

**HART DISTRICT
HOUSING NEEDS SURVEY
UPDATE**

DRAFT FINAL REPORT

2005



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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 Hart District between September 2003 and July 2004. This study examined housing requirements in both market and social sectors.

1.3 2001 Census

1.3.1 The 2001 Census results were not available during the 2003 Housing Needs Survey; therefore the tenure balance of the 2003 data has been examined and the data has been re-weighted in accordance with 2005 household numbers and Census Data. A copy of the weighting factors applied to the update report is provided in the appendices.

1.4 The Update Study Objectives

1.4.1 The objectives of this update study were to:-

- ◆ 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;
- ◆ re-analyse the housing survey database and utilise the information into the Assessment Model recommended in the Good Practice Guidance issued in March 2000;
- ◆ re-analyse the short, medium and longer term population forecasts for the Borough;
- ◆ prepare a report to provide an affordable need forecast to 2011;
- ◆ 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, a range of data is captured 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. Secondary data on incomes, house prices and rent levels are also examined. 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 2008 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 1,833 is over the 1,250 minimum level identified as a normal sample in the ODPM Guidance.

2 THE DISTRICT HOUSING MARKET

2.1 Introduction

- 2.1.1 Three data searches were commissioned to provide information on house price and sales volumes across the District:-
- ◆ 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 the analysis can be related to the problems of low income evaluated through the household postal survey.

2.2 National Picture

- 2.2.1 House price inflation in the second quarter of 2005 remained static in most regions with no change reported on the 0.1% gain in the first quarter of 2005. The overall sound UK economic background and the lowest mortgage rates since the 1950s have boosted housing demand for a sustained period but turnover has reduced substantially, prices have stabilised and some property types have reduced in the first and second quarter of 2005.
- 2.2.2 UK house price inflation for the year ending 30th June 2005 was recorded by Halifax Index at 3.7% and the Land Registry at 5.2%.
- 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 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

	Change over year to 30 th June 2005 %	Change over quarter to 30 th June 2005 %
South East ¹	- 0.6	- 1.2
Hampshire ²	+ 7.0	+ 2.1

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 South East Region at 30th June 2005 was a decrease of 0.6%, below the UK average of 3.7%.
- 2.3.2 House prices in the South East Region show a small fall, decreasing by 1.2% during the second quarter of 2005.
- 2.3.3 House prices in Hampshire rose over the last year by 7.0% as calculated by the Land Registry. House prices in Hart rose over the last year by 7.2% as calculated by the Land Registry.

2.4 The Housing Market

- 2.4.1 The Regional Market is shown in the Table 2-2 below, which details the prices paid for the main categories of house types for the whole of the South East 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 South East Region. The Land Registry data incorporates all transactions, at District level.

Table 2-2 Average South East Region House Prices (£) - All Buyers 2005

Property Type	SOUTH EAST REGION		HAMPSHIRE
	Land Registry Average Price	Halifax Average Price	Land Registry Average Price
Terraced	175,629	181,836	172,395
Semi-detached	211,632	216,114	206,935
Detached	363,204	402,549	346,834
Bungalows	*	233,183	*
Flats & maisonettes	148,010	145,092	145,609
All properties	223,372	222,786	228,382

Land Registry Residential Property Price Report, 2nd Quarter 2005.

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* 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 District.
- 2.4.4 Prices vary between the different data sources and the Land Registry figures are expected 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 District recorded by the Land Registry in June 2005, against house prices at the time the original housing needs survey in 2003 and the rate of price increase.

Table 2-3 Average House Prices and Sales - All Buyers 2005

Property Type	Land Registry Hart Average Price (£)	Land Registry % of sales in Hart	2003 Land Registry Average Price (£)	Change % 2003 - 2005
Terraced	204,581	22.3	176,085	+ 16.2
Semi-detached	228,212	25.8	203,213	+ 12.3
Detached	381,432	38.8	317,209	+ 20.2
Flats & maisonettes	164,293	13.1	152,342	+ 7.8
All properties	273,962	100.0	227,057	20.7

Source: Land Registry Residential Property Price Report, 2nd Quarter 2005
 Land Registry Residential Property Price Report, 2nd Quarter 2003
 © Crown Copyright (Land Registry)

- 2.4.6 The largest volume of sales in the District was for detached properties (38.8%) selling at an average price of £381,432. Semi-detached houses make up 25.8% of sales and have an average price of £228,212 and terraced houses contribute 22.3% of sales and sell for an average of £204,581. Flats / maisonettes average £164,293 and make up 13.1% of sales. Flats / maisonettes are assessed to be the main entry level property for first time buyers in view of their lower cost and adequate level of sales in the District.
- 2.4.7 Whilst the overall house price increase in Hart is 20.7% since the last survey, the price of entry level stock, flats / maisonettes and terraced houses, has increased by 7.8% and 16.2%, respectively.
- 2.4.8 The sales levels of terraced houses have decreased (22.3%) in 2005 compared to (27.3%) in 2003, and a rise in sales of flats / maisonettes has been seen from 10.2% in 2003 to 13.1% in 2005. Additionally there has been a big rise in the sales of detached houses from 31.9% in 2003 to 38.8% in 2005.
- 2.4.9 The survey data from the 2003 Housing Needs Survey showed that 1,371 households planned to leave Hart because of a lack of affordable housing, 500 of which were concealed. There are also 615 households who said they wished to move but could not do so because of a lack of affordable rented housing.

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 District has been divided into 6 sub-areas and their sample area breakdown is listed below.

Table 2-4 Sub-Area Breakdown

Sub-Areas
Fleet / Church Crookham
Hook
Hartley Wintney
Odiham / North Warnborough
Yateley / Blackwater / Hawley
Rural Area (incl. Eversley / Crondall / Long Sutton)

2.6 Entry Sales Levels in the District

- 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%. The only comparison which is available has therefore been made from Land Registry data, which is at Borough wide level. In the District this is £184988, 32.5% lower than the average of £273,962 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 6 sub-areas.

