

CHARNWOOD BOROUGH
HOUSING NEEDS SURVEY
UPDATE
FINAL REPORT
2005



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APPENDICES

- Appendix I Land Registry
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1 INTRODUCTION

1.1 Government Guidance

1.1.1 Government Guidance in Circular 6/98 and the Good Practice Guidance for Local Housing Needs Assessment require that local authorities have robust and up to date assessments of the housing needs in their area. These are required to support the Housing Strategy and bids for resources and Local Plan policies for affordable housing provision.

1.2 The 2003 Study

1.2.1 DCA conducted a wide ranging needs assessment study in the Borough between December 2002 and April 2003. This study examined housing requirements in both market and social sectors.

1.3 2001 Census

1.3.1 Only limited 2001 Census results were available during the 2003 study and now that these are available we have adjusted the tenure balance of the 2003 data against Census figures.

1.4 The Update Study Objectives

1.4.1 The objectives of this update study were to re-analyse:-

- ◆ the change in the housing market locally to provide current house prices and private sector rental costs to be able to re-assess income thresholds for access to market housing;
- ◆ the housing survey database and utilise the information into the Assessment Model recommended in the Good Practice Guidance issued in March 2000;
- ◆ the short, medium and longer term population forecasts for the Borough;
- ◆ prepare a report to provide an affordable need forecast to 2007;
- ◆ inform on-going Housing Strategy and support Local Plan policies for affordable housing and for negotiation in accordance with Circular 6/98 and PPG3.

1.5 Definitions

1.5.1 DCA work to a definition of housing requirements that encompasses demand, need and preferences. Households that can enter the general market without intervention of any sort can be defined as demand, whereas those households unable to enter the general market without some form of intervention can be defined as having a housing need. Our methodology enables us to identify this distinction by asking for both a household's characteristics in terms of size, current property condition and income and a household's view on suitability of current housing and preferences for moving or modification.

1.5.2 Affordability in our view is defined by the relationship between local incomes and the local general housing market. Our definition of affordable housing is as follows:-

Affordable housing is that provided with subsidy, both for rent and low cost market housing, for people who are unable to resolve their housing requirements in the general housing market because of the relationship between local housing costs and incomes.

- 1.5.3 The types of affordable housing which comply with our definition are as follows:-
- ◆ *Units for rent, the major requirement;*
 - ◆ *shared ownership with grant;*
 - ◆ *shared equity where land value is retained to provide housing for sale at below market levels and where control of the 'equity discount' can be retained as long as they are needed;*
 - ◆ *discounted market rented housing.*
- 1.5.4 The issue of affordability is central to our approach. Within the project, we capture a range of data on actual incomes and costs of housing and the likely level of incomes and the accessible costs of housing for moving or newly forming households. We also examine secondary data on incomes, house prices and rent levels. Thus a reliable indicator of affordability is derived that leads towards the identification of real options for meeting housing need.

1.6 Methodology

- 1.6.1 The study consisted of the following elements:-
- i. analysis of the existing base of primary data gathered in 2003 which gathered information on housing needs to 2005 and is still currently valid;
 - ii. A housing market survey utilising the Land Registry and Halifax databases and a telephone survey of estate agents on the cost of access level property and on the supply and cost of private rented housing;
 - iii. Secondary data analysis drawing upon HIP and Housing Register data on the flow of social stock and need, 2001 Census, household and population projections and other national research.
- 1.6.2 As a database the achieved sample of 3,728 is nearly three times greater than the 1,250 minimum level identified as a normal sample in the ODPM Guidance.

2 THE CHARNWOOD BOROUGH HOUSING MARKET

2.1 Introduction

- 2.1.1 Three data searches were commissioned to provide information on house price and sales volumes across the Borough:-
- ◆ from the Halifax, as the largest mortgage lender, analysing lending in the Region;
 - ◆ from the Land Registry, providing data on all sales in the area for the past year;
 - ◆ Estate Agency survey to assess entry prices for new households in each sub-area.
- 2.1.2 The records include house price information by categories of dwellings and information about the volumes of sales of each type of dwelling.
- 2.1.3 These indices are not absolutely comparable. Land Registry increase levels tend to be lower because they include cash transactions but they are less reliable on a quarterly basis because they only calculate actual transactions and the figures are affected by changes in the mix of properties between the current and previous periods. Halifax data measures a constant mix of properties by type and size which removes the changing mix factor but does not of course include lower price cash transactions.
- 2.1.4 This information sets the context for the key issue of the affordability of housing in the area, and in particular we can relate the analysis to the problems of low income evaluated through the household postal survey.

2.2 National Picture

- 2.2.1 House price inflation in the fourth quarter of 2004 slowed in most regions with an overall increase of 0.1%, well below the 2.7% gain in the third quarter of 2004. The overall sound UK economic background and the lowest mortgage rates since the 1950s have boosted housing demand in recent months and this trend should continue throughout the rest of the year.
- 2.2.2 UK house price inflation for the year ending 31st December 2004 was recorded by Halifax Index at 15.1% and the Land Registry at 11.7%.
- 2.2.3 The Halifax First-Time Buyer Annual Review of 2005 indicates that the average price paid by first-time buyers increased by 16% in 2004 from £112,541 in 2003 to £131,024.
- 2.2.4 The affordability difficulties confronting first time buyers have significantly reduced the number entering the market. This is reflected in the fact that there were an estimated total of 361,000 first-time buyers in 2004, the lowest annual total since 1981. The numbers of FTB's in the last year were almost a third lower than at 2002 (532,000).¹

¹ Source: Halifax First Time Buyer Annual Review 2005

2.3 Regional Picture

Table 2-1 House Price Inflation

	Increase over year to 31st December 2004	Increase / decrease over quarter to 31st December 2004
	%	%
East Midlands ¹	15.7	-0.4
Leicestershire ²	11.8	1.4

Source ¹ - Halifax House Price Index, © Copyright HBOS plc.

Source ² - Land Registry Data, © Crown Copyright (Land Registry)

- 2.3.1 The annual rate of house price inflation recorded in the Halifax Index for the East Midlands Region at 31st December 2004 was 15.7% just above the UK average of 15.1%
- 2.3.2 House prices in the East Midlands Region showed a decrease of 0.4% during the fourth quarter of 2004.
- 2.3.3 House prices in Leicestershire rose over the last year by 11.8% as calculated by the Land Registry. House prices in Charnwood rose considerably over the last year by 14.7% as calculated by the Land Registry.

2.4 The Housing Market

- 2.4.1 The Regional Market is shown in Table 2-2 below, which details the prices paid for the main categories of house types for the whole of the East Midlands Region with comparisons against a different source of house price index data.
- 2.4.2 The Halifax data is based on actual sales of mortgaged properties and the information is a real indication of actual prices prevailing in the purchases being made in the East Midlands Region. The Land Registry data incorporates all transactions, at Borough level.

