14	131.50	27,352	17,226
Telford and Wrekin	87.00	115.38	132.92	183.46	0.00	113.90	23,691	23,615

Source: CORE, The Rent Service, author's internet-based research. NB: South Staffordshire data based on small numbers of lettings

4.25 Table 4.6 below compares these rent levels with the distribution of household incomes in the three North Staffordshire authorities. Each chart shows the cumulative percentage of households able to afford each of three threshold rents: the median social rent, the median private rent, and a notional rent set at 80% of the private sector median. In each case it is assumed that households can spend up to 25% of gross income on rent payments. Income profiles are shown for all households, and for three groups in potential need: newly forming households, households with someone on a Waiting List for social housing, and existing social rented sector tenants. The proportion able to afford each threshold rent can be read off at the point where it meets the curve. The table summarises the percentage of households of each type able to afford each threshold rent. It also shows the impact of housing benefit on the ability of households to afford the 80% private rent threshold, *based on pre-2011 social rented sector HB provisions*. The impact of proposed changes to housing benefit in the social rented sector and to local housing allowance is not taken into account.

Table 4.6 Ability of households to afford social and private sector rents

		% able to afford:			
		SRS	PRS	80% of PRS rent	
				Before HB	After HB
Newcastle-under-Lyme	All	77	44	56	72
	Newly forming	72	39	52	70
	On WL under 35	62	17	32	78
	Existing SRS tenant	53	15	26	55
Staffordshire Moorlands	All	77	60	69	82
	Newly forming	72	57	66	79
	On WL under 35	61	50	51	72
	Existing SRS tenant	53	31	42	90
Stoke-on-Trent	All	74	56	70	86
	Newly forming	70	53	64	77
	On WL under 35	64	38	54	83
	Existing SRS tenant	57	30	45	76

