APPENDIX A

SOUTH KESTEVEN DISTRICT COUNCIL

Housing

Market demand

Housing need

Study

HOUSING NEEDS STUDY REPORT

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fordham RESEARCH

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Executive summary

Context of the Study

Fordham Research were commissioned to carry out a Housing Needs Assessment for South Kesteven. The study was designed to assess the future requirements for both affordable and market housing. To do this the study drew on a number of sources of information. These included:

i) A personal interview of 594 households, and a postal survey of 4,086 households, making a total of 4,680 local households
ii) Interviews with local estate and letting agents
iii) Review of secondary data (including Land Registry, Census and H.I.P. data)

South Kesteven District Council study area

Survey and initial data

A major part of the study process was a personal and interview survey of local households. In total 4,680 households took part in the survey. The questionnaire covered a wide range of issues including questions about:

- Current housing circumstances
- Past moves
- Future housing intentions
- The requirements of newly forming households
- Detailed financial information

Information from the questionnaire survey was used throughout the report (along with secondary information) to make estimates about the future housing requirements across all tenures in the District.

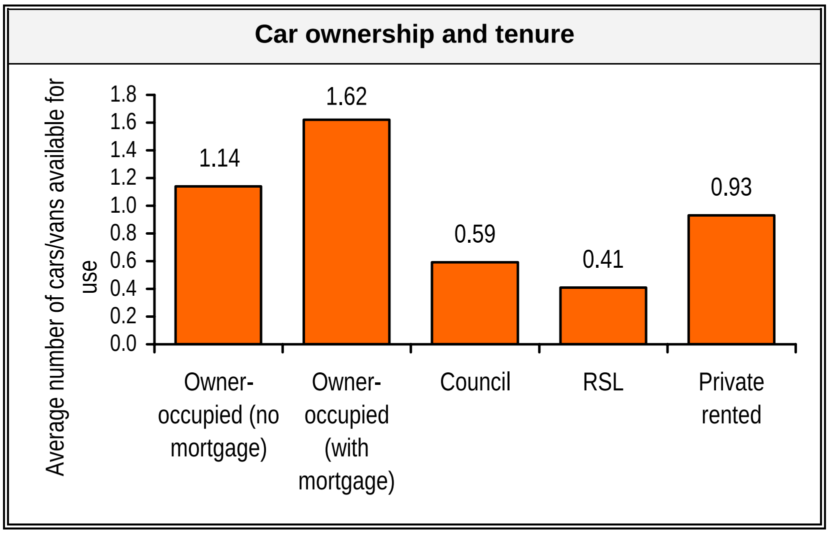
Overall the survey estimated that around 76.5% of households are currently owner-occupiers with around 13.7% living in the social rented sector.

Number of households in each tenure group

Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	16,632	30.8%	1,755	37.5%
Owner-occupied (with mortgage)	24,677	45.7%	2,005	42.8%
Council	6,359	11.8%	401	8.6%
RSL	1,033	1.9%	81	1.7%
Private rented	5,299	9.8%	438	9.4%
Total	54,000	100.0%	4,680	100.0%

The survey reported on a number of general characteristics of households in South Kesteven. The study estimated that 92.2% of all households in the District live in houses, and around a quarter of households contain at least one pensioner and also around a quarter of households contain children. The study also looked at car ownership(which is often used as an indication of wealth).

The figure below shows car ownership in the District by tenure. It is clear that there are large differences between the different tenure groups with owner-occupiers (with mortgage) having a significantly greater level of car ownership than households in the social rented sector.