Table 2-2 All Buyers, Fourth Quarter of 2004

Property Type	EAST MIDLANDS REGION		LEICESTERSHIRE
	Land Registry Average Price	Halifax Average Price	Land Registry Average Price
Terraced	107,590	116,886	124,930
Semi-detached	128,752	131,458	145,305
Detached	222,022	233,886	248,878
Bungalows	*	166,902	*
Flats & maisonettes	111,094	120,296	106,216
All properties	151,381	156,057	175,365

Land Registry Residential Property Price Report, 4th Quarter 2004. © Crown Copyright
Halifax data Copyright © HBOS plc.

* Land Registry figures do not identify bungalows separately.

- 2.4.3 The Halifax data refer to mortgage transactions at the time they are approved rather than when they are completed. Whilst this may cover some cases which may never proceed to completion, it has the important advantage that the price information is more up-to-date as an indicator of price movements and is on a more consistent time-base than completions data (such as the ODPM Index) given the variable time lags between approval and completion.² The Land Registry data incorporates all sales transactions in the Region and more specifically in the Borough.
- 2.4.4 Prices vary between the different data sources and we would expect the Land Registry figures to be lower in all cases given that these figures include non-mortgaged sales.
- 2.4.5 The table below examines average house prices for the Borough recorded by the Land Registry in December 2004, against house prices at the time of the previous housing needs survey in 2002 and the rate of price increase.

Table 2-3 Average House Prices and Sales - All Buyers 2004

Property Type	Land Registry Charnwood Average Price (£)	Land Registry % of sales in Charnwood	2002 Land Registry Average Price (£)	Increase % 2002 - 2004
Terraced	128,422	28.0	86,462	48.5
Semi-detached	147,901	40.6	108,725	36.0
Detached	250,865	28.0	201,340	24.6
Flats & maisonettes	103,535	3.4	63,039	64.2
All properties	169,898	100.0	126,577	34.2

Source: Land Registry Residential Property Price Report, 4th Quarter 2004
 Land Registry Residential Property Price Report, 4th Quarter 2002
 © Crown Copyright (Land Registry)

- 2.4.6 Whilst the overall average house price has increased in the Borough by 34.2% since the last survey in 2003, the price of terraced houses and flats – the entry level stock, have increased by 48.5% and 64.2% respectively, reflecting the different style of flats in new delivery.
- 2.4.7 The largest volume of sales in the Charnwood were for semi-detached houses (40.6%) selling at an average price of £147,901. Terraced and detached houses both make up 28.0% of sales and averaged at £128,422 and £250,865 respectively. Flats / maisonettes average £103,535 and are 3.4% of sales. Terraced houses are assessed to be the main entry level property for first time buyers in view of the higher level of sales in the Borough.
- 2.4.8 The sales levels of semi-detached houses in 2004 (40.6%) and detached houses (28.0%) are similar to 2002 levels (41.3% and 27.5% respectively). There is a slight decrease in sales of terraced houses at (28.0%) in 2004 compared to (28.1%) in 2002 and sales of flats / maisonettes have risen slightly from 3.1% in 2002 to 3.4% in 2004.

² Source: www.hbosplc.com – Methodology Section

2.5 Sub-Area Structure

2.5.1 In order to further analyse house prices in the area, the Borough has been divided into 5 sub-areas and their sample area breakdown is listed below.

Table 2-4 Sub-Area Breakdown

Sub-Areas	Parishes Breakdown
Loughborough	<i>Town has no parish Hathern</i>
Shepshed	<i>Shepshed</i>
Leicester Fringe	<i>Anstey Newtown Linford Birstall Syston Thurmaston East Goscote Queniborough Barkby Beeby South Croxton Cossington Seagrave Thrussington Rearsby Ratcliffe Ulverscroft Wanlip Barkby Thorpe</i>
Rural Villages	<i>Woodhouse & Woodhouse Eaves Swithland Thurcaston Cropston Wymeswold Burton on the Wolds Walton on the Wolds Hoton Cotes Prestwold</i>
Mountsorrel & Surrounding areas	<i>Mountsorrel Quorndon Rothley Sileby Barrow on Soar</i>

2.6 Entry Sales Levels in the Borough

- 2.6.1 Entry to the market is clearly dependent on availability, a factor, which is particularly critical for low income households who can only enter the market in any numbers where there is an adequate supply of affordable dwellings.
- 2.6.2 First-time buyers as new entrants to the housing market do not purchase houses at average prices as they do not have average incomes. Although average prices are useful for comparisons in general they are not the purchase levels used in assessing the ability of households to enter local markets.
- 2.6.3 In broad terms new purchasers of either flats or terraced properties buy in the lowest quartile of prices i.e. the bottom 25%. We have therefore made the only comparison available from Land Registry data which is at Borough wide level. In the Borough this is £90,000, 47.0% lower than the average price of all dwellings of £169,898 in Table 2-3.
- 2.6.4 DCA have therefore undertaken a telephone survey of the local estate agents to ascertain the cost of the cheapest units available i.e. the lowest quartile stock costs, both for private rent and for sale in each of the 5 Sub-Areas.

Table 2-5 Entry Sales Levels in the Borough – March 2005 (£)

Property Type	Loughborough	Shepshed	Leicester Fringe	Rural Villages*	Mountsorrel & Surrounding Areas
1-Bed Flat	75,450	61,450	80,475	-nd-	-nd-
2-Bed Flat	86,407	74,950*	81,963	109,995	102,211
2-Bed Terraced	112,700	92,450	92,550	112,950	103,159
3-Bed Terraced	114,733	119,950*	108,283	114,950	113,200

-nd- no data available

* low level of data available

Source: DCA House Price Survey March 2005

- 2.6.5 Although the average price of terraced properties according to the Land Registry survey is £128,422, entry sales levels vary across the Borough with the lowest entry prices, for a 2-bed terraced property, starting at around £92,450 in Shepshed, rising to £112,950 in the Rural villages, as can be seen in Table 2-5 above. 3-bed terraced properties start at £108,283 in Leicester Fringe, rising to £119,950 in Shepshed.
- 2.6.6 According to the table above, entry levels for flats start at £61,450 in Shepshed, rising to £80,475 in Leicester Fringe, for a 1 bed unit. Entry levels for 2-bed flats start at £74,950 in Shepshed, rising to £109,995 in Rural Villages.

2.7 Private Sector Rent Levels

2.7.1 Some of the main private renting agencies operating in the Borough were approached to access the costs of property at the lower end of the private rented market. From the estate agency sources approached, the prevailing private sector rent levels are set out below. There is no rental data available for 1 and 2-bed flats in the Rural Villages; 3 bed semi-detached properties in the Leicester Fringe or 2-bed semi-detached properties in Shepshed. It should be noted of the low level of data found overall in the rural villages.