Source: CORE, The Rent Service, author’s internet-based research

Figure 4.1 Household incomes and rent thresholds: Newcastle under Lyme

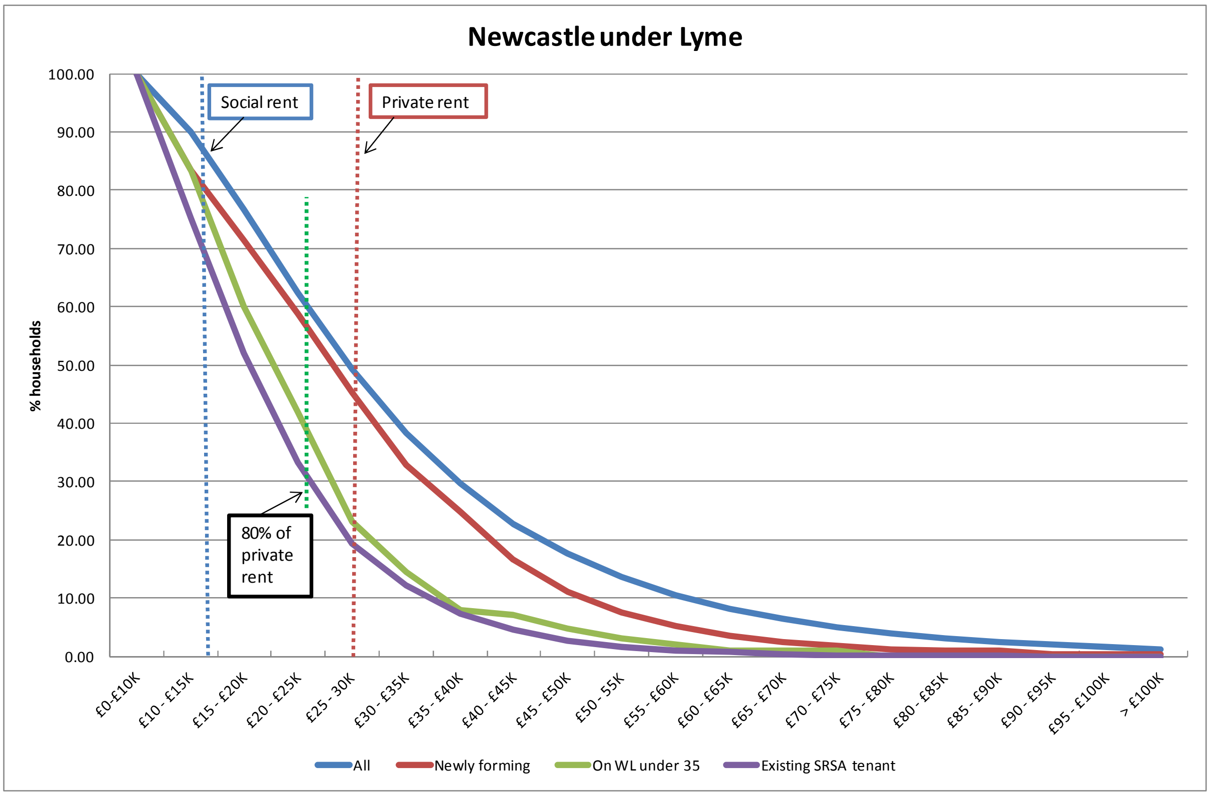


Figure 4.2 Household incomes and rent thresholds: Staffordshire Moorlands

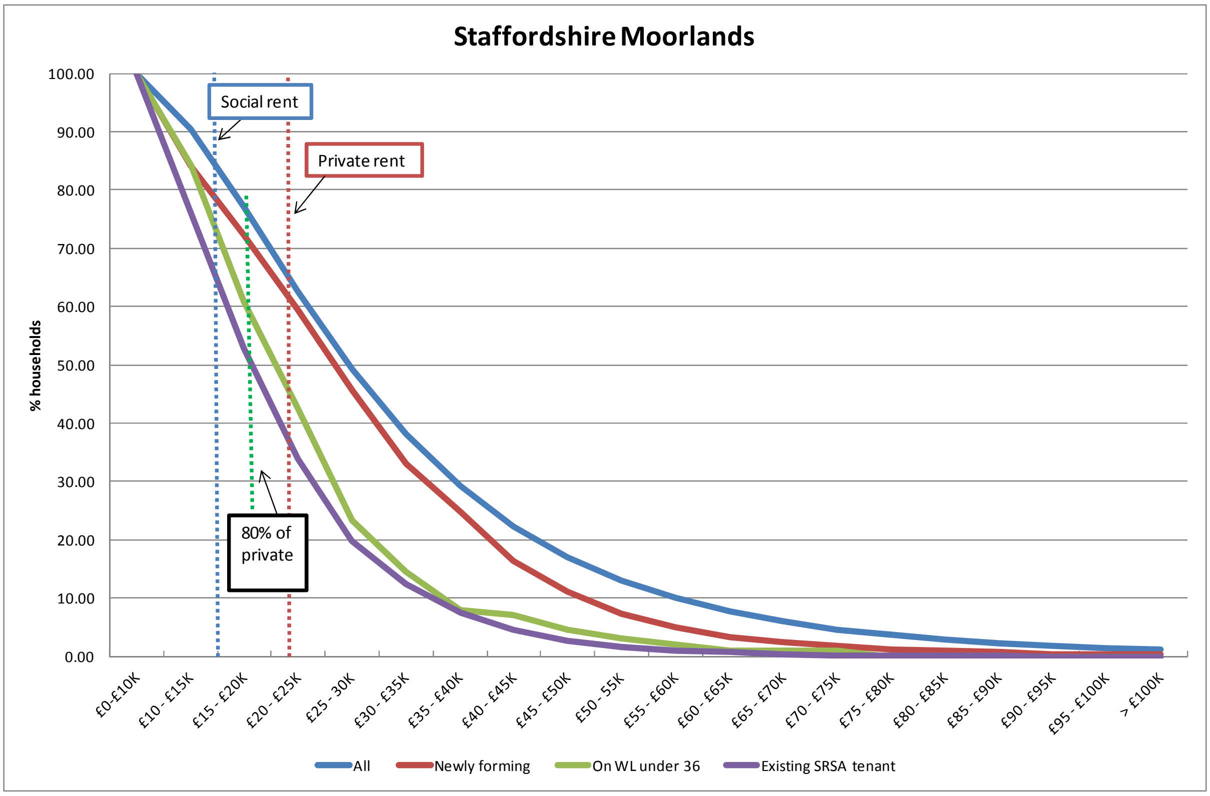
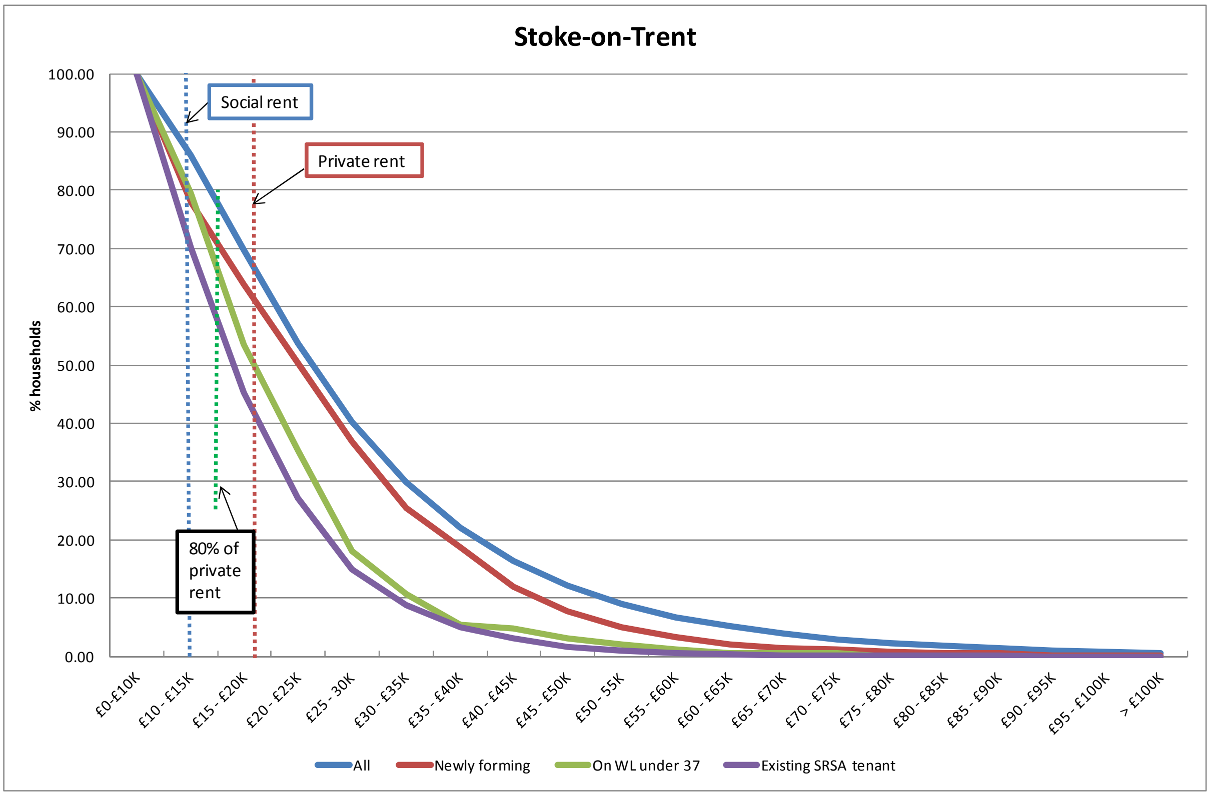


Figure 4.3 Household incomes and rent thresholds: Stoke-on-Trent



Conclusions

4.26 This report has been drafted at a time when there is a fundamental restructuring of tenure taking place. Owner occupation is in decline and private renting is increasing rapidly. The rise in private renting in the NASH area is related to a polarisation in the labour market and to areas of economic decline. For these reasons the rise in the private rented sector is also associated with a growth in housing benefit expenditure.