Table 2-5 Entry Sales Levels in the District – October 2005 (£)

Property Type	Fleet / Church Crookham	Hook	Hartley Wintney	Odiham / North Warnborough	Yateley / Blackwater / Hawley	Rural Area	District- wide
1-Bed Flat	123,717	133,973	149,950*	136,000*	121,350	169,950*	123,511
2-Bed Flat	138,393	142,667	163,450	149,950*	130,383	174,950*	132,315
2-Bed Terraced	168,966	166,225	194,950	194,000*	141,107	- nd -	145,192
3-Bed Terraced	176,686	201,650	184,950	175,500*	171,750	171,200	170,269

-nd- no data available * low level of data available
Source: DCA House Price Survey October 2005

- 2.6.5 Although the average price of terraced properties according to the Land Registry survey is £204,581, entry sales levels vary across the District with the lowest entry prices, for a 2-bed property, starting at around £141,107 in Yateley / Blackwater / Hawley, rising to £194,950 in the Hartley Wintney, as can be seen in Table 2-5 above. 3-bed terraced properties start at £171,200 in the rural area, rising to £201,650 in Hook.
- 2.6.6 According to the table above, entry levels for flats start at £121,350 in Yateley / Blackwater / Hawley, rising to £169,950 in the rural area, for a 1 bed unit. Entry levels for 2-bed flats start at £130,383 in Yateley / Blackwater / Hawley, rising to £174,950 in the rural area.

2.7 Private Sector Rent Levels

2.7.1 Some of the main private renting agencies operating in the District were approached to assess 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.

Table 2-6 Average and Entry Rent Levels in Hart District October 2005 (£)

Property Type	Fleet / Church Crookham		Hook		Hartley Wintney		Odiham / North Warnborough	
	Average	Entry	Average	Entry	Average	Entry	Average	Entry
1-Bed Flat	578	500	558*	525*	670	600	688*	600*
2-Bed Flat	715	600	733	625	761	700	832*	725*
2-Bed Terraced	736	650	690	600	680	625	806*	700*
3-Bed Terraced	837	750	802	750	855	750	820	750
2-Bed Semi-detached	791	775	753	695	825*	825*	840*	775*
3-Bed Semi-detached	887	800	843	750	788*	725*	855	795

Property Type	Yateley / Blackwater / Hawley		Rural Area		District Wide	
	Average	Entry	Average	Entry	Average	Entry
1-Bed Flat	639	550	686	600	602	563
2-Bed Flat	709	625	773	695	735	662
2-Bed Terraced	701	650	765	650	715	646
3-Bed Terraced	792	750	822	650	831	733
2-Bed Semi-detached	- nd -	- nd -	805*	775*	788	769
3-Bed Semi-detached	875	775	922	850	858	783

-nd- no data available * low level of data available

Source: DCA House Price Survey October 2005

2.8 Entry to Private Rent

- 2.8.1 Entry rental costs in the private rented sector vary by location within the District. The private rented sector can be entered at £500 a month in Fleet / Church Crookham, rising to £600 in Hartley Wintney, Odiham / North Warnborough and the rural areas (see Table 2-6) for a one bedroom flat, the smallest unit. Two-bed flat rents range from £600 in Fleet / Church Crookham, to £725 in Odiham / North Warnborough.
- 2.8.2 In the case of 2-bed terraced houses, it was found that the entry rent levels range from £600 p.m. in Hook to £700 p.m. in Odiham / North Warnborough. 3-bed terraced properties can be rented from £650 p.m. in the rural areas to £750 in the remaining five sub-areas.
- 2.8.3 Semi-detached properties can be rented from £695 (for a 2-bed property) to a maximum of £825 (for a 2-bed property) and £750 to £850 (for a 3-bed property).

2.9 Conclusions

- 2.9.1 The annual rate of house price inflation recorded in the Halifax Index for South East Region at 30th June 2005 was -0.6%, below the UK average of +3.7%.
- 2.9.2 The Land Registry average price for all dwellings in the District during the year was £273,962.
- 2.9.3 The largest volume of sales in the District was for detached properties (38.8%) selling at an average price of £381,432. Semi-detached houses make up 25.8% of sales and have an average price of £228,212 and terraced houses contribute 22.3% of sales and sell for an average of £204,581. Flats / maisonettes average £164,293 and make up 13.1% of sales. Flats / maisonettes are assessed to be the main entry level property for first time buyers in view of their lower cost and adequate level of sales in the District.
- 2.9.4 House prices have risen by 16.2% for terraced properties to 7.8% for flats / maisonettes since 2003. Incomes in the District are assessed independently though the Annual Survey of Hours and Earnings to have increased by 6.8% for the 2 year period up to April 2005. This data is described fully in Paragraph 3-5.
- 2.9.5 Prices vary across the District; a 1-bed flat can be purchased at £121,350 in Yateley / Blackwater / Hawley, rising to £169,950 in the rural area. 2-bed terraced properties can be purchased at £141,107 in Yateley / Blackwater / Hawley, rising to £194,950 in the Hartley Wintney.
- 2.9.6 Mortgage interest rates have been 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 most significantly.
- 2.9.7 Access to market housing has therefore become more difficult for new households than it was in 2003, increasing the pressure on subsidised affordable housing.
- 2.9.8 Similar cost variation applies in the private rented sector across the District. The private rented sector can be entered at £500 a month in Fleet / Church Crookham, rising to £600 in Hartley Wintney, Odiham / North Warnborough and the rural areas for a one bedroom flat.
- 2.9.9 In the case of 2-bed terraced houses, it was found that the entry rent levels range from £600 p.m. in Hook to £700 p.m. in Odiham / North Warnborough. 3-bed terraced properties can be rented from £650 p.m. in the rural areas to £750 in the remaining five sub-areas.
- 2.9.10 In the two years since the 2003 survey, entry rent levels have risen significantly across Hart. At a District-wide level, the main entry level stock, terraced houses have risen by 67% from the 2004 figure of £300 p/m to £500 p/m. Generally, access rental properties have risen in the District by around 7%.

3 HOUSING COSTS AND INCOME

3.1 Introduction

3.1.1 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 access the cheapest units available in reasonable supply from the research detailed in Section 2.6, and the change in incomes from the previous survey in 2003 utilising national secondary data.

3.2 Purchase Income Thresholds

3.2.1 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. Table 3-1 below outlines the income ranges needed to enter the market in the main settlements in the District.

Table 3-1 Purchase Income Thresholds 2005

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terrace
Fleet / Church Crookham	39,200	43,800	53,500
Hook	42,400	45,200	52,600
Hartley Wintney	47,500*	51,800	61,700
Odiham / North Warnborough	43,100*	47,500*	61,400*
Yateley / Blackwater / Hawley	38,400	41,300	44,700
Rural Area	53,800*	55,400*	- nd -

* - Caution Low Sample

-nd- no data available

3.2.3 The increase in average prices has a direct and significant impact on the income requirement to access owner occupation. The change in the average income requirement to access the average house price across the District from June 2003 to June 2005 is shown below in Table 3-2, this data is taken from Land Registry reflecting average property prices since the previous survey.