Table 2-6 Monthly Average and Entry Rent Levels in the Borough March 2005 (£)

Property Type	Loughborough		Shepshed		Leicester Fringe*		Rural Villages*		Mountsorrel & Surrounding Villages*		Borough-wide	
	Average	Entry	Average	Entry	Average	Entry	Average	Entry	Average	Entry	Average	Entry
1-Bed Flat	380	360	344	325	495	395	-nd-	-nd-	377	350	384	358
2-Bed Flat	572	495	428	360	490	450	-nd-	-nd-	475	435	534	435
2-Bed Terraced	478	475	436	425	463	425	475	450	492	425	454	440
3-Bed Terraced	455	400	465	430	475	475	600	600	650	650	478	511
2-Bed Semi-detached	513 *	475 *	-nd-	-nd-	513	475	525	525	495	495	515	493
3-Bed Semi-detached	531	450	501	475	-nd-	-nd-	548	495	625	525	527	471

-nd- no data available

* low level of data available

Source: DCA House Price Survey March 2005

2.8 Conclusions

- 2.8.1 The annual rate of house price inflation in the Halifax Index for the East Midlands at 31st December 2004 was 15.7%, just above the UK average of 15.1%.
- 2.8.2 The Land Registry average price for all dwellings in the Borough during the fourth quarter of 2004 was £169,898.
- 2.8.3 The largest volume of sales in the Borough during the fourth quarter of 2004 was for semi-detached houses (40.6%) selling at an average price of £147,901. Terraced and detached houses both make up 28.0% of sales and averaged at £128,422 and £250,865 respectively. Flats / maisonettes average £103,535 and are 3.4% of sales. Terraced houses are assessed to be the main entry level property for first time buyers in view of the higher level of sales in the Borough.
- 2.8.4 The increase in the price of terraced houses (48.5%) and flats / maisonettes (64.2%) is in excess of wage inflation in the two year period. Incomes in the Borough are assessed independently to have increased by 10.1% over the period 2003 to 2004.
- 2.8.5 An income of £20,400 is required to buy a one bedroom flat in Shepshed, rising to £23,950 in the Leicester Fringe. A two bedroom flat requires an income of £23,700 in Shepshed and up to £34,800 in rural villages. Terraced properties require an income of £35,800 in rural villages. In the 2003 survey incomes needed ranged from £22,000 to £27,500 for a 2 bed terraced house. This has increased between 2003 and 2005 as the income level needed for a 2-bed terraced house ranges from £29,300 to £35,800.
- 2.8.6 Based on rent at 25% of gross income (30% of net income) a one bed flat in Shepshed requires £15,600 per annum, rising to £19,000 in Leicester Fringe. A 2-bed flat requires an income of £17,300 in Shepshed. To rent a 2-bed terraced house would require an annual income of £18,000 in Loughborough, rising to £21,600 in the rural villages. Flats are a small proportion of the private rented market, only around 9% of stock is in flats and three quarters of them are in the social rented sector. Terraced properties are the main means of access to private rented housing as they also are for purchase.
- 2.8.7 Mortgage interest rates are at their lowest level for over 45 years and people who cannot enter the market under these circumstances may never be able to do so, short of some collapse in the market or a significant change in their income level. Further house price increases above wage inflation in 2005 would make access to market housing more difficult to achieve and would impact on households with marginal incomes significantly.
- 2.8.8 Entry to market housing has therefore become more difficult for new households than it was in the 2003 Survey, increasing the need for subsidised housing especially in the much higher priced areas.

3 HOUSING COSTS AND INCOME

3.1 Introduction

- 3.1.1 The increase in average prices has a direct and significant impact on the income requirement to access owner occupation and the change from September 2002 to September 2004 is shown below in Table 3-1.

Table 3-1 Average Income Requirements 2002 – 2004 (£)

Property Type	2002 (£)	2004 (£)	Increase %
Terraced	27,400	40,700	48.5
Flats	20,000	32,800	64.0

2002 requirements relate to Land Registry price report, 4th Quarter 2002

2004 requirements relate to Land Registry price report, 4th Quarter 2004

- 3.1.2 Table 3-1 above shows that the Borough-wide level incomes at which the housing market can be accessed have increased since 2002. The income needed to access terraced properties has increased to £40,700 (48.5%) and access to flats / maisonettes requires an income of £32,800 compared to £20,000 in 2002, an increase of 64.0%.

3.2 Purchase Income Thresholds

- 3.2.1 The ability of a household to satisfy its own housing requirement is fundamentally a factor of the relationship between local house prices and households income. This section of the report assesses the income levels required to enter the market through the lowest quartile stock, (flats and terraced houses) available in reasonable supply from the research detailed in Section 2 and the change in incomes from the 2003 survey utilising national secondary data.
- 3.2.2 The cheapest entry level prices of the smallest units were assessed to enable threshold income levels to be calculated. These are based on 95% mortgage availability and a 3x gross income lending ratio, the levels recommended in the SEERA Good Practice Guidance (2004). Table 3-2 below outlines the income ranges needed to enter the market in the main settlements in the Borough.

Table 3-2 Purchase Income Thresholds 2005

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terrace
Loughborough	22,800	27,400	35,700
Shepshed	19,500	23,700*	29,300
Leicester Fringe	25,500	26,000	29,300
Rural Villages	-nd-	34,800*	35,800*
Mountsorrel and surrounding areas	-nd-	32,400	32,700

* - Caution Low Sample

-nd- no data available

3.3 Rental Income Thresholds

- 3.3.1 The cheapest rental prices of the smallest units have been assessed in order to calculate the rental income threshold levels. These are based on rent at 25% of gross income (equivalent to 30% of net income). Table 3-3 below shows the income levels needed to enter the private rented market in the Borough.

Table 3-3 Rental Income Thresholds 2005

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terraced
Loughborough	15,800	23,800	18,000
Shepshed	15,600	17,300	20,400
Leicester Fringe	19,000	21,600	20,400
Rural Villages	-nd-	-nd-	21,600
Mountsorrel and surrounding areas	16,800	20,900	19,000

-nd- no data available

- 3.3.2 The income thresholds for each property type are in a relatively narrow band across the Borough. Based on rent at 25% of gross income a one bed flat in Shepshed requires £15,600 per annum, rising to £19,000 in Leicester Fringe. A 2-bed flat requires an income of £17,300 in Shepshed. To rent a 2-bed terraced house would require an annual income of £18,000 in Loughborough, rising to £21,600 in the Rural Villages.
- 3.3.3 In the 2003 Survey incomes needed ranged from £15,500 to £19,000 for a 2 bed terraced house. This has increased between 2003 and 2005 as the income level needed for a 2-bed terraced house ranges from £18,000 to £21,600.
- 3.3.4 The CORE data on incomes of new tenants in the social sector in 2004 shows that the median income was £7,280 and that 75% earned below £11,388.