4.27 The changes in housing benefit entitlements will have a differential spatial impact. In the Staffordshire Moorlands for example there is a high level of employment but low workplace based earnings. The rented sector is small and one would expect it to be residualised given its size and local affordability issues, however, because of dual income households the benefit dependency rate of 48% is relatively low. In Stoke however the employment rate is low and the volume of renting is very high at 38%, but it also has a benefit dependency rate of 60%. It is arguable that the level of housing benefit support to housing in Stoke has played a significant role in maintaining rents and sales values in the city, and that over time these will fall as support is reduced, i.e. housing will become more affordable to those in work, the problem for many however, will continue to be the lack of permanent employment on offer.

4.28 The impact in the social housing sector of reductions in the Local Housing Allowance averaging £13 per week for those deemed to be under occupying is also likely to be substantial. Thirty five percent of lettings in the NASH area have been to residents who have an extra room. The majority of lettings therefore are a “perfect fit”. A significant minority however will be to young families who have an extra bedroom, in future they may be excluded from lettings if housing benefit dependent as for historical reasons much of the social sector has three bedrooms (unlike London which has a considerable supply of purpose built two bedroomed flats). Twenty eight percent of working age tenants will be affected by this benefit reduction.

4.29 The new affordable rent programme will generate a cohort of people in need who can not access the new build because of constrained income. The most severely affected area within the NASH boundaries is Newcastle under Lyme, where 28% of those on the waiting list will not have an affordable rent even after taking account of the payment of housing benefit.

5 New models of working and policy implications

5.1 This report has detailed how the local housing market has performed in the period prior to the economic recession and in its immediate aftermath. The trajectories of the different places which in aggregate make up the NASH area are diverse with areas of decline and growth often situated adjacent to one another. Despite differences in local economies and housing markets, there are a number of common issues which all areas face in the short and medium term. These include rising unemployment, a stagnant housing market, continued mortgage and credit restrictions, and public expenditure reductions. In the absence of radical public policy reform these exceptional national and international issues would require a review of partnership working and strategies, programmes and policies by housing agencies.

5.2 As this report has demonstrated the public policy framework is not static, and has entered a period of transition as Central Government shifts responsibilities to localities and radically reforms welfare whilst reducing nationally redistributive expenditure. Because of the speed of fiscal and legislative change it is difficult for localities to respond immediately to the scale of the challenge now being faced. Existing structures and partnerships will in many cases not be fit for purpose, local capacity to respond to greater local flexibility and responsibility in developing public policy will need to be strengthened both politically and professionally. Additionally, a degree of financial stability may have to return to the public sector before local leadership will assume in any substantial way the much higher risks associated with financing renewal and development under the new localism framework.

5.3 Given the adjustments referred to above it could be some time before new and ambitious local housing and renewal strategies are formed and implemented. However, while organisations are being reconstructed and long term strategies are devised, operational inertia will not be an option. Economic recession and differential spatial recovery will increase residential mobility, some places will shrink with associated physical decline, whilst others will grow whilst experiencing a backlog of housing need and demand. Housing agencies will have to respond to these changes whilst experiencing a strategic void in many locations. This strategic void increases risk for any agency making investment decisions.

5.4 In addition to the pressures generated by economic change, the Government's welfare and housing benefit reforms will generate rapid distributional impacts, which impact on all income deciles, but are particularly focused on the lowest two income deciles. In the most disadvantaged locations, best quality low value neighbourhoods, rural locations or big cities, a significant restructuring will occur in income and expenditure, access to housing, and the use of property (i.e. its occupation levels).

5.5 The impact of public policy reform on restructuring housing markets in disadvantaged places will be profound. The evidence suggests that in areas such as

Staffordshire, the rate of owner occupation is closely related to historic rates of economic growth and participation in the labour market. Conversely the poorer a place becomes the more rapidly its rented sector grows and with it the demand for housing benefit. More than 60% of the public and private rented sector in Stoke is publically subsidised through housing benefit. The proposed changes to the housing benefit system will increase the movement of tenants deemed to be under occupied in social housing into shared private rented accommodation, in some cases displacing single people in shared accommodation who will experience the most severe reductions in financial support. In a city with a surplus of accommodation it is quite possible that the outcome could result in: an increase in overcrowding in some private rented accommodation; a rise in homelessness as people accrue rent arrears or cannot access the available accommodation; and a rise in the vacancy level as social housing experiences higher turnover and the low value private sector has its limited demand focused on a smaller number of properties. A national reform designed to save money, may therefore generate perverse and costly outcomes in areas of poor economic performance and low demand for housing.

