

# TAUNTON DEANE BOROUGH COUNCIL

## EXECUTIVE

### **Report of the Acting Head of Housing**

(This matter is the responsibility of Councillor Greg Garner)

### **HOUSING NEEDS REPORT**

#### **Executive Summary**

The Executive is asked to agree the recommendations of the Housing Review Panel relating to the attached Ark Draft Housing Needs Report..

#### 1 **Background**

- 1.1 Members will remember that in 2002 DCA Associates carried out a Housing Needs Survey, which informed our Social Development Plan.
- 1.2 The five Somerset Districts decided in 2004 to use a common method to inform all the Councils of their Housing Needs. This would provide consistency, accuracy and economics of scale. The methodology was approved by the Office of the Deputy Prime Minister.
- 1.3 Ark Consultancy were appointed to carry out this work.
- 1.4 Our Consultant, Rupert Scott, has completed the Draft Report, the Taunton Deane part of which is attached as the Appendix and the summary which introduces this Report.
- 1.5 Rupert Scott reported his findings to the Housing Review Panel held on 9 November 2005.
- 1.6 The County-wide Report was presented to a wider audience at the Wyvern Club on 18 November 2005. The report is now being finalised and will soon be released to all interested parties.

#### 2 **Recommendations**

- 2.1 The Executive is asked to agree that the attached Housing Needs report is used to inform the Planning Service of the need for social and affordable housing in future plans.
- 2.2 The Executive is asked to agree that this survey method be used to update our Housing Needs plans in future as necessary.

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**Somerset Sub Regional Housing Assessment**

**Draft Report – Chapter relating to:**

**Taunton Deane Borough**

October 2005

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## 8. Taunton Deane Housing Need & Supply

### 8.1 The 2002 Housing Need Survey

A Housing Need Survey was carried out by David Couttie Associates in late 2001, and published in 2002. It concluded that there was a gross need for 608 affordable (i.e. subsidised) dwellings p.a., and that re-lets at 477 p.a. would reduce this to a shortfall of 131 p.a.

The Couttie survey also concluded that the supply of entry level housing was inadequate to meet the level of need for it, and that “there is an additional need for the provision of 120 unsubsidised low cost market dwellings over the next five years to address the requirements of households earning in excess of £20,000 p.a. and able to access the market for new units” (Para. 8.8.2). That represented a further shortfall of  $120/5 = 24$  p.a.

The Survey used Land Registry data for the 3<sup>rd</sup> quarter of 2001 to show that terraced housing, which made up around 35% of the total annual supply of market housing, was priced from around £55,000 (average just over £80,000), and flats represented around 7.5% of supply, with prices from around £30,000 (average just below £60,000). It estimated that the entry level prices were:

**Table 8.1 Access Prices for Owner Occupation – Jan 2002**

Property Type	Taunton	Wellington	Wiveliscombe
1 bed flat	£29,950	£27,500	£28,725
2 bed flat	£59,950	N/A	£59,950
2 bed terrace	£52,950	£57,950	£55,450
3 bed terrace	£74,950	£64,950	£81,633
2 bed semi-det.	£52,950	£74,950	£82,633
3 bed semi-det.	£74,950	£75,000	£74,975

Source: DCA House Price Survey (January 2002)

The Survey identified the shortage of low cost market dwellings as being for households with incomes of £20,000 and above who were able to access the market, but for whom there was insufficient volume of supply. As 65% of potential new households were identified as being unable to access the market, these households with incomes of £20,000 and above represented 35% of new households. The Survey expressed concern that the private rented sector made very little contribution to meeting this need, and if house prices continued to rise faster than incomes, the shortfall in the private sector would increase further.

### 8.2 Updating the 2002 Survey Projections

With the benefit of hindsight, it is now possible to correct some of the projections that were made in the 2002 Survey:

**Supply of Social Rent from re-lets:** Although the projected level of 477 was exceeded in 2001/2, the trend has since been downward, levelling out in the last two years to 409 and 407. The overall level of supply for the 4 year period has averaged 472 p.a., a reduction of just 20 dwellings.

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However, it is no longer realistic to project annual supply at more than the average of the last 2 years, which is 408, so future projections need to be based on 408 rather than 477 p.a.

**Supply of Low Cost Market Housing:** The Survey was based on Land Registry information available up to and including the 3<sup>rd</sup> quarter of 2001, and the total number of flats and terraced houses sold in the preceding 12 months was 1,344. For the 3 subsequent 12 month periods the numbers averaged 1,240, and for the most recent 12 month period for which figures are available (3<sup>rd</sup> quarter 2004 to 2<sup>nd</sup> quarter 2005) the total number was 986. Even if the recent slowdown in the market is a discounted as a temporary situation, that still shows a minimum reduction in supply of 100 terraced and flat properties from the level on which the Survey's findings were based. In fact, the whole of the reduction has been represented by terraced houses, as the number of flats has remained constant.

**Cost of Low Cost Market Housing:** Quite apart from **amount** of supply, we need to consider the cost, or more accurately the **affordability**, of that supply, bearing in mind that any household which had a gross income of more than £20,000 p.a. was judged to be able to access the market.

In order to measure comparable affordability over time, it is necessary to consider changes to both interest rates and earnings, as affordability is a measure of the proportion of income required to purchase the property rather than the purchase price of the property, and as a general rule an affordable cost can be taken as one third of gross household income.

One third of £20,000 p.a. (the income figure above which the market could be accessed in 2001) is £6,667 p.a. or £552 per month. That represents the monthly cost of a £77,000 repayment mortgage, over 25 years, at 7%. With a 5% deposit that equates to a purchase at £81,000, and with a 10% deposit £85,500.

**In 2001, the median price for Taunton Deane was £89,450**, which means that half of all the 2,965 sales were at prices below that level. In round figures, **that represents 1,500 sales around or below the level at which households earning £20,000 p.a. could afford**, and the Survey concluded that, with this level of supply, there was still a need for a further 24 p.a.

The Survey noted that mortgage interest rates in early 2002 were the lowest for 35 years, which would have been around 5%. From a level that had fluctuated between 7% and 8% for a number of preceding years, the generally available rate had dropped from around 7% at the beginning of 2001 to around 6% by the middle of the year and 5% at the year end. Since then it has fluctuated a little way either side of an average of around 5.5%, but there is no significant difference in mortgage interest rates between early 2002 and late 2005.

Over the four years from 2001 to 2005, earnings will have increased by not more than 10% (the 2003 to 2004 figure was 1%, and for 2001 to 2003 it was 6.2%), so taking that into account comparable affordability for 2005 would be:

One third of £22,000 p.a. (adjusted for a 10% increase in earnings) is £7,333 p.a. or £611 per month. That represents the monthly cost of a £103,000 repayment mortgage, over 25 years, at 5%. With a 5% deposit that approximates to a purchase at £108,500, and with a 10% deposit £114,500 i.e. around £110,000.

In 2004, the lower quartile price for Taunton Deane was £127,000, which means that only one quarter of all the 2,523 sales were at prices below that level. In round figures, that represents 630 sales below a price that is considerable less affordable than the level at which 1,500 was considered to be not quite sufficient.