3.4 Secondary Research

- 3.4.1 The Joseph Rowntree Foundation published the results of a study undertaken across the Country examining the ability of working households, both existing and new forming, to become homeowners. The study entitled '*Can Work – Can't Buy*' conducted by Professor Steve Wilcox uses the Halifax database for House Prices of the lowest quartile prices for 4/5 room dwellings and calculates affordability ratios based on working household incomes from the New Earnings Survey.
- 3.4.2 In 2002 the survey was updated to take account of local prices and increase in incomes at the end of 2002.
- 3.4.3 The Joseph Rowntree Foundation Study "Can Work – Can't Buy" shows in the 2003 Report that Charnwood has the 5th highest house price-to-income ratio out of the 9 local authority areas in the County at 3.52 to 1.
- 3.4.4 The report highlights the key issue, "All ratios should be considered in relation to the ratio of mortgage advance to household gross earned income, which rarely exceeds 3.5 to 1". This ratio would only apply to professionals and it is more likely that the majority of local households would achieve mortgage ratios below 3.5 to 1 and closer to the average of the Council of Mortgage Lenders for first time buyers in 2004 of 3.03 to 1.

- 3.4.5 Table 3-4 highlights the data and house price to income ratio for Charnwood Borough and the East Midlands Region.

Table 3-4 Purchase Income Thresholds

Area	Working Households		
	2002 Prices £	Income £	Ratio
Charnwood	124,461	35,316	3.52
East Midlands Region	113,036	33,023	3.42

Source: Joseph Rowntree Foundation 2003 Update

- 3.4.6 Additionally the house price to income ratios across the 9 Leicestershire authorities range from 2.77 to 4.05.

3.5 Annual Survey of Hours and Earnings

- 3.5.1 Income data is always difficult to gather at local level. Most data is regionally based and we have used the 2004 Annual Survey of Hours and Earnings (ASHE) prepared by the Office for National Statistics (formerly known as the New Earnings Survey). This provides data at County and Borough-wide level of full-time employees of adult rates who have been in the same job for more than a year.
- 3.5.2 The ASHE Survey (April 2004) shows an average income of £26,420 for the Borough of Charnwood, a 5.1% increase on the April 2003 figure of £25,148, which was the timing of the 2003 Survey.
- 3.5.3 This increase equates to a quarterly income rise of 1.26%. Assuming a consistent increase over 8 quarters, this results in a total rise of 10.1% between the 2003 Survey and March 2005³, suggesting a current annual income of £27,688.
- 3.5.4 Although the ASHE does provide useful data on income distribution, the data produced refers to income related to a person's place of work, not income distribution in their resident area. There are indications within the new ASHE of unreliable and unavailable data within certain areas, where this applies to data that affects the Local Authority being assessed the County wide level data has been used as a more reliable source.
- 3.5.5 It is particularly important to examine the distribution of income rather than the average figure, especially in relation to the proportion of households with the capacity to access the private sector market for rent or sale.
- 3.5.6 There is a wide distribution of individual earnings illustrated from the ASHE Survey. Analysis of the data for the Borough at April 2004 shows that: -
- ◆ 10% earned less than £11,368;
 - ◆ 25% earned less than £15,897;
 - ◆ 50% earned less than £21,922;
 - ◆ 75% earned less than £27,353;
 - ◆ 90% earned less than £42,006.

Please note findings from Annual Survey of Hours and Earnings for this area are based on a reasonably precise statistical measurement of quality at CV >5% and <=10%.

- 3.5.7 The ASHE data on the spread of incomes, important in any area, with diverse house prices and markets, shows that for the Borough at April 2004, 10% of people earned less than £11,368; 50% less than £21,922 and 90% of people earned less than £42,006.

³ ASHE Data for April 2005 due to be released October 2005

- 3.5.8 The increases in house prices over the last three years have excluded a large proportion of 'first-time buyers' from the owner occupied market. We believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised low cost market housing than would have been the case three years ago when it was a more marginal element of affordable need.
- 3.5.9 This assessment utilises all of the data from the 2003 Housing Needs Survey which incorporated income data from 2,788 households. This compares with a sample of 1,069 in the New Earnings Survey 2002 for Leicestershire and 7,624 for the East Midlands region.
- 3.5.10 Access to the market has been based on the updated house price information detailed in Section 2. We have also undertaken analysis of the income levels of local households, to be able to assess the proportion of people now able enter market housing.
- 3.5.11 Table 3-5 highlights the 2003 and 2005 incomes of existing households from the 2003 Survey. As the average incomes for the Borough have increased by 10.1% between the years 2003 and 2005, an income inflation of 10.1% has been applied to determine the 2005 annual income levels.

Table 3-5 Incomes of Existing Households 2003 & 2005

Annual Income 2003		Annual Income 2005		%
Below	£10,000	Below	£11,010	21.5
£10,000 - £15,000		£11,010 - £16,515		14.5
£15,001 - £23,000		£16,516 - £25,323		19.0
£23,001 - £30,000		£25,324 - £33,030		13.5
£30,001 - £40,000		£33,031 - £44,040		14.8
£40,001 - £50,000		£44,041 - £55,050		7.0
Above	£50,000	Above	£55,050	9.7
Total				100.0

- 3.5.12 Table 3-6 below highlights the 2003 and 2005 incomes of concealed households from the 2003 Survey. The 2003 annual income bands have an income inflation of 10.1% applied to determine the 2005 annual income levels.

Table 3-6 Incomes of Concealed Households 2003 & 2005

Annual Income 2003		Annual Income 2005		%
Below	£10,000	Below	£11,010	39.5
£10,000 - £15,000		£11,010 - £16,515		21.4
£15,001 - £20,000		£16,516 - £22,020		12.5
£20,001 - £23,000		£22,021 - £25,323		7.4
£23,001 - £25,000		£25,324 - £27,525		3.7
£25,001 - £27,500		£27,526 - £30,277		4.4
£27,501 - £30,000		£30,278 - £33,030		5.4
£30,001 - £32,500		£33,031 - £35,782		1.7
£32,501 - £35,000		£35,783 - £38,535		0.9
£35,001 - £40,000		£38,536 - £44,040		2.0
Above	£40,000	Above	£44,040	1.1
Total				100.0

3.5.13 Table 3-7 below outlines the income required by concealed households to access owner occupation based on the lowest and highest purchase income thresholds across the Borough for 1 and 2-bed flats and 2-bed terraced properties, as illustrated in Table 3-2.