Table 3-2 Average Income Requirements 2003 – 2005 (£)

Property Type	2003 (£)	2005 (£)	Change %
Terraced	55,760	64,784	16.2
Flats	48,242	52,026	7.8

2003 requirements relate to Land Registry price report, 2nd Quarter 2003

2005 requirements relate to Land Registry price report, 2nd Quarter 2005

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- 3.2.4 Table 3-2 above shows that the District-wide level incomes at which the Housing Market can be accessed have increased since 2003. The income needed to access terraced properties has increased to £64,784 (16.2%) and access to flats / maisonettes requires an income of £52,026 compared to £48,242 in 2005, an increase of 7.8%.

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 District.

Table 3-3 Rental Income Thresholds 2005

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terraced
Fleet / Church Crookham	24,000	28,800	31,200
Hook	25,200	30,000	28,800
Hartley Wintney	28,800	33,600	30,000
Odiham / North Warnborough	28,800	34,800	33,600
Yateley / Blackwater / Hawley	26,400	30,000	31,200
Rural Area	28,800	33,400	31,200

-nd- no data available

- 3.3.2 The income thresholds for each property type range across the District. Based on rent at 25% of gross income a one bed flat in Fleet / Church Crookham requires £24,000 per annum, rising to £28,800 in Hartley Wintney, Odiham / North Warnborough and the rural areas. A 2-bed flat requires an income of £28,800 in Fleet / Church Crookham rising to £34,800 in Odiham / North Warnborough. To rent a 2-bed terraced house would require an annual income of £28,800 in Hook, rising to £33,600 in Odiham / North Warnborough.

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 2004 the survey was updated to take account of local prices and increase in incomes at the end of 2003.
- 3.4.3 The Joseph Rowntree Foundation Study "Can Work – Can't Buy" shows in the 2003 Report that Hart has a house price-to-income ratio of 4.46 to 1 which ranks 7th out of the 11 local authorities in Hampshire and the unitary authorities of Southampton and Portsmouth. The report highlights that outside London, access to home ownership is problematic throughout the South East, where average house price to gross earned income ratios average 4.61 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. The mean percentage loan to first-time buyers was 87% in 2004.
- 3.4.5 Table 3-4 highlights the data and house price to income ratio for Hart and the South East Region.

Table 3-4 Purchase Income Thresholds

Area	Working Households		
	2003 Prices £	Income £	Ratio
Hart	215,338	48,323	4.46
South East	183,175	39,734	4.61

Source: Joseph Rowntree Foundation 2003 Update

- 3.4.6 Additionally the house price to income ratios across the 11 Hampshire authorities and the unitary authorities of Southampton and Portsmouth range from 4.14 to 4.96.
- 3.4.7 The CORE data for Hart demonstrating the combined household incomes of new tenants in the social sector in 2004 shows that the median income was £9,776 and that 75% of households earned below £15,808.
- 3.4.8 The Joseph Rowntree Foundation released a new study in 2005 "Affordability and the Intermediate Housing Market" which relates to the ability of the intermediate market to assist younger working households to buy in their local housing market.

Table 3-5 Working Households Unable to Buy

Area	Working Households	
	Broad Band * (%)	Narrow Band ** (%)
Hart	54.6	30.7
South East	52.9	33.8
London	59.6	35.0

* The proportion of working households who cannot afford to buy at the lower quarter point of house prices for two- and three-bedroom homes.

** The proportion of working households who can afford social housing rent without housing benefit but cannot afford to buy at the lowest decile point of house prices for two- and three-bedroom dwellings.

Source: Joseph Rowntree Foundation 2005

- 3.4.9 The data shows that for Hart 54.6% of working households cannot afford to buy at the lower quarter point of house prices, and 30.7% cannot afford in the lowest decile. This is higher than the broad band regional average for the South East (52.9%) which is the house price band (lower quartile) used in needs assessments.

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 the 2004 Annual Survey of Hours and Earnings (ASHE) were used prepared by the Office for National Statistics (formerly known as the New Earnings Survey). This provides data at County and District-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 2004 shows an average income of £33,429 for the Hart District, a 3.38% per annum increase on the 2003 figure of £32,335.
- 3.5.3 The 3.38% p.a. increase for Hart District equates to a quarterly income rise of 0.85%. Assuming a consistent increase over 8 quarters from Quarter 2, 2003 to Quarter 2, 2005, this results in a total rise of 6.8% between the 2003 survey and June 2005, suggesting a current annual income of £34,534.
- 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 earnings illustrated from the ASHE. Analysis of the data for the District shows that: -
- ◆ 10% earned less than £15,516;
 - ◆ 25% earned less than £20,762;
 - ◆ 50% earned less than £29,799;
 - ◆ 90% earned less than £52,491.
- 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 District at April 2004, 10% of people earned less than £15,516; 50% less than £29,799 and 90% of people earned less than £52,491.
- 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 1,506 households. This compares with a sample of 146 in the New Earnings Survey 2001 for Hart and 2,206 in the New Earnings Survey 2003 for Hampshire County.
- 3.5.10 Access to the market has been based on the updated house price information detailed in Section 2. Analysis has also been undertaken 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 3-6 highlights the 2004 incomes of existing households from the 2004 Housing Needs Survey and current 2005 incomes. As the average incomes for the District have increased by 0.85% a quarter between the years 2003 and 2004, as highlighted by the ASHE, the 2003 annual income boundaries taken from the 2003 HNS Survey have an income inflation of 6.8% (0.85% times 8 quarters) applied to determine the 2005 annual income boundaries for the Hart District.

Table 3-6 Incomes of Existing Households 2003 & 2005

Annual Income 2003		Annual Income 2005		%
Below	£10,000	Below	£10,680	9.1
£10,000 - £20,000		£10,680 - £21,360		16.0
£20,001 - £30,000		£21,361 - £32,040		15.4
£30,001 - £40,000		£32,041 - £42,720		12.4
£40,001 - £50,000		£42,721 - £53,400		13.0
£50,001 - £60,000		£53,401 - £64,080		9.8
£60,001 - £75,000		£64,081 - £80,100		10.5
£75,001 - £100,000		£80,101 - £106,800		6.7
Above	£100,000	Above	£106,800	7.1
Total				100.0

- 3.5.12 Table 3-7 below highlights the 2003 and 2005 incomes of concealed households from the 2004 Survey. The 2003 annual income bands taken from the 2003 HNS have an income inflation of 6.8% applied to determine the 2005 annual income levels.