In other words, had the 2002 Survey been able to factor in the net reduction in affordability that has take place since that date, it would have identified a need for a much larger increase in the supply of properties at no more than £110,000 – or at the cost that was equivalent to a purchase at that level, which is around £600 per month. At the very least that would have been the difference between the 1,500 sales in 2001 and the 630 in 2004, which amounts to:

**An annual shortfall of 870 properties which would cost of no more than £600 per month.**

**New Supply of Subsidised Affordable Housing:** This has amounted to a total of 228 for the last four years, against a need for 4 x 131 p.a., which equals 524. A supply of 228 against a need for 524 amounts to a cumulative shortfall of 296, which added to the reduced supply from re-lets of 20, that gives:

**A total shortfall of 316 subsidised affordable dwellings over the last four years.**

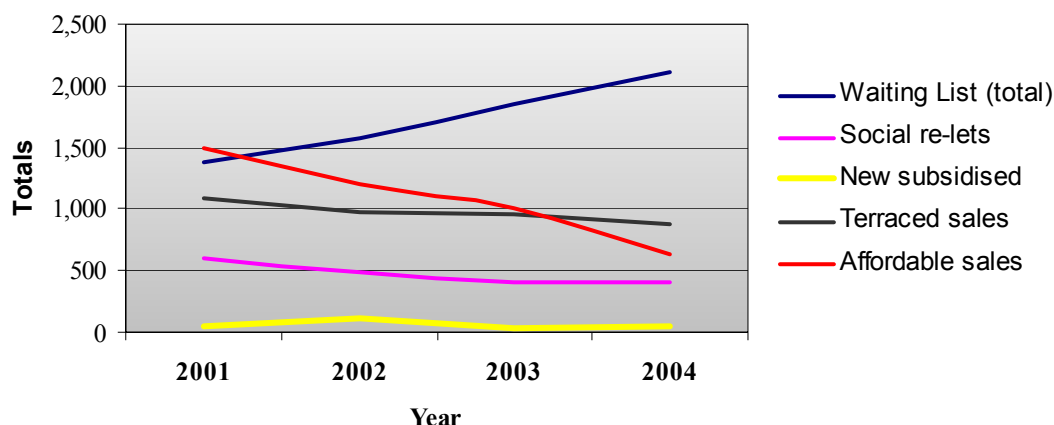
While all of these aspects of supply have been lower, the level of housing need as indicated by the Housing Waiting List has been rising as shown in the table and graph below:

**Table 8.2: Affordable Housing Need and Supply 2001 to 2004**

	2001	2002	2003	2004
Waiting List (total)	1,383	1,582	1,848	2,111
Social re-lets	594	480	407	409
New subsidised	42	107	31	48
Terraced sales	1,095	973	962	875
Affordable sales	1,500 (below £89,450)	1,200 (est.) (below £100,000)	1,000 (est.) (below £120,000)	630 (below £127,000)

Source: HIP returns to ODPM, plus HM Land Registry

Taunton Deane Affordable Housing Need and Supply 2001-2004



### 8.3 Conclusion from Updating the 2002 Survey:

The 2002 Survey summarised the position, for subsidised affordable housing in accordance with the Basic Needs Assessment Guidance in current ODPM guidance:

**Table 8.3: Basic Needs Assessment Model - 2002**

<b>Reduction of Backlog of Need:</b> (311 / 5) (to eliminate this existing need over 5 years)		<b>62</b>
<b>Newly Arising Need:</b> (from newly forming households, plus existing households falling into need)	<b>plus</b>	<b>546</b>
<b>Gross Annual Need:</b> (62 plus 546)	<b>equals</b>	<b>608</b>
<b>Annual Supply from Re-lets</b>	<b>less</b>	<b>477</b>
<b>Net Requirement for New Supply</b>	<b>equals</b>	<b>131</b>

This table can be updated by adding the 316 backlog arising from the shortfall in new provision from the last 4 years, and by changing the annual supply from re-lets from 477 to 408 to reflect the actual level over the last two years.

However, this is not the complete picture, as the Survey also identified a small shortfall in housing supply for households who could in theory access the market with an income of £20,000 or more, despite the supply of around 1,500 properties p.a. that were affordable on that level of income.

As we have seen, that supply of 1,500 properties has been reduced to less than 630, so **at least 870 households p.a. have been excluded from the market.** Not all of these households will necessarily be in housing need: some will probably have moved away from the Borough, some may have been deterred from moving into it, and others will have accessed an enlarged private rented sector where it has offered a cheaper alternative to owner occupation.

Although it is not possible to put a figure on the amount of housing need that has been created by this factor, it is clear that the 24 p.a. requirement for low cost market housing can now be met only through some form of subsidised housing, so it would be logical to add that figure to the updated table, which will therefore be:

**Table 8.4: Basic Needs Assessment Model - Updated from 2001**

<b>Reduction of Backlog of Need:</b> (311+316 = 627) / 5 (to eliminate this existing need over 5 years)	<b>125</b>
<b>Newly Arising Need:</b> (from newly forming households, plus existing households falling into need)	<b>546</b>
<b>Further Need for low cost (now subsidised) housing</b>	<b>24</b>
<b>Gross Annual Need:</b> (125 plus 546 plus 24)	<b>695</b>
<b>Annual Supply from Re-lets</b>	<b>408</b>
<b>Net Requirement for New Supply</b>	<b>287</b>

This compares with the forecast shown in Appendix 2 of this Assessment, that new affordable housing supply, (based on current policies) will in fact average **197 p.a. for 2006/11, and 253 p.a. thereafter.**

## 8.4 The 2005 Housing Assessment

### 8.4.1 Registered Need

Section B above, describes how the increase in the size of the Council’s Housing Register can be used as a measure of the extent to which housing need was being under-provided for. Rather than taking the total number of applicants, these have been filtered so as to exclude any applicants where the number of points awarded indicated the possibility of them not meeting the more rigorous definition of housing need in the ODPM’s draft replacement guidance on housing assessments. (This suggests that a single person’s desire for independent accommodation does not in itself constitute housing need.) Others who would be excluded are those whose existing accommodation is considered to be sufficiently suitable for their objective needs, so their application could be considered to be a reflection of preference, or where a simpler solution than moving house would resolve their problem, rather than a need for alternative and affordable housing.

In August 2005, there were a total of 3,532 households on the Housing Register. 1,021 of these were transfer requests from existing Council or RSL tenants, and a further 479 were applicants for sheltered accommodation for whom it is not possible to assess housing need in the same way. That left 2,032 applicants for general needs accommodation, and by deducting the 711 whose level of points might exclude them from the more stringent definition of need, the number reduces to 1,321, which is 65% of the total.

It has not been possible to make any such assumptions about need levels for applicants for sheltered accommodation, and it is quite possible that many of these will be releasing other types of affordable housing, either in the public or private sectors, so these have not been included in the assessment at all at this stage, in order to avoid the risk of double counting.