5.6 The process of change will be different in higher demand areas. Many of these areas have and will experience years of sluggish growth in housing supply (given current economic projections) and increasing shortages of accommodation for low to moderate income groups. It could be argued that the resorting of the public and private rented sector through changes in the housing benefit system will allow more of the available affordable stock to be intensively used. In the case of the private rented sector this will increase supply through the incentive to subdivide for smaller families dependent upon welfare. The social costs for some groups remain substantial in these areas, but there is a more coherent economic rationale to underpin the arguments for change.

5.7 It is envisaged by the Government that the impact on homelessness will be minimised by the downward pressure on rents created by the withdrawal of public subsidy. In the low demand context this would seem to be a fair assumption in the long term. However for housing agencies the real issues relating to potential homelessness are immediate. Market adjustments take time and landlords’ price expectations would need to alter dramatically to fulfil the Government’s objectives. A feature of the current housing recession has been rising rents and sellers’ price expectations limiting both sales and price falls. No one knows how ‘long term’ the long term will be in areas which will need to experience a fall in rents and prices to maintain a balance between supply and demand.

5.8 The expectation that rents will fall in more prosperous places, which are experiencing household growth and minimal growth in housing supply is harder to sustain. Indeed it is most likely that some of the existing and prospective tenants most severely affected by welfare reform will be displaced from the housing market (or will be unable to gain access to it). This process does not inevitably result in homelessness, as it may delay household formation or result in families sharing accommodation on an inter-generational basis.

5.9 The scope and scale of public sector, welfare and local Government reform aligned with economic depression and restructuring provides the most extensive change in the operational environment arguably since the Second World War. These changes are now largely agreed by Parliament and will mostly be implemented. It is incumbent upon Central Government, local authorities and local housing agencies to ensure that the changes are delivered with foresight and that measures are taken to minimise the associated social costs, while strengthening the capacity of local institutions to maximise the benefits and reduce the risks associated with the new localism. Policy recommendations for each of these stakeholders are set out below.

Recommendations for Central Government

5.10 Clarity and transparency from Government to localities in respect of the type and extent of Central Government support they will receive to cope with transition and the rebalancing of the economy is essential if areas are to be encouraged to develop long term locally funded economic development and regeneration strategies. An example of an area where greater clarity and strategic direction is needed is with the Regional Growth Fund. One of the few centrally funded initiatives to address spatial disadvantage, this programme appears to have been allocated thus far on an opportunistic basis and does not yet link with a coherent approach to re-engineer the economies of areas such as North Staffordshire. Without this clarity it is difficult for housing agencies to coordinate their investment with economic renewal over the medium to long term. The Government should set out therefore its offer in respect of support for rebalancing the economy to each Local Enterprise Partnership, thereby aligning the development of a framework where the new localism can link local and national investment streams.

5.11 The Government designed and timed the implementation of its welfare and housing benefit reforms on the basis that 2.5 million private sector jobs would be created during this Parliament. This forecast therefore assumed 500,000 new private sector jobs would be created per year, easily off setting public sector job cuts and ensuring that jobs would be available as an alternative to welfare in enough numbers to ensure that those experiencing cuts could choose to work to offset falls in living standards and preserve access to housing. These forecasts have proven to be inaccurate two years into the Parliament; growth and employment have declined, with only 5,000 private sector jobs created in the quarter up to November 2011 with more than 67,000 public sector jobs being lost. The welfare and housing benefit reform programme combined will therefore incur greater social costs than originally envisaged. The Government should therefore consider transitional funding to assist the most vulnerable groups to maintain accommodation until job creation resumes and provide resources for advice and assistance to those who may have to move home as a result of the changes. This funding should include contributions towards the costs of moving for vulnerable households.