Table 3-7 Incomes of Concealed Households 2003 & 2005

Annual Income 2003		Annual Income 2005		%
Below	£10,000	Below	£10,680	26.7
£10,000 - £15,000		£10,680 - £16,020		29.9
£15,001 - £17,500		£16,021 - £18,690		6.1
£17,501 - £20,000		£18,691 - £21,360		3.4
£20,001 - £22,500		£21,361 - £24,030		9.9
£22,501 - £25,000		£24,031 - £26,700		7.6
£25,001 - £27,500		£26,701 - £29,370		1.2
£27,501 - £30,000		£29,371 - £32,040		6.8
£30,001 - £35,000		£32,041 - £37,380		1.0
£35,001 - £40,000		£37,381 - £42,720		2.5
Above	£40,000	Above	£42,720	4.9
Total				100.0

- 3.5.13 Table 3-8 below outlines the income required by concealed households to access owner occupation based on the lowest and highest purchase income thresholds across the District for 1 and 2-bed flats and 2-bed terraced properties, as illustrated in Table 3-1.

Table 3-8 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	Yateley / Blackwater / Hawley (cheapest)	38,400	93.1
2-bed Flat	Rural Areas (most expensive)	55,400	95.1
2-bed Terraced	Yateley / Blackwater / Hawley (cheapest)	44,700	95.1
2-bed Terraced	Hartley Wintney (most expensive)	61,700	95.1

3.5.14 Using the income requirements from Table 3-1, Table 3-8 shows that 93.1% of concealed households are unable to buy a 1-bed flat in Yateley / Blackwater / Hawley. 95.1% of the concealed households were unable to buy a 2-bed flat in the rural areas, a 2-bed terraced house in Yateley / Blackwater / Hawley or a 3-bed terraced house in Hartley Wintney.

3.5.15 Table 3-9 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 District for 1 and 2-bed flats and 2-bed terraced properties, as illustrated in Table 3-3.

Table 3-9 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	Fleet / Church Crookham (cheapest)	24,000	75.9
2-bed Flats	Odiham / North Warnborough (most expensive)	34,800	92.1
2-bed Terraced	Hook (cheapest)	28,800	82.0
2-bed Terraced	Odiham / North Warnborough (most expensive)	33,600	91.9

3.5.16 Table 3-9 above shows that 75.9% of concealed households cannot afford to rent a 1-bed flat in the cheapest area of Fleet / Church Crookham. 92.1% are excluded from renting more expensive 2-bed flats in Odiham / North Warnborough. 82.0% of concealed households are excluded from the cheapest 2-bed terraced houses in Hook, whilst 91.9% cannot afford to rent in Odiham / North Warnborough.

3.6 Income Summary

3.6.1 An income of around £38,400 is needed to buy a one bedroom flat in Yateley / Blackwater / Hawley, rising to £53,800 in the rural areas. A two bedroom flat requires an income of £41,300 in Yateley / Blackwater / Hawley, rising to £55,400 in the rural areas. On average the incomes needed to access flats and terraced properties have increased by 7.8% and 16.2% respectively between 2003 and 2005.

3.6.2 The income thresholds for each property type range across the District. Based on rent at 25% of gross income a one bed flat in Fleet / Church Crookham requires £24,000 per annum, rising to £28,800 in Hartley Wintney, Odiham / North Warnborough and the rural areas. A 2-bed flat requires an income of £28,800 in Fleet / Church Crookham rising to £34,800 in Odiham / North Warnborough. To rent a 2-bed terraced house would require an annual income of £28,800 in Hook, rising to £33,600 in Odiham / North Warnborough.

3.6.3 The Annual Survey of Hours and Earnings (ASHE) 2004 shows an average income of £33,429 for the Hart District, a 3.38% per annum increase on the 2003 figure of £32,335. The ASHE data on the spread of incomes, important in any area with diverse house prices and markets, shows that for the District at April 2004, 10% of people earned less than £15,516; 50% less than £29,799 and 90% of people earned less than £52,491.

3.6.4 The Joseph Rowntree Foundation Study "Can Work – Can't Buy" shows in the 2003 Report that Hart has a house price-to-income ratio of 4.46 to 1 which ranks 7th out of the 11 local authorities in Hampshire and the unitary authorities of Southampton and Portsmouth. The report highlights that outside London, access to home ownership is problematic throughout the South East, where average house price to gross earned income ratios average 4.61 to 1.

3.6.5 The implication of incomes having risen by 6.8% the two years since 2003 directly impacts on concealed household's ability to access the market through owner occupation. 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 District.

3.6.6 Based on a calculation of property prices and rental costs against incomes at localised level, 93.1% of concealed households are unable to buy a 1-bed flat in Yateley / Blackwater / Hawley. 95.1% of the concealed households were unable to buy a 2-bed flat in the rural areas, a 2-bed terraced house in Yateley / Blackwater / Hawley or a 3-bed terraced house in Hartley Wintney.

3.6.7 A similar pattern is found when looking at concealed household's ability to access the market through rented accommodation. 75.9% of concealed households cannot afford to rent a 1-bed flat in the cheapest area of Fleet / Church Crookham. 92.1% are excluded from renting more expensive 2-bed flats in Odiham / North Warnborough. 82.0% of concealed households are excluded from the cheapest 2-bed terraced houses in Hook, whilst 91.9% cannot afford to rent in Odiham / North Warnborough.

4 POPULATION GROWTH AND HOUSEHOLD FORMATION PROJECTIONS

4.1 Introduction

- 4.1.1 In this section of the report a short background commentary is provided to the demographic element in housing demand in Hart District. 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. Since our study is targeted at Hart District, there are inevitable limitations because local housing markets encompass much wider areas than a single Local Authority 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 Hart District 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 projections in the tables in this section have been provided by Hampshire County Council and are the Chelmer 2004 based projections. The 2001 Census data has been taken into consideration in the production of these projections.
- 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 for a 5 year interval 2001 - 2021.
- 4.2.5 These projections are produced periodically by the Government and use the 2001 mid year estimate as their starting point. They assume the continuation of current trends in fertility and mortality and migration moves into and out of the area. They do not reflect change due to future housing development in the area.

4.3 Chelmer Model Population Projections

- 4.3.1 The projections in Table 4-1 are based on the Chelmer predictions made by Hampshire County Council (2004-based). The Chelmer Model has been used to construct a 2001 based set of projections. This set of projections uses GAD 2001-based projections of mortality and fertility rates.

Table 4-1 Population Change in Hart District, 2001 - 2021

	2001	2006	2011	2016	2021	Change
Total Population	83,499	84,980	86,605	88,432	90,546	
Change		+ 1,481	+ 1,625	+ 1,827	+ 2,114	+ 7,047
% Change		+ 1.8	+ 1.9	+ 2.1	+ 2.4	+ 8.4

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- 4.3.2 The table shows an increase in the population of Hart District of 7,047 people over the forecast period. A steady increase is seen across the forecast period, with the main increase occurring between 2016 and 2021 (2,114; 2.4%).