**Backlog Need** can therefore be expressed as:

*Total General Needs Applicants, times the % which have at least the number of points required to be defined as being in housing need*

**Backlog Need is therefore 2,032 x 65% = 1,321**

**Newly Arising Need** can also be calculated from past movements in the Housing Register, in the following way:

If the numbers remain the same, then the annual level of newly arising need will have been matched by the annual supply from re-lets and new supply. Any increase in the numbers will therefore represent the amount by which newly arising need has exceeded that supply. Therefore:

*Newly arising need = total supply, plus increase (or minus decrease) in the housing register.*

*Total supply* is a combination of **re-lets**, which has been at the level of 408 for the last two years, and **new supply** has averaged 40 over the same period, which amounts to **448**.

*Increase in the housing register* has average 264 over the last two years, but by only counting the 65% who may not meet the more stringent definition of need, that reduces to **172**.

**Newly arising need has therefore been 448 + 172 = 620 p.a.**

It is therefore possible to complete the ODPM Basic Needs Assessment table, in the same way as the 2002 Survey, but with a less ambitious target of 10 years, rather than 5 for reducing Backlog of Need:

**Table 8.5: Basic Needs Assessment Model - 2005**

<b>Reduction of Backlog of Need:</b> (1,321 /10) (to eliminate this existing need over 10 years)	<b>132</b>
<b>Newly Arising Need:</b> (from newly forming households, plus existing households falling into need)	<b>620</b>
<b>Gross Annual Need:</b> (132 plus 621)	<b>752</b>
<b>Annual Supply from Re-lets</b>	<b>408</b>
<b>Net Requirement for New Supply</b>	<b>344</b>

The two key variables in this projection are, of course, the assumptions as to the on-going level of supply from re-lets, and the increase or decrease in the housing register. Both of these can be monitored annually, and the net requirement adjusted accordingly.

Future new supply of affordable housing can be projected on the basis of Appendix 2 as 197 for the period to 2011, rising to 253 beyond that date, so there will almost certainly be a substantial and accumulating shortfall throughout both periods.

## 8.4.2 Unregistered Need – or Intermediate Market Need

All of the above calculations are based on meeting housing needs that are known through registration. As pointed out in Section B it is well established that a significant number of households do not register their needs on Waiting Lists – either because they can see no point in doing so, or because they feel they would not be interested in the type and/or location of the properties they expect they would be offered. This group has been referred to as ‘concealed households’, and might also be described as ‘displaced households’ or ‘suppressed household formation’. It is perhaps more useful to adopt the term **‘intermediate market need’**, as representing a need for housing that fits in the gap between the social rented sector and the open market – a gap that has dramatically widened in recent years both in terms of monthly cost and annual income requirements.

Projections of the need for affordable housing should take into account this group as well as those who already register their needs, but by definition it is much harder to identify who they are and what they need. What can be demonstrated, however, is the scale of the reduction in the number of properties that can be purchased with average and below average earnings through a combination of market research and Land Registry data.

The next two tables have been compiled from a review of new and re-sale properties on the market in October 2005. It shows the household incomes that would be required in order to obtain a 90% mortgage for different types of property, based on a 3.75 multiplier for single incomes and 3.25 for joint incomes.<sup>1</sup> plus the monthly cost of a 25 year repayment mortgage at 5%. In each case, the prices are the lowest examples of properties that are, or have recently been available:

**Table 8.6 New Build Affordability – October 2005**

Property Type	Price	90% mortgage	Monthly cost at 5%	Single Income (3.75 times)	Joint Income (3.25 times)
1 bed flat	£110,000	£90,000	£533	£24,000	£27,700
2 bed flat	£130,000	£117,000	£693	£31,200	£36,000
2 bed house	£145,000	£130,500	£773	£34,800	£40,200
3 bed house	£160,000	£144,000	£852	£38,400	£44,300

It is clear from this table, that additional supply for new households on average or below average incomes cannot be expected to come from new build properties sold at open market values.

Even within the second hand market, the supply which can be purchased with average or below average incomes will be very limited:

<sup>1</sup> The 3.75 and 3.25 multipliers used by Professor Steve Wilcox in his most recent study on “Affordability and the intermediate market” for the Joseph Rowntree Foundation, October 2005, on the basis that this is the level above which only one quarter of mortgages were granted in 2003. He also assumes an 18% deposit, which is the UK average for all first buyers over the last decade. Professor Glen Bramley’s “West of England – Housing Need and Affordability Statement” – May 2005, uses multipliers of 3.5 and 2.975, and nil deposit, which will result in a greater number of households being assessed as being unable to access the market. By taking the Wilcox multipliers and a 10% deposit the Somerset Assessment will be in between these two alternatives.

Land Registry data shows that for Taunton Deane, only 9% of property sales in 2004 were below £100,000, compared with 12% for the county as a whole, and in the first half of 2005 this proportion had dropped to just 6%, compared with 10% for the county.

The table below shows the lowest priced properties for sale by Estate Agents in Taunton, using the same headings as for the above table on new properties, and excluding any that appeared to require improvement and the cheapest two in each category. The vast majority of properties available were significantly more expensive, especially outside Taunton.

[Section 8.6 below provides a more localised analysis, which shows that in Wellington, although values were comparable, availability below £150,000 was negligible, and elsewhere in the Borough values were significantly higher and supply below £150,000 virtually non-existent.]

**Table 8.7 Re-Sale Affordability – October 2005**

Property Type	Price	90% mortgage	Monthly cost at 5%	Single Income (3.75 times)	Joint Income (3.25 times)
1 bed flat	£95,000	£85,500	£506	£22,800	£26,300
2 bed flat	£110,000	£90,000	£533	£24,000	£27,700
2 bed house	£120,000	£108,000	£639	£28,800	£33,200
3 bed house	£125,000	£112,500	£666	£30,000	£34,600

The combination of this table, and the most recent Land Registry data, shows the limited extent to which even the second hand market can be expected to meet the needs of households on or below average incomes.

Unlike properties for sale, it is not possible to establish the total number of properties that become available for rent, or the number that would be available at a lower cost than purchasing a similar property. However, from a survey of letting agents the following table has been compiled, showing the full range of rents at which standard property types are generally available.

Affordability at each end of the price range is illustrated by showing the level of income that would be required to obtain a mortgage with the equivalent monthly cost, and then the price of the property that could be purchased with that income:

**Table 8.8a Private Renting Affordability – Lowest Level Rents**

Property Type	Lowest monthly rent	Single Income	Joint Income	Equivalent purchase price
1 bed flat	£400	£18,000	£21,000	£75,000
2 bed flat	£475	£21,500	£25,000	£90,000
2 bed house	£500	£22,500	£26,000	£95,000
3 bed house	£575	£26,000	£29,000	£110,000

**Table 8.8b Private Renting Affordability – Highest Level Rents**

Property Type	Highest monthly rent	Single Income	Joint Income	Equivalent purchase price
1 bed flat	£500	£22,500	£26,000	£95,000
2 bed flat	£600	£27,000	£31,000	£112,500
2 bed house	£600	£27,000	£31,000	£112,500
3 bed house	£750	£34,000	£39,000	£140,000

By bringing the above four tables together, and adding the level of rents charged by the Council and RSLs, the relative monthly cost of each option can be compared:

**Table 8.9 – Comparable monthly costs - new, resale and rented property:**

Property Type	New Build purchase	Re-sale purchase	Market Rent (high)	Market Rent (low)	Social Rent
1 bed flat	£533	£506	£500	£400	£250
2 bed flat	£693	£533	£600	£475	£275
2 bed house	£773	£639	£600	£500	£300
3 bed house	£852	£666	£750	£575	£330

It can be seen that for 1 and 2 bedroom properties there is very little difference in cost between the upper end of the market rental range and the bottom end of the re-sale market, and while the level of supply in each sector is quite limited, purchasers nevertheless do have some element of choice. The cost of these options, however, are at least twice the cost of social rent.