Table 3-7 Concealed Households – Incomes Needed to Enter the Market Through Owner Occupation and % Unable to Buy

Type of Property	Area	(£) Income Required	% of concealed households unable to purchase
1-bed Flat	Leicester Fringe (cheapest)	19,500	67.7
2-bed Flat	Rural Villages (most expensive)	34,800	95.3
2-bed Terraced	Shepshed / Leicester Fringe (cheapest)	29,300	87.3
2-bed Terraced	Rural Villages (most expensive)	35,800	97.2

3.5.14 Using the income requirements from Table 3-2, Table 3-7 shows that 67.7% of concealed households are unable to buy a 1-bed flat in the Leicester Fringe area and 95.3% cannot afford a 2-bed flat in Rural Villages. For 2-bed terraced properties, 87.3% cannot afford to buy in Shepshed / Leicester Fringe, this rises to 97.2% of concealed households being unable to afford to buy in the Rural Villages.

3.5.15 Table 3-8 below outlines the income required by concealed households to access the private rented accommodation based on the lowest and highest rental income thresholds across the Borough for 1 and 2-bed flats and 2-bed terraced properties, as illustrated in Table 3-3.

Table 3-8 Concealed Households – Incomes Needed to Enter the Private Rented Market and % Unable to Afford to Rent

Type of Property	Area	(£) Income Required	% of concealed households unable to rent
1-bed Flats	Shepshed (cheapest)	15,600	59.6
2-bed Flats	Loughborough (most expensive)	23,800	76.8
2-bed Terraced	Loughborough (cheapest)	18,000	64.3
2-bed Terraced	Rural Villages (most expensive)	21,600	72.4

3.5.16 Table 3-8 above shows that 59.6% of concealed households in Shepshed cannot rent a 1-bed flat and 76.8% cannot rent a 2-bed flat in Loughborough and surrounding areas. 64.3% cannot afford to rent a 2-bed terraced property in Loughborough, rising to 72.4% in the Rural Villages.

3.5.17 Overall the calculation of the proportion of concealed households unable to access the private sector takes account of those who need one, two and, for some with children, three bedroom housing in the lowest quartile cost stock across the Borough. The proportion who cannot meet their needs in this sector is 87% unable to buy in the general market and 72% unable to afford private rental.

3.6 Summary

- 3.6.1 An income of £19,500 is required to buy a one bedroom flat in Shepshed, rising to £25,500 in the Leicester Fringe. A two bedroom flat requires an income of £23,700 in Shepshed and up to £34,800 in rural villages. On average the incomes needed to access flats and terraced properties have increased by 64% and 49% respectively between 2002 and 2005.
- 3.6.2 The income thresholds for each property type are in a relatively narrow band across the Borough. Based on rent at 25% of gross income a one bed flat in Loughborough requires £11,800 per annum, rising to £19,000 in Leicester Fringe. A 2-bed flat requires an income of £16,800 in Loughborough. To rent a 2-bed terraced house would require an annual income of £18,000 in Loughborough rising to £21,600 in the rural villages.
- 3.6.3 Data from the Annual Survey of Hours and Earnings (ASHE) leads us to conclude an average income at March 2005 of £27,688 for the Borough of Charnwood, a 10.1% increase on the 2003 figure of £25,148, which was the timing of the 2003 Survey. The ASHE data on the spread of incomes, important in any area, with diverse house prices and markets, shows that for the Borough at April 2004, 10% of people earned less than £11,368; 50% less than £21,922 and 90% of people earned less than £42,006.
- 3.6.4 The implication of incomes having risen by 10.1% since 2003 directly impacts concealed household's ability to access the market through owner occupation. Updating the incomes of concealed households from the 2003 Survey shows that 67.7% of concealed households are unable to buy a 1-bed flat in the Shepshed area and 95.3% cannot afford a 2-bed flat in the rural villages. For 2-bed terraced properties, 87% cannot afford to buy in Shepshed / Leicester Fringe, this rises to 97% of concealed households being unable to afford to buy in Rural Villages.
- 3.6.5 A similar pattern is found when looking at concealed household's ability to access the market through private rented accommodation. 59.6% of concealed households cannot rent a 1-bed flat in Shepshed and 76.8% cannot rent a 2-bed flat in Loughborough. In Loughborough 64% cannot afford to rent a 2-bed terraced property, rising to 72% in the Rural Villages.

4 POPULATION GROWTH AND HOUSEHOLD FORMATION PROJECTIONS

4.1 Introduction

4.1.1 In this section of the report we provide a short background commentary to the demographic element in housing demand in Charnwood Borough. The purpose is two-fold. First, to provide a context in which the results of the postal questionnaire can be interpreted. Secondly, to give a more specific focus on the demand for affordable housing provision and to make projections for five and ten year periods.

4.1.2 Modelling housing needs is a very complex procedure and it is only very recently that attempts have been made to model local housing needs. Most of the established procedures are aimed at the provision of national level estimates of housing need, including:-

- ◆ simple estimates such as those provided by the ODPM, which measured the crude dwelling to household surplus (and concluded no additional building was necessary to meet need);
- ◆ a second approach by the Audit Commission measured household growth minus expected private sector output;
- ◆ Glen Bramley's work focused on local supply and demand to calculate for a particular point in time the proportion of new households unable to buy in the market (minus social sector re-lets);
- ◆ Steve Wilcox described a 'Net Stock' approach which calculates net household increase and adds a factor for concealed households before deducting new private sector output to arrive at estimates of need in the social sector.

4.1.3 Kleinman and Whitehead have devised a so-called 'Gross Flows' approach which looks at gross household formation, tenure choice, demand from in-migrants and deducts these from new social output and re-lets to yield a measure of social housing requirements.

4.1.4 How these national models translate to the local level is not at all clear. Kleinman and Whitehead have attempted a 'Gross Flows' analysis for Cambridge but relied entirely on secondary data for their estimates. This is a problem in the model particularly for the incorporation of measures of concealed households and factors relating to affordability are not considered directly but by modelling the tenure propensities of new households.

4.1.5 Our method emphasises the affordability issue and gives much greater weight to the issue of concealment of households than most of the 'national' level studies.

4.1.6 The affordability measure is derived from primary data collected in the household's surveys and from access to the Land Registry database on house prices and the concealment issue is also addressed through the survey findings. We are mindful that because our study is targeted at the Borough, there are inevitable limitations because local housing markets encompass much wider areas than a single Council area.

4.2 Demographic Analysis

4.2.1 There are four basic components to changes in the number and composition of households. The aim of this section of the report is to highlight the issues which are relevant to the evaluation of housing needs in the Borough particularly the changes in:-

- ◆ the age distribution of the population arising from births, deaths and ageing of the indigenous population;
- ◆ family units such as marriage, divorce and child bearing patterns;
- ◆ the number and composition of households arising from migration, particularly due to employment opportunities in the area;
- ◆ the probabilities that family units form a separate household, particularly in response to changes in incomes in the labour market area.