5.12 The Government should learn the lessons from the Housing Market Renewal programme as a forerunner for the new localism. The failure of the previous Government to recognise where the capacity of local Government was weak led to a lack of progress in some locations in the early stages of the programme. A capacity building programme designed with the Local Government Association and the Homes and Communities Agency would shorten the period of transition and the current void in public policy.

5.13 The Open Services White Paper noted that the Government intends to introduce minimum standards for services as an integral part of shifting local Government from a provider of services to a commissioning agency. The publication of these minimum standards should be expedited so that local service providers can forward plan as expenditure savings are currently driving the debate in many locations rather than a focus on outcomes.

5.14 The economic and financial crash and resulting permanent loss of output caused by the bursting of the speculative property market and banking crisis has stimulated a debate about our collective economic future. A clear focus is emerging from the Coalition Government that it is imperative to prioritise the investment in infrastructure, and the 30 year national ambition for this is outlined in the National Infrastructure Plan. The delivery of this plan is critically dependent upon the attraction of institutional finance to invest off balance sheet in return for long term annual revenue returns. Currently housing does not feature in this debate, despite the fact that it has a revenue stream to potentially service the required return. This is another area where clarity from Government on the role of housing to support infrastructure development and the provision of technical support to construct complex financial deals would facilitate a long term growth in housing supply.

5.15 National support for the maintenance of older private sector housing was ended in the Comprehensive Spending Review. However the lessons from the past indicate that if a consistent process of organic renewal does not occur in older areas then eventually more extensive public sector costs are incurred through severe neighbourhood decline. Whilst it is recognised that Central Government is unlikely to reinstate a national renewal fund, it could develop a more coherent approach through coordinating existing small scale programmes and taxation reforms. Examples of this include the small £150 million resource devoted to bringing empty properties back into use which could be spatially focused with potential reform of VAT to exempt housing refurbishment in selected locations.

Recommendations for Local Government

5.16 The shift to locally financed regeneration and renewal programmes supported by more entrepreneurial funding regimes entails a shift of risk to localities and an emphasis on long term partnerships where this risk is understood and shared. This entails a review of local partnerships based not on a grant culture, but on a culture based around risk and reward. Each local authority should start an engagement process to develop the framework for future development with committed partners and fully engage with the commercial expertise and asset management strategies of local housing agencies.

5.17 The new funding regimes such as Tax Increment Finance, pension funds and to a certain extent Local Authority Prudential Borrowing will tend to be directed towards projects which can produce a financial return. This will transform the way renewal and development is financed and will tend to focus new build housing development in areas of value where risk is minimised. This new approach will favour some areas over others and raises issues of neighbourhood management and renewal in the most risky environments. These opportunities and risks need to be fully understood by local authorities and their partners and should inform a review of neighbourhood management processes in areas at risk of decline. This suggests that there will be a hierarchy of land and urban renewal opportunities which local authorities should seek to link to changes in housing demand.

5.18 It is questionable if the introduction of the New Homes Bonus will improve housing supply in the current economic environment, however its introduction does give an opportunity for local authorities to incentivise local social and private sector developers to bring forward difficult sites. The use of the New Home Bonus should be explored as a potential gap finance tool in areas of Staffordshire where land remediation is an issue.

5.19 The changes to welfare and housing benefits as mentioned earlier will increase the number of residents who are faced with little choice but to leave their existing accommodation. Each local authority should urgently review the potential impact of these changes on homelessness and social services to ensure that there is sufficient capacity and resources to provide the necessary care and support.

5.20 Building upon the recommendation above, each local authority should also review the adequacy of its supply of temporary accommodation in light of the potentially large number of people who may need to find alternative accommodation.

5.21 The local authorities should utilise the framework for sub regional working created by the development of Local Enterprise Partnerships to integrate housing and planning with economic development. This would create a forum to operationalise the new duty to co-operate on planning matters which have a cross border impact on adjacent local authorities. This is particularly relevant for housing strategy given the history of North Staffordshire where limited housing demand has been decentralised creating considerable social and public sector costs associated with urban decline.