The lower end of the market rental range, however, does provide a roughly mid-point alternative. Supply at this level is very limited in both number and distribution, so it cannot provide a satisfactory solution to most ‘intermediate market need’. It does, however, suggest the level of cost that would be appropriate for intermediate market products.

Table 8.8a shows that this cost level would be available to households with a single income between £18,000 and £26,000 p.a., or joint incomes between £21,000 and £29,000, and would equate to the cost of purchasing a property between £75,000 (1 bed flat) and £110,000 (3 bed house).

#### 8.4.4 House Types Required

For social rented properties, it is necessary to consider the house types required to meet the needs of existing tenants who have applied for a transfer, as well as housing register

applicants. By meeting that transfer request, a different type, and even location, of property will be released for letting to a new tenant.

Without more sophisticated systems than are currently available, it is not possible to factor in the exact vacancy implications of every transfer requests, but there is one predominant factor, which is the widespread need for larger accommodation. It is inevitable that properties are generally fully occupied on first letting, which means they are as just as likely to become over-occupied as under-occupied as the household composition changes. Under-occupiers are, however, far less inclined to seek a move to a smaller property, so meeting the needs of over-occupying households needs to be reflected in this analysis.

In order to do this, the assumption has been made that every general needs transfer applicant would be seeking one additional bedroom, and therefore vacating a property one size smaller. The number of new applicants for each property size in the general needs section has therefore been adjusted by adding the number of transfer requests for that size of property, and deducting the number of transfer requests for the next smaller one.

No such adjustment has been made for the sheltered needs, but it is generally recognised that 1 bedroom properties are much more widely available than 2 bedroom ones, (See Appendix 1) and a 1 bedroom property will normally be considered to be suitable for a couple, as well as a for a single person.

The analysis does not include those who have been excluded from the needs assessment, and it produces the following breakdown for the remaining 1,323 applicants for general needs, plus the 479 applicants for sheltered accommodation:

**Table 8.10 Net need by house type – new and transfer applicants**

1 bedroom general needs	378	29%
2 bedroom general needs	496	37%
3 bedroom general needs	379	29%
4 bedroom general needs	70	5%
<b>Total – general needs</b>	<b>1,323</b>	
1 bedroom sheltered	374	78%
2 bedroom sheltered	105	22 %
<b>Total – sheltered</b>	<b>479</b>	
<b>Total – All Types</b>	<b>1,802</b>	

Although this analysis has taken account of transfer requests, it does not follow that these percentages should be taken as the basis for determining the most appropriate mix for new supply, when that supply will inevitably be inadequate to meet all need:

Firstly, the larger family accommodation will enable a single property to meet the needs of more than one household – a 4 bedroom house could in theory be let to a household which would vacate a 3 bedroom one, which in turn could be let to a household needing to move from a 2 bedroom, and so on. The comparisons of need and supply in Section 8.6 show that although the number of applicants is lower, the waiting time is much longer.

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Secondly, and to contrary effect, it must be recognised that any new property will be expected to have a useful life span that is far longer than any single tenancy. Demographic changes mean that in the longer term there will be a reduced need for larger accommodation, and it is generally the case that a significant number of existing 3 bedroom properties are under-occupied by older people who are being assisted to stay in the family home for many years after the family have left. This has inevitably reduced the rate of vacancies, but not indefinitely. A clearer picture of longer term need would emerge from more information about the age and household profiles of tenants, and this could be obtained from suitably designed tenant satisfaction surveys.

Thirdly, the large proportion of applicants for 1 bedroom properties may reflect realistic expectations rather than true aspirations or needs, which would seem to be borne out by the much higher rate of turnover for this type of property as shown in Section 8.6. This is particularly relevant to sheltered properties: by definition, the great majority of applicants can be categorised as needing a one bedroom property, but many elderly tenants (especially those who are under-occupying family houses) do not wish to move to one bedroom flats, and some one bedroom flats, as well as bed-sits, can be difficult to let.

**For the intermediate market** the greatest volume of need will be for 1 and 2 bedroom properties, but it is those households who need 3 bedrooms who are faced with the greatest affordability problem: the income requirement for accessing the market is significantly higher, and the upper end of the market rental range has a higher cost than re-sale purchase. This is also the property type that is least readily available through social re-lets.

#### 8.4.4 Tenures Required

Tenure split cannot be readily pre-determined, when there is almost always going to be more need for any one tenure than there is total supply of affordable housing.

Social rented housing will usually be the highest priority for at least some of the affordable supply, if only because local housing authorities have a statutory duty to certain categories of homeless and vulnerable households, and there will be unsustainable financial as well as social implications if these households cannot be accommodated.

However, the needs of the most vulnerable have to be balanced against the need to ensure a mixed and inclusive community, a prosperous local economy and the provision of a full range of essential services. With an increasing proportion of newly forming households unable to access the market, it could be argued that these considerations make the establishment of an intermediate market just as important.

This point is eloquently expressed by Margaret Clark, Director of the Commission for Rural Communities in her introductory remarks to the Wilcox report for the Joseph Rowntree Foundation:

*“It is important not to lose sight of the profound implications that the lack of affordable housing to buy, as well as to rent, will have for rural communities, because even if it were possible to meet the needs of those in the ‘social housing’ market, there would still be a very significant shortfall of affordable homes. Those people in the ‘intermediate’ market, typically employed in schools, health or other public services, local trades and so on – often newly formed households who want to make the first step on the ladder to home ownership – would normally look to the*

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*open market to meet their housing needs. If there is no such ‘intermediate’ housing available and they are effectively forced to leave the area to find suitable housing, then rural communities are likely to become more socially and economically polarised and, consequently, less sustainable.”*

This report shows that in Taunton Deane Borough 31% of working households aged 20-39, excluding those who are in receipt of housing benefit, could not afford the lowest decile prices for 2 and 3 bedroom dwellings (that is, the cheapest 10% on the open market), which is only very slightly higher than the proportion in South Somerset, West Somerset and Sedgemoor, and quite significantly lower than Mendip, East and North Devon and Exeter.

[In practical terms, the only areas with better affordability for employees in the Taunton area are Bridgwater and Yeovil, which are themselves surrounded by higher priced areas, so the scope for housing needs to be displaced to cheaper areas, even if desirable, is extremely limited.]

The Wilcox report concludes, however, with two important cautionary notes: firstly, that

*“investment in intermediate market housing schemes should be expanded and contracted over the housing market cycle, rather than in response to changing political and policy fashions”,* and secondly that

*“there is a much stronger case for schemes that assist households that would not be able to access home ownership at the very bottom of the housing market, rather than those that provide a greater degree of social diversity in more expensive locations.”*

This last point has particular relevance to Taunton Deane District, which has reported that of 1,000 households on the housing waiting list who had expressed an interest in shared ownership, only 14 have responded positively to details of a current scheme for 25 houses, where the combined costs of rent and mortgage amounted to substantially more than the figures shown in Table 8.8a.