4.4 Age Structure Forecast 2001 - 2021

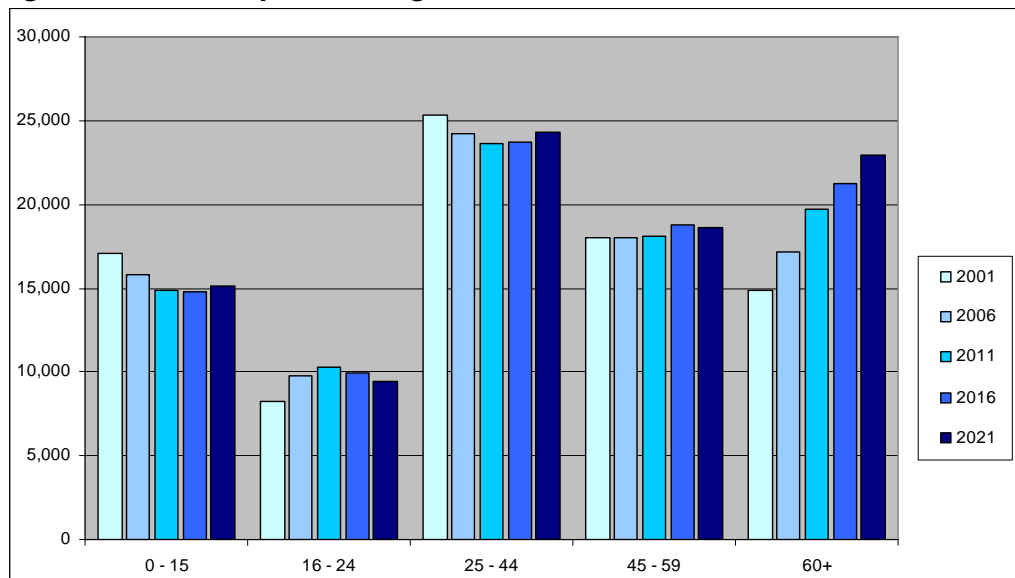
4.4.1 The next stage in the forecast is to disaggregate the population data into age bands because there may be changes in the population structure with significant housing implications. Table 4-2 is based on the net migration model and for this purpose best represents the position.

Table 4-2 Population Age Band Forecast, Hart District 2001 – 2021

	2001	2006	2011	2016	2021	Change
0 - 15	17,077	15,801	14,910	14,788	15,169	- 1,908
15 – 24	8,245	9,800	10,299	9,912	9,405	+ 1,160
25 - 44	25,357	24,187	23,607	23,705	24,348	- 1,009
45 - 59	17,984	18,030	18,091	18,796	18,650	+ 666
60 +	14,836	17,162	19,698	21,231	22,974	+ 8,138
Total	83,499	84,980	86,605	88,432	90,546	+ 7,047
% Change		+ 1.8	+ 1.9	+ 2.1	+ 2.4	+ 8.4

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Figure 4-1 Population Age Band Forecast, Hart District, 2001 - 2021



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

4.4.3 As we show above there will be an average rise in the population of Hart of approximately 0.4% per annum over the forecast period according to the forecast model. There is projected to be around 7,047 more people in the District in 2021 than in 2001.

4.4.4 The 0-15 age range shows a decrease overall (1,908 11.2%). The largest fall in population is seen between 2001 and 2006 (1,276; 7.4%), and numbers continue to decline until 2016 which is followed by a small increase in numbers to 2021.

- 4.4.5 The 16-24 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 rise (1,160; 14.1%), with the most significant increase seen between 2006 and 2011 (1,555; 18.9%). Numbers in this group, however, do show a decrease between 2011 and 2021 (894; 8.6%).
- 4.4.6 The 25-44 age group, the main economically active and household forming and moving group shows a decline overall (1,009; 4.0%). Numbers fall steadily to 2011, with the largest fall forecast to be between 2001 and 2006 (1,170; 4.6%). The population then shows an increase between 2011 to 2021.
- 4.4.7 The 45-60 age group shows a small increase in numbers with an increase of 666 people (3.7%). The main increase occurs between 2011 and 2016 (705; 3.9%).
- 4.4.8 By far the most significant feature here is the growth of the population in the over 60 age group with an increase of 8,138 people (54.9%) seen over the forecast period. Numbers rise throughout the forecast period, with the largest increase of 2,536 (14.8%) occurring, in the current decade, between 2006 and 2011.
- 4.4.9 Numbers in the 75+ age group increase by 4,092 (85.8%) up to 2021. Numbers increase steadily to 2021, with the greatest rise in percentage terms occurring between 2016 and 2021 (1,331; 17.7%). Given the resource demands often associated with very elderly people, these are significant figures.

Table 4-3 Numbers of 75+ in Hart District, 2001 - 2021

	2001	2006	2011	2016	2021	Change
75+	4,768	5,589	6,447	7,529	8,860	
Change		+ 821	+ 858	+ 1,082	+ 1,331	+ 4,092
% Change		+ 17.2	+ 15.4	+ 16.8	+ 17.7	+ 85.8

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4.5 Forecast Change in Households 2001 - 2021

- 4.5.1 Table 4-4 outlines the household formation forecasts for the Hart District in the 20-year period from 2001 to 2021. It is based on the statistics provided by Hampshire County Council, using the Chelmer 2004 based population projections and is considered the best available forecast on currently available data of household change in the Hart District.

Table 4-4 Forecast Change in Households in Hart District, 2001 - 2021

	2001	2006	2011	2016	2021	Change
Households	81,613	83,094	84,719	86,546	88,660	
Household change		+ 1,481	+ 1,625	+ 1,827	+ 2,114	+ 7,047
% change		+ 1.8	+ 2.0	+ 2.2	+ 2.4	+ 8.6