4.2.2 In local area forecasting new household formation is mainly due to responses to income and employment opportunities. New household formation is also affected by life cycle patterns. This purely demographic influence on the number of households contributes to about 40% of the growth in the number of new households at any one time (Dicks, 1988; Ermisch, 1985).

4.2.3 The general demographic forecasts in the tables in this section follow the population estimates based on Leicestershire County Council projections (January 2003); rebased to 2001 mid-year estimate, ONS 2002.

4.2.4 The factors which combine to produce the population and household forecasts are:- population age-sex structures, headship rates, survival factors, infant mortality, fertility rates, base numbers of dwellings, vacancy rates, building / demolition programmes and the age-sex structure of migrants. The summary of this data is provided in the following tables with the population changes disaggregated for 5 year intervals from 2001 - 2016.

4.3 Population Projections

4.3.1 The projections in Table 4-1 are population estimates based on Leicestershire County Council projections March 2002. These figures are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.4 regarding mortality, fertility and migration etc, and are contained in population and household projections for Charnwood Borough for the period 2001 and 2016.

Table 4-1 Population Change in Charnwood Borough, 2001 - 2016

	2001	2006	2011	2016	Change
Total Population	153,600	156,200	158,100	159,900	
Change		+ 2,600	+ 1,900	+ 1,800	+ 6,300
% Change		+ 2.0	+ 1.0	+ 1.0	+ 4.1

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4.3.2 The table shows an increase in the population of the Borough of 6,300 over the forecast period. Figures increase throughout the forecast period, with the main increase occurring between 2001 and 2006 (2,600; 2.0%).

4.4 Age Structure Forecast 2001 - 2016

4.4.1 The next stage in the forecast is to disaggregate the population data into age bands because there may be changes in the population structure with significant housing implications. Table 4-2 is based on the net migration model and for this purpose best represents the position.

Table 4-2 Population Age Band Forecast, Charnwood Borough, 2001 - 2016

	2001	2006	2011	2016	Change
0 - 19	38,800	37,300	34,900	33,600	- 5,200
20 - 29	21,600	21,600	22,900	22,500	+ 900
30 - 44	32,900	32,000	28,900	26,300	- 6,600
45 - 64	37,300	40,300	43,100	44,500	+ 7,200
65 +	23,000	25,000	28,300	33,000	+ 10,000
Total	153,600	156,200	158,100	159,900	+ 6,300
% Change		+ 2.0	+ 1.0	+ 1.0	+ 4.1

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Percentage change is measured between year bands, not the base population. This is a better representation of the incremental change.

- 4.4.2 As we show above there will be an average rise in the population of the Borough of approximately 0.3% per annum over the forecast period according to the forecast model. There is projected to be 6,300 more people in the Borough in 2016 than in 2001.
- 4.4.3 The 0-19 age range shows a decrease overall (5,200; 13.4%). The largest fall occurs between 2006 and 2011 (2,400; 6.4%).
- 4.4.4 The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall this age group shows a slight increase (900; 4.2%). A rise is seen between 2006 and 2011 (1,300; 6.0%) with figures falling at 2016.
- 4.4.5 The 30-44 age group, the main economically active group shows a decrease overall (6,600; 20.1%). The largest decrease occurs between 2011 and 2016 (2,600; 9.0%).
- 4.4.6 There is a growth of the population in the 45-64 age group. Over the forecast period there is an increase of 7,200 people (19.3%), with the largest rise occurring between 2001 and 2006 (3,000; 8.0%).
- 4.4.7 The most significant feature here is the growth of the population in the over 65 age group with an increase of 10,000 individuals (43.5%) over the forecast period. Numbers rise throughout the forecast period, with a large rise of 4,700 (16.6%) occurring between 2011 and 2016.
- 4.4.8 Numbers in the 80+ age group increase by 2,700 (45.8%) up to 2016, with the biggest rise occurring between 2001 and 2006 (900, 15.3). There is a steady rise throughout the forecast period. Given the resource demands often associated with elderly people, these are significant figures.

Table 4-3 Numbers of 80+ in Charnwood Borough, 2001 - 2016

	2001	2006	2011	2016	Change
80+	5,900	6,800	7,700	8,600	
Change		+ 900	+ 900	+ 900	+ 2,700
% Change		+ 15.3	+ 13.2	+ 11.6	+ 45.8

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4.5 Forecast Change in Households 2001-2011

4.5.1 Table 4-4 outlines the household formation forecasts for the Borough in the 10 year period from 2001 to 2011. It is based on the statistics provided by Leicestershire County Council, and we consider it the best available forecast on currently available data of household change in the Borough.

Table 4-4 Forecast Change in Households in Charnwood Borough, 2001 - 2011

	2001	2006	2011	Change
Households	60,500	63,900	67,200	
Household change		+ 3,400	+ 3,300	+ 6,700
% Change		+ 5.6	+ 5.2	+ 11.1

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4.5.2 There have been significant changes in household formation over the last decade which result in much higher household numbers compared to population growth and average household size. There is a large increase in single person households through elderly people living longer, separation and divorce and young people forming single person households.

4.6 Summary

- ◆ The forecasts to 2016 are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.4 regarding mortality, fertility and migration etc, and are contained in population projections for the Borough for the period 2001 - 2016 provided by Leicestershire County Council.
- ◆ The population is projected to increase by 6,200 people, 4% over the 15 years to 2016.
- ◆ The 0-19 age range shows a decrease overall (5,200; 13.4%). The largest fall occurs between 2006 and 2011 (2,400; 6.4%).
- ◆ The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall this age group shows a slight increase (900; 4.2%). A rise is seen between 2006 and 2011 (1,300; 6.0%) with figures falling at 2016.
- ◆ The 30-44 age group, the main economically active group shows a decrease overall (6,600; 20.1%). The largest decrease occurs between 2011 and 2016 (2,600; 9.0%).
- ◆ There is a growth of the population in the 45-64 age group. Over the forecast period there is an increase of 7,200 people (19.3%), with the largest rise occurring between 2001 and 2006 (3,000; 8.0%).
- ◆ The most significant feature here is the growth of the population in the over 65 age group with an increase of 10,000 individuals (43.5%) over the forecast period. Numbers rise throughout the forecast period, with a large rise of 4,700 (16.6%) occurring between 2011 and 2016.
- ◆ The "older" retirement group, those 80 and over grows by 45.8%, 2,700 more people by 2016. This group represents 8,600 people in the area by 2016 who are much more likely to have care and support needs which should now be assessed in detail.
- ◆ Household formation is forecast to rise at almost three times of the rate of population increase and this is due to a large increase in single person households through elderly people living longer, separation, divorce and young people forming single person households.
- ◆ The household size ratios (people per household) reduce from 2.53 per household in 2001 to 2.44 in 2006 and to 2.35 in 2011.