If the costs of a shared ownership scheme exceeds the cost of outright purchase, or rent, of the cheapest equivalent-sized property in the area, (which would seem to be the general rule) then these properties do not meet the government’s own definition of affordable housing in Circular 6/98, or the definition in the Taunton Deane Borough Local Plan.

The assessment of housing need in Taunton Deane Borough, and the Wilcox report, show that the need for intermediate market housing probably matches, if not exceeds, the need for social rented housing, and almost certainly exceeds the total amount of housing supply that will be permitted through the Regional Spatial Strategy. The crucial issues are therefore:

- How to maximise the proportion of new housing that can be secured as affordable.
- How to balance the need for it against the need for social rented housing.
- How to ensure that the intermediate market is provided with a range of products that are affordable to the wide range of incomes that exist between those who can expect to obtain social rented housing, that is, along the lines of Table 8.8a.

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All three issues are interlinked – the first two in particular:

The far greater subsidy (whether public, private or combined) required for social rented housing, coupled with the commercial imperatives of private and speculative development, limits the amount that can be realistically sought. It should be noted that the price an RSL can pay for a social rented property is less than half of the ‘equivalent purchase price’ shown in Table 8.8a, which clearly meets the requirements of the intermediate market.

South Hams District Council has a policy of 1/3 social rent, 1/3 intermediate market, and 1/3 open market, and appears to be achieving development on those terms, but this is probably exceptional and it may not be achievable where there is no public subsidy and/or where there are significant infrastructure requirements or alternative use values. It would be unlikely to be an appropriate aspiration for Taunton Deane to adopt for its larger settlements, given the need for development to make major contributions to infrastructure, but it might be an option to consider for smaller settlements.

An alternative radical approach is that adopted by South Shropshire: In the market towns all open market housing is required to be matched by affordable housing, and in villages the only housing that is permitted is affordable housing, albeit that it can be provided without the involvement of an RSL through a unique equity sharing arrangement. This could provide another option, subject to a assessment of financial viability, for urban extensions and brownfield sites.

However, where local authorities have sought more than 25% of the total number of dwellings as social rent on medium and large scale developments, they have met strong resistance that has impeded development activity. On the other hand, there are examples of local authorities securing 40%, where this is made up of 25% social rent plus 15% shared ownership, and even 50% where half is social rent and half a mixture of different types of low cost home ownership.

There does seem to be a sound argument for seeking the maximum total amount of affordable housing and then taking a flexible and pragmatic view to tenure split in the light of site viability and grant availability. The alternative would be a policy that is capable of being implemented rigidly in all situations – a lowest common denominator approach which would be bound to be produce a lower output in return for lower effort.

The third consideration can reinforce this argument: there seems to be little doubt that unless local authorities are able to specify the maximum level of occupier cost of an intermediate market product, then the natural competitive and commercial instincts of developers and RSLs will allow that cost to be too high for it to be accessible by much of the intermediate market. That is certainly the situation that prevails in Taunton Deane in common with many other parts of the country.

This means that all the parties involved need to agree:

- The range of products that will be appropriate,
- how the appropriate product(s) for different circumstances will be determined, and
- how applicants will be prioritised.



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As a starting point, there would seem to be two key priorities that should always take precedence:

- Enabling social renters, and priority housing register applicants, to become home owners, which will increase the supply of social rented property for those who cannot afford any alternative; and
- enabling people employed, or offered employment, in the locality to access housing which they can afford.

However, in order to ensure that these priorities do in fact take precedence, there would need to be a far more specific definition of affordable housing than that currently used in the adopted Taunton Deane Borough Local Plan. This merely repeats the broad definition in government guidance Circular 6/98, without providing any detail of the incomes, and therefore the affordable housing costs, for the intended beneficiaries of the policy.

Table 8.8a and 8.9, updated as necessary, could provide the basis for a definition for future affordable housing policy.

#### 8.4.5 Housing Supply

New housing supply in Taunton Deane Borough has been around 460 p.a. in recent years, comprising an average of 400 open market and 60 affordable dwellings p.a. The draft Regional Spatial Strategy is proposing that this level be increased as a central plank in its drive to concentrate a higher proportion of housing supply in the main urban centres where employment growth is highest, and where services and facilities can be more efficiently provided.

It has therefore been suggested by the Regional Assembly that new housing supply in Taunton Deane should increase around 860 p.a., of which 800 p.a. will be in Taunton and Wellington. These figures would have been higher still if the Joint Study had been able to support that as being realistic.

There are two key issues here:

- Firstly, how much of this increased housing supply can be achieved as affordable without inhibiting the rate of development and the funding of infrastructure and other community needs?
- Having established the answer to the first question, is it realistic for some of the affordable, as well as market, housing needs of the rest of the County to be met in Taunton and Wellington, and if so, how much?

It is clearly too early to answer the first question, as the costing and funding exercises have not yet been carried out, so it will be necessary to consider a range of options.

It is of course also necessary to consider both principal sources of supply – from turnover of the existing housing stock, as well as the provision of new housing. Over the last 5 years (2000 to 2004) an average of 2,700 dwellings p.a. have been sold in the Borough as a whole, but for the first half of 2005 this dropped to just 842 (compared with 1,309 for the first half of 2004).

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That means new market housing has comprised just under 15% of total supply, (400 out of 2,700) and the drop in turnover for the most recent 6 month period was more than a full year's supply of new housing.

This reduction may be no more than a temporary lull in the market that will soon return to normal – but it might also be at least in part a reflection of the greater difficulty that households have in moving up the property ladder when the gaps between the rungs have become wider and when there is greater competition from in-migrants. That would have serious implications for first time buyers, as well as for existing homeowners: If one homeowner in the middle of the market is prevented from moving when they want to – either through lack of an affordable alternative or through competition from an in-migrant, this can wipe out a whole chain of potential purchasers below them, often including a first time buyer opportunity at the end of the chain.

This 'double whammy' effect of rapidly increasing house prices and competition from in-migrants does not only affect rural and coastal areas, and it can create the same effect in urban growth areas, especially when coupled with urban regeneration that can result in attracting purchasers who become out-commuters.

There is a similar situation with affordable housing supply: This comprises re-lets as well as new provision – an average of 472 plus 57 over the last four years - which means that new provision has amounted to just 11% (57 out of 529) of the total. Over half of the increase in new provision, from the past 57 p.a. to an average of just under 200 p.a. for 2006-11, will only compensate for the drop in the level of re-lets.

Again, there are many possible reasons for the reduced supply of re-lets, but two factors are likely to be quite significant: Fewer social tenants moving into the private sector, and older people staying longer in family housing, both of which offer the prospect of an improved rate of re-lets if suitable alternatives can be provided.

### **Projected new housing supply for Taunton Deane**

This has been based on the proposals submitted by the Borough, via the County, to the Regional Assembly. Appendix 2 shows how this proposed supply can realistically be divided between the local housing markets within the Borough, and between market and affordable housing.