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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 2021 are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.3 regarding mortality, fertility and migration etc, and are contained in population projections for Hart District for the period 2001 - 2021 provided by Hampshire County Council using Chelmer model population projections.
- ◆ The population is projected to increase by 7,047 people, increasing over the 20 years to 2021.
- ◆ The 0-15 age range shows a decrease overall (1,908 11.2%). The largest fall in population is seen between 2001 and 2006 (1,276; 7.4%), and numbers continue to decline until 2016 which is followed by a small increase in numbers to 2021.
- ◆ The 16-24 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 rise (1,160; 14.1%), with the most significant increase seen between 2006 and 2011 (1,555; 18.9%). Numbers in this group, however, do show a decrease between 2011 and 2021 (894; 8.6%).
- ◆ The 25-44 age group, the main economically active and household forming and moving group shows a decline overall (1,009; 4.0%). Numbers fall steadily to 2011, with the largest fall forecast to be between 2001 and 2006 (1,170; 4.6%). The population then shows an increase between 2011 to 2021.
- ◆ The 45-60 age group shows a small increase in numbers with an increase of 666 people (3.7%). The main increase occurs between 2011 and 2016 (705; 3.9%).
- ◆ By far the most significant feature here is the growth of the population in the over 60 age group with an increase of 8,138 people (54.9%) seen over the forecast period. Numbers rise throughout the forecast period, with the largest increase of 2,536 (14.8%) occurring, in the current decade, between 2006 and 2011.
- ◆ Numbers in the 75+ age group increase by 4,092 (85.8%) up to 2021. Numbers increase steadily to 2021, with the greatest rise in percentage terms occurring between 2016 and 2021 (1,331; 17.7%). Given the resource demands often associated with very elderly people, these are significant figures.
- ◆ Alongside significant change in total population, household formation is forecast to rise by almost 9% over the period to 2021 due to a large increase in single person households, through elderly people living longer, separation and divorce and young people forming single person households. Households are forecast to rise by 8.6% and population is set to rise by 8.4%.

5 HOUSING NEEDS ASSESSMENT

5.1 Survey Weighting

- 5.1.1 In undertaking this update the data file has been re-weighted using 2005 revised household numbers and social stock by sub-area and 2001 Census tenure proportions (adjusted by four years new dwellings) to draw key data used in the Model. The social sector stock has been weighted to the actual figures for 2005 provided by Hart District Council.
- 5.1.2 The 2001 Census data however provides useful data on private sector tenants. They now represent 3,318 households (10.2%) but only 2,049 (6.3%) rent from a private landlord. A further 469 (1.4%) rent from an employer, relative or friend and 485 (1.5%) live rent free and are likely to be in tied accommodation.

Table 5-1 Tenure of Present Households
Question 1

Tenure	2005 %	N ^{os} implied	Local Area Census 2001 *
HA rented	9.6	3,225	8.4
Shared ownership	0.5	153	0.6
Private rented	6.8	2,289	6.7
Other / tied to employment	3.3	1,107	3.5
Owner occupier - mortgage	49.4	16,534	50.0
Owner occupier - outright	30.4	10,184	30.8
Total	100.0	33,492	100.0

* © Crown Copyright (Census)

5.2 Model Structure

- 5.2.1 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 before 2011, but unless there are major changes in house prices and incomes it is unlikely that there will be much variation in the overall situation.

6 ODPM NEEDS ASSESSMENT MODEL

6.1 Affordable Housing Needs Assessment Model

6.1.1 The overall assessment of housing need is calculated using the ODPM Basic Needs Assessment Model, which 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.

6.2 Income Requirement Assumptions

6.2.1 Each category has been adjusted to ensure that proper account is taken of households who can buy the lowest quartile stock in the owner occupied market without assistance (income > £38,400 / £55,400) subject to location. The private rent sector costs are estimated at an access cost of £500 / £725 per month for the vast majority of households in this sector, requiring an annual income of at least £24,000 / £33,600 per annum, subject to location.

6.3 Basic Model Structure

6.3.1 There are a total of 18 'stages' in the needs assessment model, combined into three distinct sections assessing:-

- ◆ B - The Backlog of Existing Housing Need
- ◆ N - Newly Arising Need
- ◆ S - Supply of Affordable Units

6.3.2 $(B + N) - S =$ Overall annual net shortfall (or surplus) of affordable housing.

6.4 B – The Backlog of Existing Housing Need

6.4.1 The first stage of the backlog calculation identifies existing households living in accommodation unsuitable for their needs who need to move to resolve their difficulty. **Stage 1** identifies the number of households who specified one or more reasons why their accommodation was inadequate. There were a total of 5,319 reasons for inadequacy given, relating either to property size, condition, heating, affecting health, cost or insecurity of tenure.

6.4.2 Households who stated their accommodation was too small, without specifying any other reason, were tested against the ODPM 'Bedroom Standard' to determine whether they are actually overcrowded and only those households who are overcrowded are assessed to be in inadequate housing.

6.4.3 2,184 households gave "Too Small" as one of their reasons but 814 also have other reasons and the net group who need to be tested as to actual overcrowding is 1,370 households. 273 households are overcrowded by the Bedroom Standard but 37 of them are moving to a new home outside the District. This leaves a figure of 236 overcrowded households, of whom 74 have other reasons than "Too Small" and are overcrowded and are already included in the total household number.

Table 6-1 Inadequate Households Test

Households specifying unsuitability issues		3,464
MINUS Reason "Too Small" <u>only</u>	1,370	2,094
PLUS Technically 'overcrowded'	236	2,330
MINUS Duplication	74	2,256
Assessed in inadequate housing		2,256

- 6.4.4 The net figure of 2,256 is used in **Stage 1** of the model.
- 6.4.5 The second stage of the unsuitability assessment removes RSL Rented tenants and shared ownership households from the calculation of those in inadequate housing, because any move would release a unit of affordable housing, and it is therefore assumed that there would be no overall net effect on the annual flow model.
- 6.4.6 There are 404 of these households living in unsuitable accommodation who need to be removed from the total of households with an unsuitability, and this figure is applied in the model at **Stage 2**.
- 6.4.7 The next stage of the unsuitability assessment removes from the total those households whose unsuitability can be resolved 'in situ' (i.e. in their current accommodation). This is derived from HNS data testing the reason for inadequacy of those households who stated their accommodation was inadequate, mainly relating to repairs or improvements to the home.
- 6.4.8 We assess that households who stated their accommodation was too small, those whose rent / mortgage was too expensive, housing was affecting their health, whose tenancy was insecure or whose home was too large all require a move.
- 6.4.9 The calculation results in a total of 985 cases where an 'in situ' solution is most appropriate and this figure is also applied at **Stage 2**, giving a total of 1,389 households who need to be removed from the unsuitability calculation at this stage, leaving a net figure of 867 households who need to move to resolve their difficulty.
- 6.4.10 The final stage of the unsuitability assessment takes the sub-total calculated above (**Stage 1 MINUS Stage 2**) and applies to this total the proportion of households unable to afford to buy or rent a home of a suitable size in order to resolve their difficulty.
- 6.4.11 The 2000 Guidance states that "for existing owner occupiers in unsuitable housing it is important to take account of the existing equity owned" as this would assist a move to suitable accommodation.
- 6.4.12 The 2004 SEERA Guidance however acknowledges that this is extremely complex and the data gathered might not be very accurate and suggests that best practice is to ask the specific question asked in this survey that if the household needs to move to resolve their difficulty, could they afford a home of a suitable size within the District.
- 6.4.13 We did not apply this question in 2003 but have done so recently and the table below shows the results of a range of Districts not dissimilar to Hart, one of which is significantly cheaper. Levels of 69% to 78% have been found in these areas, reflecting that equity is only one aspect of moving to alternative accommodation and the problem affects a high proportion of households.