5 HOUSING NEEDS ASSESSMENT MODEL

- 5.1.1 When the 2003 Model was prepared it was impossible to provide accurate resident household data at local level because data was not available on the distribution of vacant stock and second homes across the Borough and the survey was grossed to dwellings. The 1991 Census was eleven years old and the only known tenure data available was that for social stock. All other tenure figures were eleven years old. The survey data was weighted at sub-area level to be accurate for social tenure.
- 5.1.2 In undertaking this update we have therefore re-run the data file using 2001 Census tenure proportions (adjusted by three years new dwellings) to draw key data used in the Model. The social sector stock has been weighted to the actual numbers in the 2004 HIP Return.
- 5.1.3 The 2003 tenure balance over represented owner occupiers with no mortgage, households who do not normally create affordable housing need and under-represented private sector tenants who might well have needs. The Census data however provides useful data on private sector tenants. They now represent 6,149 households (10.2%) but only 4,547 (7.5%) rent from a private landlord. A further 377 (0.6%) rent from an employer, relative or friend and 1,124 (1.9%) live rent free.
- 5.1.4 The total households in the 2005 Assessment are 30 more than the households based numbers of 60,417 used in 2003. The nature of the households in the tenure adjustment, fewer outright owner occupiers and more private tenants, has made only a marginal impact on key data. The increase in concealed households is only 34 per annum (783 - 749) as neither group tend to contain these important households.

Table 5-1 Tenure of Present Households
Question 1

Tenure	2005 %	N ^{OS} implied	Local Area Census 2001 *
Council Rented	9.5	5,738	9.5
HA rented	2.5	1,508	2.5
Shared ownership	0.3	207	0.5
Private rented	8.3	5,010	8.0
Other / tied to employment	1.7	1,034	2.2
Owner occupier - mortgage	45.3	27,358	45.0
Owner occupier - outright	32.4	19,592	32.3
Total	100.0	60,447	100.0

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5.2 Affordable Housing Needs Requirement

- 5.2.1 In this section, we calculate the overall affordable housing needs requirement on an annual basis. The need requirement calculation is structured from the survey data to take account of the key demand sources, households requiring subsidised housing, homeless households not assessed in the survey, households living in unsuitable housing whose needs can only be resolved in a different dwelling and concealed household formation emanating from demographic change.
- 5.2.2 Each category has been adjusted to ensure that proper account is taken of households who can access the owner occupied market with adequate supply and without assistance (income > £26,000 / £35,800) and to eliminate any double counting between categories. The Private Rent Sector costs significantly exceed those in social rent. These are estimated at an access cost of £325 / £495 per month for the vast majority of households in this sector, requiring an annual income of at least £15,600 / £23,800 per annum to rent a 2-bed property.
- 5.2.3 The model has been prepared in accordance with the ODPM Good Practice Guidance.

	The Backlog of existing housing need is as follows:-	
1.	Households living in unsuitable housing in the Borough who need to move.	HNS
2.	Council & RSL tenant households living in unsuitable housing are excluded because a move would release a unit of affordable housing and it is therefore assumed that there would be no overall net effect.	HNS
3.	Households in unsuitable housing who can have their need resolved in situ, including private tenants.	HNS
4.	Proportion unable to buy (i.e. income < £26,000 / £35,800) or rent (i.e. income < £15,600 / £23,800) depending on location and need to move.	HNS 2005 update
5.	Priority homeless in temporary accommodation.	(CBC)
6.	Total Backlog need.	
7.	Quota to eliminate backlog over a 5-year period (20%) as recommended in ODPM guidance.	ODPM Guidance
8.	Total net annual need.	
	Newly Arising Need is as follows:-	
9.	Concealed households identified in the survey, forming in the next year.	HNS
10.	Percentage of households forming with a partner living elsewhere in the Borough	HNS
11.	Percentage of households on Waiting List	HNS
12.	Proportion unable to buy (i.e. income < £26,000 / £35,800) or rent (i.e. income < £15,600 / £23,800)	HNS 2005 update
13.	Ex-institutional population moving into community p.a.	(CBC)
14.	Housing Register new applications 2003-2004 less cancellations from the register.	(CBC)
15.	In-migrant households over the last year who live in social housing.	HNS
16.	Total newly arising need.	
	Supply of Affordable Units is as follows:-	
17.	Existing social stock re-lets from RSL's and the local authority net of transfers.	(CBC)
18.	Increased vacancies and units taken out of management (demolition and Right To Buy).	(CBC)
19.	Future new supply each year based on average level over next three years.	(CBC)
20.	Total affordable supply per annum.	
21.	Total affordable need per annum.	
22.	Overall annual shortfall.	

5.3 Affordable Housing Needs Assessment Model

		2005
1.	Households in unsuitable housing needing to move	5,932
2.	MINUS Council – RSL / tenants	1,353
3.	Cases where in-situ solution most appropriate	<u>3,021</u>
		4,374
		<u>1,558</u>
4.	TIMES - Proportion unable to afford to buy or rent	(45%)
5.	PLUS - Backlog (non-households)	<u>80</u>
6.	TOTAL BACKLOG NEED	781
7.	TIMES - Quota to progressively reduce backlog	(20%)
8.	ANNUAL NEED TO REDUCE BACKLOG	<u>156</u>
<u>Newly Arising Need:</u>		
9.	New household formation (gross p.a.)	783
10.	MINUS - Two person formation (27.2%) x 0.5	<u>107</u>
		676
11.	MINUS - Households registered on waiting list (33.9%)	<u>229</u>
		447
12.	TIMES - Proportion unable to buy (87%) or rent (72%) in market	(72%)
13.	PLUS - Ex-institutional population moving into community	28
14.	Existing households falling into priority need	428
15.	In-migrant households unable to afford market housing	<u>79</u>
16.	TOTAL NEWLY ARISING NEED	857
<u>Supply of Affordable Units:</u>		
17.	Supply of social re-lets p.a.	748
18.	MINUS - Increased vacancies (if applicable) and units taken out of management. Right To Buy / Demolition	(163 x 8.7%)
		<u>14</u>
		734
19.	PLUS – Committed units of new affordable supply (not able to predict)	<u>0</u>
20.	AFFORDABLE SUPPLY	734
	Annual need to reduce backlog	156
	Newly arising need	<u>857</u>
21.	TOTAL AFFORDABLE NEED	1,013
	MINUS - Affordable supply	734
22.	OVERALL ANNUAL SHORTFALL	<u>279</u>

* Elimination over a five year period is recommended in the Guidance for model purposes but the Council can make a Policy decision to do so over a longer period.