**Total Housing Supply up to 2011** comes from a combination of already identified sites, plus an identified balance from existing consents and windfalls that will be necessary to meet the existing annual target, plus an allowance for windfall and exceptions sites developed by RSLs.

**Total Housing Supply post 2011** comes from the uncompleted balance of sites already identified in the earlier period, plus sufficient additional sites to meet the targets and the distribution proposed by the Borough.

**Affordable Housing Supply up to 2011** is assumed to be in accordance with current policy for 20% - 35% of new developments to be subsidised affordable housing, where the total number of dwellings is 25 or more (or the site is 1 ha or more) in Taunton and Wellington, and on sites of 3 or more in villages, plus an allowance for windfall and exceptions sites developed by RSLs.

The amount of this supply that could potentially be delivered as affordable housing post 2011 is set out in Table 8.11, based on the following assumptions and alternatives:

### 1. Baseline Position for Affordable Housing post 2011

This would be in accordance with new policy that sets a target of 35%, which will that will probably achieve 28% of all supply by the private sector as affordable, after deduction of non-qualifying sites, and the tail end of large sites under previous policy. The windfall and exception sites that are developed by RSLs should increase this to about **30% overall**.

### 2. First Alternative for Affordable Housing post 2011

This would be a combination of higher %s and lower thresholds that increase the overall 28% outturn figure for private sector supply to 35% in the main towns. Rural areas should achieve a higher figure, but even when RSL developments are added, the proportion would be unlikely to reach more than a total of **38% overall**.

### 3. Second Alternative for Affordable Housing post 2011

This assumes a more radical approach that would probably require the restriction of open market housing to Taunton and Wellington, where, subject to financial viability it might just be possible to secure an overall 40% as affordable (with a policy target of 45-50%). By restricting almost all development in Rural Centres and Villages to affordable housing, that could increase the proportion to **42% overall**.

**Table 8.11 Potential affordable housing supply from three alternatives:**

	% Affordable	2006-11	2011-16	2016-21	2021-26
Total		787	860	860	860
Baseline	30%	197 (existing policy)	258	258	258
1 <sup>st</sup> Alternative	38%		327	327	327
2 <sup>nd</sup> Alternative	42%		361	361	361

## 8.5 Conclusions and Recommendations

The annual shortfall in affordable housing supply that is represented by those who have registered their need has increased to in excess of 400 p.a., and this will be predominantly, though not exclusively, for social rented accommodation.

The annual shortfall in affordable housing supply for those who would in the recent past have been able to meet their needs in the market place is quite possibly even greater than this amount – and new supply in this ‘intermediate market’ may indeed be able to meet some of the present demand for the social rented sector if it is sufficiently affordable.

Taken together, the total need for affordable housing probably matches the total amount of housing supply that the Joint Study has assessed as being the maximum that the Borough can accommodate, on the assumption that 93% of it should be in Taunton and Wellington.

There is therefore a clear need to maximise both the amount of housing supply, and the proportion of it that will be accessible to the local working population. This could be achieved through the careful targeting of new housing supply, and setting the most ambitious proportions of, and thresholds for, affordable housing that are economically viable, including the allocation of sites exclusively for affordable housing for local people as provided for in the changes to PPG3 announced earlier this year.

Another consideration is whether the figure of 60 dwellings p.a. for all of the rest of the Borough is adequate:

Sites outside Taunton and Wellington could be required to contribute much higher proportions of affordable housing, as they are unlikely to be required to make the same contribution to major new infrastructure as the urban extensions, or to involve the high alternative use values of most urban brownfield sites. The South Hams model of 1/3 social rent, 1/3 intermediate market and 1/3 open market could be applied to the Rural Centres and larger villages, and in addition sites could be allocated for affordable housing only where appropriate.

The extent of the additional housing that this approach could provide will, of course depend on the balance between sites that were 100% affordable, or a mix of affordable and market, or market only (i.e single plots), but it is quite conceivable that the overall proportion could be well above 50%, and quite possibly 65-75%.

It will, however, be crucial that all affordable housing supply, both urban and rural, is delivered at costs that make it accessible to those who are employed locally, and who would otherwise be unable to afford to purchase or rent in the local housing market, as set out in Tables 8.8a and 8.9.

## 8.6 Local Housing Market Areas within Taunton Borough

Much of the information that relates to the whole Borough can be broken down into the four distinct Local Housing Market areas that have been identified within it.

This will be particularly relevant for illustrating the differences in the levels of need, supply, and cost for different property types. In an area which is planning for an increased rate of growth in the urban area, and a reduced rate of growth in the rural areas, this will reinforce the necessity of different policies and different implementation strategies for different areas.

### 8.6.1 The Housing Market

Prices for Wellington and Taunton are very similar, but the level of supply in Wellington is much more limited: At the time of the October 2005 estate agent survey the very high proportion of properties that were sold subject to contract suggested that supply is diminishing further. Unlike Taunton, Wellington has no significant level of new house building, and the one large site allocated in the Local Plan had not yet commenced at that date.

Prices in the Wiveliscombe area (including Bishops Lydeard), and in the Taunton Fringe area (including Creech St Michael and North Curry) are noticeably higher, but with such limited supply at the lower end of the market that it is not possible to establish how typical the quoted prices are.

**Table 8.12 Access Prices for Owner Occupation - October 2005**

Property Type	Taunton	Wellington	Wiveliscombe	Taunton Fringe
1 bed flat	£95,000	£95,000	N/A	N/A
2 bed flat	£110,000	£110,000	N/A	N/A
2 bed house	£120,000	£120,000	£140,000	£150,000
3 bed house	£125,000	£125,000	£150,000	£160,000

**The private rented market, outside Taunton** is predominantly for properties at the upper end of the market, with no supply at all at the lowest levels, as Table 8.8a, a very limited supply at the higher levels shown in Table 8.8b, and the majority above these levels.

Unlike Taunton, where there is a reasonable choice of properties for purchase and rent at the lower end of the market, there are significantly fewer such options in Wellington, and effectively none at all in the rural parts of the Borough.

### 8.6.2 Social Rented Housing – Ratio of Need to Supply

By looking at the Housing Register in more detail, it is possible to compare the relative levels of need for each broad type of property within each of the Local Housing Markets. This is quite straightforward for new applicants, by taking account of their first choice of location and property type, after disregarding those (about 35% of the total) who might not meet the definition of housing need as set out in the draft guidance on Local Housing Assessments (this definition is more rigorous than that contained in the existing guidance).

For transfer requests this is more complicated, as existing tenants who move to another property will release one for letting to a new applicant. It is also possible that they will move to another area altogether, but this cannot be accounted for at present. On the assumption that transfer requests within the general needs stock are generally for a larger property, and that each transfer applicant would release a property with one bedroom less than they are applying for, the amount of need for each property size has been adjusted to allow for the effect of all transfer requests being met in this way.

For sheltered transfer applicants it is not possible to make any such assumptions, but as there are hardly any lettings in the 1 bedroom stock (none at all in 2004/5) this has little practical effect.