Table 6-2 Households Unable to Afford to Move

Local Authority	% Unable to Afford
Elmbridge	77.6
Berwick-upon-Tweed	74.2
Tandridge	71.1
Tunbridge Wells	70.9
Southampton	69.9
Reigate & Banstead	69.7
Ashford	69.2
Maidstone	69.0

- 6.4.14 Although the 2003 questionnaire did not attempt to identify equity we do take account of it by totally excluding owner occupiers with no mortgage and those with a mortgage who have lived in their existing home for more than five years. Of 250 households in this category we have assessed only 101 as to their ability to move. Other survey experience shows that even quite high proportions of those with no mortgage are not able to afford a home of a suitable size and our figure is almost certainly an underestimate.
- 6.4.15 Of the 867 households, 440 (50.7%) cannot afford to move, 324 private tenants, 18 households in shared ownership, 98 households in tied to employment and 8 of the owner occupiers. This figure of 50.7% (applied at **Stage 3**) may therefore be a low estimate of the proportion unable to afford to buy or rent in the District, compared with our recent national experience since we began asking the SEERA Guidance question.
- 6.4.16 Homeless households are counted in the Backlog of Need although we ensure that they are not double counted from any other source. Council records at March 2005 show that 61 households are in temporary accommodation, of which 2 are in hostel or Bed & Breakfast accommodation. Those “homeless at home” or in other general stock would be captured in the survey. 2 is therefore the figure applied at **Stage 4**.
- 6.4.17 The total resultant calculated backlog having taken into account unsuitability, homeless and potential households is then multiplied by a 20% quota at **Stage 6** to progressively eliminate the backlog calculated over a five year period, in accordance with Government Guidance, although the Council can make a Policy decision to eliminate the backlog over a longer period (e.g. 10 years or years to the end of the Local Plan period).

Table 6-3 Backlog of Need – Basic Needs Assessment Model

B - BACKLOG OF NEED		
1.	Households in unsuitable housing	2,256
2.	MINUS – RSL tenants	404
	MINUS – in-situ solution most appropriate or leaving District	985
		1,389
	<i>Households in unsuitable housing and need to move</i>	<u>867</u>
3.	TIMES - Proportion unable to afford to buy or rent	50.7%
4.	PLUS - Backlog - homeless households	2
5.	TOTAL BACKLOG NEED	442
6.	TIMES - Quota to progressively reduce backlog *	(20%)
7.	ANNUAL NEED TO REDUCE BACKLOG	88

6.5 N – Newly Arising Need

6.5.1 The first calculation involved in assessing newly arising need is to establish how many new households intend to form each year, then determine how many of these households have insufficient income to buy or rent in the market and therefore fall into need.

6.5.2 Good Practice Guidance recommends that the total of concealed households identified in the survey is annualised at the average level of those forming in the next two years.

Table 6-4 Time of Move – New Forming Households

Time of Move	N^{os} implied	Annual Average
Within 1 year	450	455
1 - 2 years	459	

6.5.3 The table shows that the annual average new household formation level is 455 households per annum.

6.5.4 In order to avoid double counting due to two-person household formation, duplication is removed. We found that 37.9% of new forming households were being formed with a partner who lived separately elsewhere in the District, which would cause a double count.

Table 6-5 Double Counting Removal

New household formation (gross p.a.)	455
MINUS - Two person formation (37.9%) x 0.5	86
Total	369

6.5.5 This results in an annual average formation level of 369 households per annum, used at **Stage 8** of the model.

6.5.6 The income requirements for private rental are much lower than those to purchase and have therefore been used to test future new forming households ability to both purchase in the lower quartile stock and access private rental of 1, 2 and 3 bedroom units suitable for their requirements. Based on the income of newly forming households 84.3% are considered to be unable to rent in the market.

- 6.5.7 It is likely that income levels of this group at the point of actual access to the market lie somewhere between these levels, and the proportion used is therefore an underestimate of those who cannot access housing without assistance.
- 6.5.8 No data was available on ex-institutional population moving into community. This is a common situation and the figure of 0 is used in **Stage 10** of the Model.
- 6.5.9 The calculation of Existing Households falling into priority need is based on net new registrations on the waiting list.

Table 6-6 Existing Households falling into need

Waiting List 01/04/2005	1,163
Waiting List 01/04/2004	1,074
Increase 2004 / 2005	89
PLUS lettings 2004 – 2005	189
Total increase (annual)	278
MINUS 20% of 2 homeless households (Stage 4)	0
Annual net increase in need	278
Number in Priority Need	

- 6.5.10 The Council Housing Register does not record need in the way described in the Good Practice Guidance, a common finding. We have therefore used the alternative method above but acknowledge that this will not cover all priority need categories.
- 6.5.11 A net number of new households falling into need over the year is 278. The HSSA data 2003 to 2005 shows that over 3 years 249 households were accepted as homeless and in priority need. 246 over the same period were housed, representing over three quarters of all lettings. The average of those housed in each year is 82 plus 2 households still in temporary accommodation in 2005 making a total of 84 homeless households alone in priority need over the year. Although this will under-represent the actual priority need number it is the figure used in the model at **Stage 11**.
- 6.5.12 The survey data identified 58 in-migrant households in the last year who live in social rented accommodation. Additionally there were 574 in-migrant households over the last year living in the private rented sector, of which 131 were in receipt of housing benefit. An average annual figure of 189 households (58 + 131) unable to afford market housing is used at **Stage 12**. None of these households were included in the group at **Stage 11** (priority need).

Table 6-7 Newly Arising Need – Basic Needs Assessment Model

N - NEWLY ARISING NEED		
8.	New household formation	369
9.	TIMES Proportion unable to buy or rent in market	(84.3%) 311
10.	PLUS - Ex-institutional population moving into community	0
11.	Existing households falling into priority need	84
12.	In-migrant households unable to afford market housing	<u>189</u>
13.	TOTAL NEWLY ARISING NEED	<u>584</u>

6.6 S – Supply of Affordable Units

6.6.1 The annual supply of affordable units over the last three years is used in the model as a prediction for future annual affordable housing supply which is likely to arise.