5.22 As set out in paragraph 5.17 above there is likely to be a greater focus on the reinvestment of pension funds and institutional investment in infrastructure over the next decade. This investment is usually deployed at scale and is seeking safe and secure annual returns. It would be necessary for any investment portfolio to be created through a local authority and RSL consortium across Staffordshire to provide the right scale and portfolio and this should be explored with the Homes and Communities Agency.

5.23 The impact of welfare and housing benefit reform will at least initially speed up residential turnover and concentrate more families in need in the private rented sector. The combination of these impacts may make some of the more marginal neighbourhoods more difficult to manage. A review of neighbourhood management arrangements in the most vulnerable neighbourhoods should feed into budget discussions as part of the on going reconstruction of public finances. This discussion should also incorporate a review of the arrangements for regulation of the private rented sector and then enforcement of minimum standards as Homes in Multiple Occupation increase.

5.24 The commissioning role for local government highlighted in the Open Services White Paper and the developing thinking around community budgets for the public sector at the locality level provide an opportunity to deliver services to vulnerable neighbourhoods in a different way. Local housing agencies could provide a service delivery role in this new environment and local authorities should hold scoping discussions with housing agencies to see how community budgeting might mitigate some of the social costs associated with change.

5.25 Finally in this period of transition, local authorities will need to understand how their local housing market is responding to change and which needs are being met and which are not. It will need to play a role in matching people to homes, but also ensuring that landlords are receiving and understanding market signals and are responding appropriately. This market making role is significantly different from that developed over the last 30 years which focused on the construction of new dwellings.

Recommendations for Local Housing Agencies

5.26 The response of local housing agencies to the new public policy framework will be diverse. Each agency will need to reassess its appetite for risk in respect of investment in local authority areas, specific neighbourhoods and new financial instruments (such as Tax Increment Finance). This reassessment will impact upon future new build, asset management and partnership strategies.

5.27 The review of risk will inevitably impinge upon a related review of allocations policies. Some individuals and families will in future be more difficult to accommodate due to the size of accommodation on offer and for their ability to contribute to rental costs. A review of allocation policies should be conducted by all housing agencies prior to welfare reform being enacted in full over the next 18 months.

5.28 Following this review each housing agency should have a transparent investment and disinvestment strategy which is shared with the local authorities who are affected by decisions. This is particularly important where disinvestment decisions could accelerate the decline of vulnerable neighbourhoods.

5.29 For those agencies which remain committed to the most vulnerable places and people following review, they may wish to review or explore a merger or consortia working with like minded agencies to achieve economies of scale and spread risk across a larger asset base.

5.30 The new localism will require increased use of entrepreneurial funding approaches by local authorities and housing providers. Registered Social Landlords with a development function have a unique opportunity to pool resources / knowledge locally to provide support to local government in this new environment. This is particularly relevant in stock transfer authorities where the housing function is relatively small in scale, but also applies in localities where the scale of renewal requires innovation and a pooling of resources to make any impact on pressing issues.

5.31 Local Housing Agencies can play a crucial role in developing a sub regional offer for institutional investment, both through financial expertise, but also through a quality housing management offer.

5.32 The commissioning and community budgeting agenda presents an opportunity to pool budgets with health providers and local government to develop local solutions to the increasing aged population which is both a local and a national issue. For this to be successful housing agencies would need to be developing ideas over the next two years in preparation for the commissioning process.

5.33 The regeneration functions of RSLs have traditionally been focused by Government grants and as such have frequently been an ‘add on’ to core housing functions. The new environment raises questions about the financing and status of employment and training activity and its relationship to housing advice, assistance and the sustainability of tenancies. Rather than being seen as a desirable but peripheral activity in future, for organisations which remain committed to vulnerable places and communities these activities will need to be mainstreamed. This may require efficiency savings to be identified to contribute to costs, but may also involve consortia working and the deployment of accumulated surpluses to assist with the transition.