Comparing the net need for each type of property with the actual supply through re-lets in the past year, produces a ratio which shows its relative shortage or surplus. In effect, this

is the number of years it would take to meet all of the existing and registered housing need at the current rate of supply:

### 8.6.3 Taunton – Social Rented Housing

**Table 8.13 Taunton – Ratio of Need to Supply**

Property	Applicants	Transfers	Net Need	Re-lets 2004/5	Ratio of Need:Supply
1 bed	579	226	350	154	2.3:1
2 bed	429	229	435	162	2.7:1
3 bed	168	223	336	41	8.2:1
4 bed	9	55	64	4	16:1
All General Needs	1,185	533	1,185	361	3.3:1
1 bed	325	157	325	56	5.8:1
2 bed	94	50	94	0	N/A
All Sheltered	419	207	419	56	7.5:1

Quite typically, this shows the much higher ratio of need to supply – or the longer waiting time – for larger property types.

Although 3 and 4 bedroom need, even after adjusting for transfer requests, amounts to a 33% of all need, it benefits from only 12.5% of the supply.

For sheltered housing, 94 applicants are waiting for a 2 bedroom property – for which supply in 2004/5 was nil.

These disparities are not simply a reflection of shortage of stock – and a comparison of stock and lettings shows the different rates of stock turnover:

**Table 8.14 Taunton – Stock and Lettings**

Property Type	Total Stock	2004/5 re-lets	Stock Turnover
1 bed	920	154	17%
2 bed	1,809	162	9%
3 bed	1,267	41	3%
4 bed	167	4	2.5%
All General Needs	4,163	361	9%
1 bed	761	56	7%
2 bed	3	0	N/A
All Sheltered	764	56	7%

It is not surprising that the smaller property sizes have a higher rate of turnover than family houses which have more established households, but the rate of only 3% for 3 bedroom houses may suggest that there is scope for investigating the extent to which under-occupiers, and potential owner-occupiers, might be assisted to meet their aspirations.

#### 8.6.4 Wellington – Social Rented Housing

**Table 8.15 Wellington – Ratio of Need to Supply**

Property	Applicants	Transfers	Net Need	Re-lets 2004/5	Ratio of Need:Supply
1 bed	38	8	23	32	0.7:1
2 bed	21	15	25	32	0.8:1
3 bed	9	11	19	15	1.3:1
4 bed	0	1	1	2	0.5:1
All General Needs	68	35	68	81	0.8:1
1 bed	15	4	15	13	1.1:1
2 bed	3	1	3	0	N/A
All Sheltered	18	5	18	13	1.4:1

For an urban area, this shows remarkably low ratios of need to supply, and a clear indication that applicants will put Taunton ahead of Wellington as their choice, despite the fact that their chances of being offered a property are better than in Taunton. This is something that would seem to merit further investigation.

**Table 8.16 Wellington – Stock and Lettings**

Property Type	Total Stock	2004/5 re-lets	Stock Turnover
1 bed	162	32	20%
2 bed	354	32	9%
3 bed	448	15	3%
4 bed	39	2	5%
All General Needs	1,003	81	8%
1 bed	249	13	5%
2 bed	1	0	N/A
All Sheltered	250	13	5%

The turnover rates are almost identical to Taunton, despite the ratios of need to supply being so much lower. It is therefore clear that the low ratios are not the result of unusually high turnover, and the market data certainly does not suggest that affordability and supply in the private sector are any better than in Taunton.

The very low turnover rates for 3 and 4 bedroom houses, as with Taunton, suggest that there is still scope for investigating the extent to which under-occupiers, and potential owner-occupiers, might be assisted to meet their aspirations, but this would need to be in conjunction with addressing the question of why it is a less popular location.

### 8.6.5 Wiveliscombe Area – Social Rented Housing

**Table 8.17 Wiveliscombe Area – Ratio of Need to Supply**

Property	Applicants	Transfers	Net Need	Re-lets 2004/5	Ratio of Need:Supply
1 bed	15	0	-1	9	N/A
2 bed	15	16	24	31	0.8:1
3 bed	11	7	16	13	1.2:1
4 bed	1	2	3	2	1.5:1
All General Needs	42	25	42	55	0.8:1
1 bed	16	5	16	5	3.2:1
2 bed	5	2	5	0	N/A
All Sheltered	21	7	21	5	4.2:1

These figures are very similar to the Wellington ones, and are surprising for a rural area where supply is usually far outstripped by need.

**Table 8.18 Wiveliscombe Area – Stock and Lettings**

Property Type	Total Stock	2004/5 re-lets	Stock Turnover
1 bed	41	9	22%
2 bed	154	31	20%
3 bed	102	13	13%
4 bed	14	2	14%
All General Needs	311	55	18%
1 bed	6	5	83%
2 bed	9	0	N/A
All Sheltered	15	5	33%

These figures are significantly higher than for the urban parts of the Borough, which is contrary to the norm, and may reflect a lack of satisfaction with local services, facilities or employment. Taken together with the ratios of need to supply, it would certainly suggest that affordable housing needs in this area do not lie in the social rented sector.



## 8.6.6 Taunton Fringe Area – Social Rented Housing

**Table 8.18 Taunton Fringe Area – Ratio of Need to Supply**

Property	Applicants	Transfers	Net Need	Re-lets 2004/5	Ratio of Need:Supply
1 bed	10	0	6	7	0.9:1
2 bed	11	4	12	3	4:1
3 bed	5	3	8	3	2.7:1
4 bed	2	0	2	0	N/A
All General Needs	28	7	28	13	2.1:1
1 bed	18	3	18	1	18:1
2 bed	3	0	3	0	N/A
All Sheltered	21	3	21	1	21:1

Although the figures are very small, they do suggest that there is a greater proportion of unmet need than in the other rural part of the Borough.

**Table 8.19 Taunton Fringe Area – Stock and Lettings**

Property Type	Total Stock	2004/5 re-lets	Stock Turnover
1 bed	243	7	2.9%
2 bed	485	3	0.6%
3 bed	477	3	0.6%
4 bed	40	0	N/A
All General Needs	1,245	13	1%
1 bed	191	1	0.5%
2 bed	27	0	N/A
All Sheltered	218	1	0.5%

## **Taunton Deane Borough Council – Housing Review Panel – 9/11/05**

### **Report on the Initial Findings of the Somerset Sub-Regional Housing Assessment that relate to Taunton Deane Borough**

#### **1. Introduction**

The full draft report on the Somerset Sub-Regional Housing Assessment is due to be presented to a group of stakeholders on 18<sup>th</sup> November, and a meeting of the Project Steering Group on 29<sup>th</sup> November will consider any changes which may be appropriate to make in the light of that consultation event. The final report will then be considered by each of the five commissioning authorities prior to it being submitted to the County Council on 7<sup>th</sup> February, for them to forward to the Regional Assembly to inform the draft Regional Spatial Strategy.

The section of the draft report that relates to Taunton Deane Borough has been completed in advance of the other sections of the report, and is attached for consideration by the Housing Review Panel.

Other sections of the report will describe the economic and demographic context in which influence the housing market in Somerset, and set out the draft Regional Spatial Strategy which will determine the amount and distribution of new housing supply for the period up to 2026.