6.6.2 It is important firstly to establish the average stock re-let level and we have studied data from both the HIP returns and CORE for the three years to 31/03/2005, which shows the following:-

Table 6-8 2003 to 2005 Affordable Housing Supply (HIP & CORE)

RSL Re-lets	2002 / 03	2003 / 04	2004 / 05	Average
HIP Return	33	45	6	28
CORE Data *	115	92	108	105
Average	74	69	57	67

* © CORE, Housing Corporation

6.6.3 The overall average figure for the three year period in the HIP return is 28 units per annum. However the Council stock has all been transferred to RSLs and the CORE data appears more consistent and reliable and we have therefore used the average for the CORE data of 105 units per annum at **Stage 14** of the needs model.

6.6.4 Shared ownership units are estimated at 491, based on 2001 Census numbers of 185 plus 306 units built up to March 2005. Assuming a resale rate based at 3.3%, the same as social stock re-lets, 16 units would become available each year. This number is also incorporated at **Stage 14**.

6.6.5 **Stage 15** of the needs model involves assessing how increased vacancies and units taken out of management will have an effect on the annual flow of affordable housing. The calculation takes the average annual right to buy level, multiplied by the average re-let rate of the stock. The table below shows the right to buy levels from the HIP returns for the three years to 31/03/2005.

Table 6-9 2003 to 2005 Right to Buy Levels (HIP)

	2002 / 03	2003 / 04	2004 / 05	Average
Right to Buy	11	17	4	11

6.6.6 The average annual right to buy level is 11 units per annum. With an average stock re-let rate of 3.3% per annum, this leads to a total of zero units per annum applied at **Stage 15**.

- 6.6.7 **Stage 16** of the needs model takes account of the predicted annual new affordable housing supply. The HIP returns for the three years to 31/03/2005 show the following trends:-

Table 6-10 2003 to 2005 New Affordable Housing Supply (HIP)

Supply	2002 / 03	2003 / 04	2004 / 05	Average
New RSL Supply	102	91	183	125
Other New Supply	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>102</u>	<u>91</u>	<u>183</u>	<u>125</u>

- 6.6.8 The average annual new supply total is 125 units per annum, and in view of the relatively steady supply over the period this total has been applied to **Stage 16** of the model as the predicted annual new affordable supply.

Table 6-11 Supply of Affordable Units – Basic Needs Assessment Model

S - SUPPLY OF AFFORDABLE UNITS		
14.	Supply of social re-lets (105) and Shared Ownership re-sales (16)	121
15.	MINUS Increased vacancies (if applicable) and units taken out of management. Right to Buy	(11 x 3.3%) <u>0</u>
	<i>Net social re-lets</i>	121
16.	PLUS - Committed units of new affordable supply	125
17.	AFFORDABLE SUPPLY	<u>246</u>

6.7 Affordable Housing Needs Assessment Model

B - BACKLOG OF NEED		
1.	Households in unsuitable housing	2,256
2.	MINUS – RSL tenants	404
	MINUS – in-situ solution most appropriate or leaving District	985
		1,389
	<i>Households in unsuitable housing and need to move</i>	<u>867</u>
3.	TIMES - Proportion unable to afford to buy or rent	50.7%
4.	PLUS - Backlog - homeless households	2
5.	TOTAL BACKLOG NEED	442
6.	TIMES - Quota to progressively reduce backlog *	(20%)
7.	ANNUAL NEED TO REDUCE BACKLOG	88
N - NEWLY ARISING NEED		
8.	New household formation	369
9.	TIMES Proportion unable to buy or rent in market	(84.3%)
10.	PLUS - Ex-institutional population moving into community	0
11.	Existing households falling into priority need	84
12.	In-migrant households unable to afford market housing	<u>189</u>
13.	TOTAL NEWLY ARISING NEED	<u>584</u>
S - SUPPLY OF AFFORDABLE UNITS		
14.	Supply of social re-lets (105) and Shared Ownership re-sales (16)	121
15.	MINUS Increased vacancies (if applicable) and units taken out of management. Right to Buy	(11 x 3.3%)
	<i>Net social re-lets</i>	121
16.	PLUS - Committed units of new affordable supply	125
17.	AFFORDABLE SUPPLY	<u>246</u>
	Annual need to reduce backlog (B)	88
	Newly arising need (N)	<u>584</u>
	TOTAL AFFORDABLE NEED (B + N)	672
	Affordable supply (S)	<u>246</u>
18.	OVERALL ANNUAL SHORTFALL (B + N) - S	<u>426</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 (e.g. 10 years or years to the end of the Local Plan period).

7 KEY FINDINGS

7.1 The Housing Market, Costs and Incomes

- 7.1.1 The overall house price inflation increase for the District over the last two years in Hart is 20.7% since the last survey, the price of entry level stock, flats / maisonettes and terraced houses, has increased by 7.8% and 16.2%, respectively.
- 7.1.2 The increase in the price of terraced houses and flats / maisonettes is significantly in excess of wage inflation in this period. Incomes in the District are assessed independently to have increased by 6.8% from the 2003 Survey to June 2005, an average of around 3.4% each year.
- 7.1.3 Rents in the private sector have increased by around 7% since 2003 and access to market housing has therefore become more difficult for new households than it was in 2003, increasing the pressure on subsidised affordable housing provision.

7.2 Affordable Housing Needs Requirement

- 7.2.1 The total affordable housing need annually is for 672 units. Net re-lets of the existing social stock, after Right to Buy (RTB) impact, average 121 units and is the major means of addressing the scale of need identified.
- 7.2.2 After allowing for existing stock net re-let supply and new delivery at past levels, there will still be a total annual affordable housing shortfall of 551 units (426 shortfall + 125 assumed new units), 3,306 units in total over the six years to 2011.
- 7.2.3 Based on the average new unit supply of around 125 units over the last 3 years, this level of annual need is over 4 times the number of units to be provided from new delivery and conversions resulting in growing levels of unmet need each year. New delivery of 125 units is 50% of total supply, a high level bearing in mind that existing stock turnover is normally expected to meet 90% of need and it will be important to monitor actual annual delivery in future updates.
- 7.2.4 Additionally, 859 existing and 507 concealed households intend to leave the District over the next five years because of a lack of affordable rented housing. These are not included in our needs assessment calculation, although we could be justified in doing so.
- 7.2.5 The existing social rented stock is only 9.6% 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.

7.3 Affordable Housing Targets

- 7.3.1 It is still our view that a target of 40%, recommended in the 2003 report, should be applied from the total of all suitable sites.
- 7.3.2 Although in view of the low level of rental stock and the impact on relet supply means that the whole of the affordable target could be justified for social rent, there are a large number of new forming households' unable to purchase and a balance of 50% in each tenure will provide for sustainable balanced developments more easily capable of delivery in economic terms.