5.4 Model Structure

- 5.4.1 The model we utilise is the Basic Assessment Model in the Good Practice Guidance although there are still a number of different ways of calculating backlog and newly emerging need. It is hoped that this will be more prescriptive in the Guidance Review currently taking place.
- 5.4.2 The model is structured on a 'flows' basis, taking account of recent experience over the previous three years and examining projections over the next two years. It has to be assumed that this 'annualised' data will occur each year to 2011. The primary data gathering will of course be undertaken again twice by 2011, but unless there are major changes, up or down, in house prices and incomes it is unlikely that there will be much variation in the overall situation.
- 5.4.3 The data from HIP returns for the two years to 31/3/2004 and interim data from the HIP 2005 shows the following trends:-

Table 5-2 2003 to 2005 Affordable Supply

Supply	2003	2004	2005	Average
Council Re-lets	503	531	502	512
RSL Re-lets	275	236	196	236
	778	767	698	748
New RSL Supply	<u>48</u>	<u>153</u>	<u>36</u>	<u>79</u>
Other New Supply	<u>0</u>	<u>18</u>	<u>0</u>	<u>6</u>
Total New Supply	<u>48</u>	<u>171</u>	<u>36</u>	<u>85</u>
Total Supply	826	938	734	831
Right to Buy	171	231	85	162

- 5.4.4 New average supply of 85 units in 2003/05 was significantly lower than the 162 unit level of Right to Buy and demolitions each year, reducing social stock by 77 units a year.
- 5.4.5 Although an average of re-lets of 748 units is used in the Model the 2004/05 actual total is 698 units, 50 less than the three year average, mainly due to reduced re-let rates in the RSL stock.
- 5.4.6 We have not utilised the average of 85 unit new delivery as the annual levels range from 171 to 36 and future delivery should be monitored each year and to incorporate the actual number in the Model along with other annual secondary data on homeless households, waiting list change and re-lets.

5.5 Needs Assessment

- 5.5.1 The total affordable housing need annually is for 1,013 units. Net re-lets of the existing social stock, after RTB impact, average 734 units, based on the average of recent years.
- 5.5.2 After allowing for this level of supply, there will be an affordable housing shortfall of 279 units a year. New unit delivery would reduce this number and will need to be monitored annually based on actual supply delivered rather than a widely varying annual figure annualised at 85 units.

6 KEY FINDINGS

6.1 The Housing Market, Costs and Incomes

- 6.1.1 The house price inflation increase for the Borough over the last two years and 3 months is 34%.
- 6.1.2 The entry level stock, (terraced houses) has increased by 48.5% and average terraced house prices have increased by 20.3% in the last 12 months to December 2004 alone.
- 6.1.3 In terms of the entry level stock, terraced houses are assessed to be the main access property for first time buyers, due to sales levels being over a quarter of all sales in the Borough and the average price at £128,422.
- 6.1.4 The sales levels of semi-detached and detached properties in the fourth quarter of 2004, 40.6% and 28.0% respectively are similar to 2002 levels (41.3% and 27.5% respectively).
- 6.1.5 The increase in the price of terraced houses (48.5%) and flats / maisonettes (64.2%) is massively in excess of wage inflation in the two year period. Incomes in the Borough are assessed independently to have increased by 10.1% to March 2004.
- 6.1.6 Access to market housing has therefore become more difficult for new households than it was in 2003, increasing the need for subsidised housing.

6.2 Population and Household Changes

- 6.2.1 The most significant feature in terms of population change is the growth in the population of the over 65 age group. An increase of 10,000 individuals (43.5%) is seen over the forecast period, the largest increase is seen between 2011 and 2016 (4,700; 16.6%).
- 6.2.2 Another prominent feature is the fall in the 30-44 age group. This main economically active group shows a significant decrease over the forecast period (6,600; 20.1%). The largest fall occurs between 2011 and 2016 (2,600; 9.0%).
- 6.2.3 Numbers in the 20-29 age group increase slightly (900; 4.2%). As this age range comprises new households forming this will have implications for future affordable housing need both in the short and longer term, particularly a sustained level of need for affordable housing.
- 6.2.4 The "older" retirement group, those 80 and over grows by 46%, 2,700 more people by 2016. This group represents 8,600 people in the area by 2016 who are much more likely to have care and support needs which should now be assessed in detail.

6.3 Affordable Housing Needs Requirement

- 6.3.1 The total affordable housing need annually is for 1,013 units. Net re-lets of the existing social stock, after RTB impact, average 734 units, based on the average of recent years.
- 6.3.2 Even after allowing for this level of supply, there will still be an annual affordable housing shortfall of 279 units a year. These units will need to come from new sites, conversions and market purchase by RSL's to reduce the shortfall figure each year.
- 6.3.3 It is generally accepted that 90% of all housing requirements in either sector will be met by the 'flow' of the existing stock and only a maximum of 10% from new unit delivery.

- 6.3.4 Essentially planning should be providing for balanced communities, which acknowledge the need for social compatibility if the problems of housing in the past are not to be repeated. The increases in average house prices of between 64% and 49% for flats and terraced houses over the last two years have excluded a large proportion of ‘first-time buyers’ from the owner occupied market.
- 6.3.5 We believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised low cost market housing than would have been the case three years ago when it was a more marginal element of affordable need, even although there was only a limited expressed need from respondents in 2003.
- 6.3.6 The scale of outstanding affordable need after taking existing stock re-let supply into account is over 3 times the level of new unit delivery over the last 3 years and nearly 8 times the 2004 / 05 provision. This will need to be taken into account in setting both targets for both rented and ‘intermediate’ housing and site thresholds in the Local Development Framework process.
- 6.3.7 The existing social rented stock is only 12.3% compared to 19.3% nationally and this shortfall and the number of new households with ability to meet the cost of intermediate housing options have been taken into account in our recommendation on affordable targets.
- 6.3.8 In 2002 we assessed there was a need for 100 unsubsidised small units, ie starter homes in the general market to 2006, required to meet the needs of households whose incomes were sufficient to enable them to access the market without any subsidy or discount. The changed relationship between incomes and prices will mean that the number who can access housing in the private sector without subsidy will have reduced significantly and increased the scale of subsidised low cost market housing need.
- 6.3.9 We believe the overall affordable housing target should be 35% with 25% for rent and 10% of provision, as ‘intermediate’ or low cost market housing, provided it is delivered at a cost below the cheapest entry level costs in the general market and would be available on a similar basis to subsequent purchasers. This is a similar level to that projected for 2006.
- 6.3.10 Both the affordable housing target and the tenure balance within it may vary on a site by site basis.