The key economic and demographic factors are:

- Virtually full employment, and a shift in the growth of employment from the market towns to the major towns, but with no advance in the level of technical skills and productivity that are necessary to achieve growth in earnings.
- A continuing high rate of population growth, especially in the older age groups, but also to a lesser extent in the 15-24 age group, with the prospect of continuing high levels of in-migrants that are either wealthier or poorer than the average for the existing population.
- A dispersed population, with only 29% of the county's population in the major towns and 40% in settlements below 3,000.

The key message from the Regional Spatial Strategy is:

- Although there will be no overall increase in the level of new housing supply, it will be much more concentrated in the major urban areas – especially in Taunton Deane where the past average of 460 p.a. will increase to 860 p.a., of which 800 p.a. will be in Taunton and Wellington.

#### **2. Methodology**

The report is based on an analysis a wide range of data sources that can be reviewed on an annual basis (ore more frequently if necessary), so that projections can be kept up to date and policies and strategies adjusted as appropriate. It also reviews the most recent local, regional and national research and guidance into housing need and affordability issues, and is structured at three levels to provide:

- **An overall sub-regional assessment** that will fit in with other similar assessments that have already been carried out or are being planned, as the means by which Regional Spatial and Housing Strategies can be properly informed from the bottom up as well as from the top down.
- **A detailed assessment for each of the five Borough/District Councils** in Somerset that will inform both their Local Development Frameworks, (in respect of the appropriate distribution and tenure proportions of new housing supply), and their Housing Strategies (in respect of priorities for investment and intervention).
- **A review of the data at a sub-district level**, for each of the 4 local housing markets it has identified within Taunton Deane Borough (24 within the County) to allow for the consideration of different policies and strategies to deal with different circumstances.

### 3. Recent Trends in Housing Need and Supply

The last four years have shown a steady increase in housing need as indicated by the housing waiting list, and a steady decline in each of the elements of affordable housing supply:

	2001	2002	2003	2004
Waiting List (total)	1,383	1,582	1,848	2,111
Social re-lets	594	480	407	409
New subsidised	42	107	31	48
Terraced sales	1,095	973	962	875
Affordable sales	1,500 (below £89,450)	1,200 (est.) (below £100,000)	1,000 (est.) (below £120,000)	630 (below £127,000)

### 4. Calculation of Housing Need - Registered

The need for affordable housing supply to meet registered need is calculated as shown in the box below: An analysis of the housing register resulted in 1,321 applicants being assessed as being currently in housing need, and a calculation that the annual rate of addition to the register (before lettings) amounts to newly arising need of 620 p.a.

<b>Reduction of Backlog of Need:</b> (1,321 /10) (to eliminate this existing need over 10 years)		<b>132 p.a.</b>
<b>Newly Arising Need:</b> (from newly forming households, plus existing households falling into need)	<b>plus</b>	<b>620 p.a.</b>
<b>Gross Annual Need:</b> (132 plus 621)	<b>equals</b>	<b>752 p.a.</b>
<b>Annual Supply from Re-lets</b>	<b>less</b>	<b>408 p.a.</b>
<b>Net Requirement for New Supply</b>	<b>equals</b>	<b>344 p.a.</b>

## 5. Calculation of Housing Need - Registered

The need for affordable housing to meet un-registered cannot be so precisely calculated, but an indication of the scale of it can be seen from the following:

The recent report by Professor Wilcox for the Joseph Rowntree Foundation shows that 31% of working households in the 20-39 age group (excluding those in receipt of housing benefit) could not afford to purchase the lowest decile price for a 2 or 3 bedroom property, even with an £18,000 deposit and a mortgage of 3.75 x a single income or 3.25 x a joint income.

In 2001, 1,500 properties were sold in below the price that was affordable to a person earning not more than £20,000.

In 2004, even after adjusting for increased earnings, the number of properties that were at a comparable level of affordability had reduced to less than 630, thus removing 870 prospective purchasers from the market.

Although many of these may have found alternatives – such as private renting, sharing or continuing to live with parents – at the very least this would indicate that around a quarter of the 870 represented: **Intermediate Market Need of 215 p.a.**

## 6. Total Affordable Housing Need

Even on this conservative treatment of both registered and unregistered need, the annual requirement is: **344 plus 215 = 559 p.a.**

## 7. Affordable Housing Supply

The report considers three policy options for the post 2011 period (almost all affordable housing due to be delivered up to that date being subject to existing policy). The baseline assumes no change, the first alternative would be in line with most current policy proposals in the region, and the second alternative would match the most ambitious targets in recently adopted Local Plans.

While existing policy should ensure an increase in annual supply from less than 100 p.a. to almost 200 p.a. for 2006/11, the post 2011 options would produce the following from a total of 860 dwellings p.a.

Post 2011:	% affordable	Number affordable
Current policy	30%	253
Other proposals	38%	327
Most ambitious achieved	42%	361

It is clear that new supply alone will be far from adequate to meet the level of identified need, and a significant proportion can only be met through reversing the recent decline in re-lets. This might be through assisting tenants and priority applicants into lower cost forms of home ownership, or making better use of low demand sheltered housing.

## 8. Policy Recommendations

**Definition of Intermediate Market Affordable Housing** - This should be linked to a level of monthly cost that is comparable to the lower level of the private rented sector, as evidenced by the following table of monthly costs:

Property Type	New Build purchase	Re-sale purchase	Market Rent (higher level)	<b>Market Rent (lower level)</b>	Social Rent
1 bed flat	£533	£506	£500	<b>£400</b>	£250
2 bed flat	£693	£533	£600	<b>£475</b>	£275
2 bed house	£773	£639	£600	<b>£500</b>	£300
3 bed house	£852	£666	£750	<b>£575</b>	£330

These costs will require considerable modification to the prevailing models of shared ownership, involving the sale of a lower percentage of the equity and a lower (or nominal) rent charge. This will reduce the price that an RSL can pay a developer for the property, but still leave it at more than twice the price they can pay for a social rented property when no grant is involved.

**Proportion of Affordable Housing** - There is ample justification for a 50% target in urban areas and 2/3 in rural areas, split equally between social rent and intermediate market. There appears to be no reason why the LDF should not allocate sites for affordable housing only in suitable rural settlements, in line with the recent amendment to PPG3.

**Compromises on account of Financial Viability** - Financial viability should be properly established prior to a site being either allocated or identified as suitable for residential use as a windfall. A lower proportion, or some other compromise, can then be established at the outset rather than after an application is received.

**Securing Continuing Affordability** - With an increased proportion of intermediate market housing, the amount of unsold equity will be substantial. In rural areas it might be appropriate to restrict the level of equity that can be purchased through 'stair casing', but in urban areas this should not be necessary as long as the receipts are ring fenced for re-investment.

**Establishing the Policy Requirements** - To ensure that the essential policy requirements can be achieved, the principles of each element will need to be set out in the Local Development Framework policy and elaborated in a Supplementary Planning Document. If these requirements are developed, and subjected to consultation at an early date, this will speed up their eventual implementation.

## 9. Administrative Requirements

**Establish Comprehensive Management Information System** for all records of affordable housing need, stock and supply. This will enable simple updating of the Assessment, and help ensure that the right type of new supply is secured.

**Develop more affordable intermediate market products** that will be accessible to all income groups who are excluded from the market.

**Increased re-lets and better use of existing stock** - meeting tenant's aspirations, and addressing under-occupation and low demand sheltered housing.