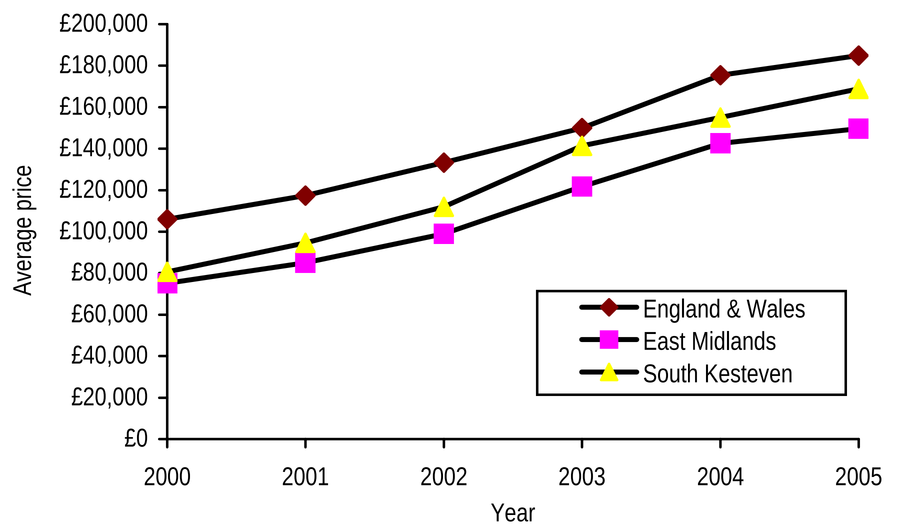
The study also looked at past trends in household movement and future expectations. The broad findings were:

- An estimated 19.7% of households in South Kesteven have moved home in the last two years, with just over half of all moves having occurred within the District
- In terms of future household moves, the survey estimates that 7,490 existing and 2,969 newly forming households need or expect to move within the next two years. In both cases a higher proportion would like to move to owner-occupation than expect to do so

Finally the survey indicated differences in housing costs between different tenures with the highest costs in the private rented and the owner occupied (with mortgage) sectors and the lowest in the social rented sector. Differences were more marked when housing benefit was removed.

One of the main sources of secondary information was the Land Registry. This data source suggested that average property prices in South Kesteven are 8.7% lower than the average for England & Wales, but 11.3% higher than the East Midlands average. However, between 2000-2005, prices in South Kesteven rose at a higher rate than observed both nationally and regionally.

Land Registry price changes 2000 –2005 (2nd quarters)



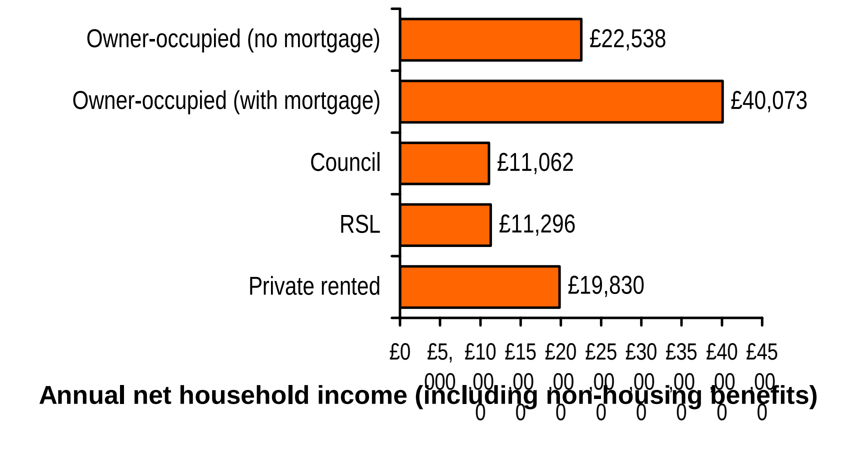
A survey of local estate and letting agents identified estimates of the minimum costs of housing to both buy and rent in the District. Overall, the survey suggested that in Grantham prices started at around £80,000 for a one bedroom flat with private rental costs starting from around £370 per month.

Minimum property prices/rent in Grantham		
Property size	Minimum price	Minimum rents
1 bedroom	£80,000	£370
2 bedrooms	£115,000	£430
3 bedrooms	£143,000	£520
4 bedrooms	£197,500	£700

The information about minimum prices and rents was used along with financial information collected in the survey to make estimates of households' ability to afford market housing (without the need for subsidy).

The survey estimated average net household income per annum (including non-housing benefits) to be £28,719. There were, however, wide variations by tenure; with households living in social rented housing having particularly low income levels.

Income and tenure

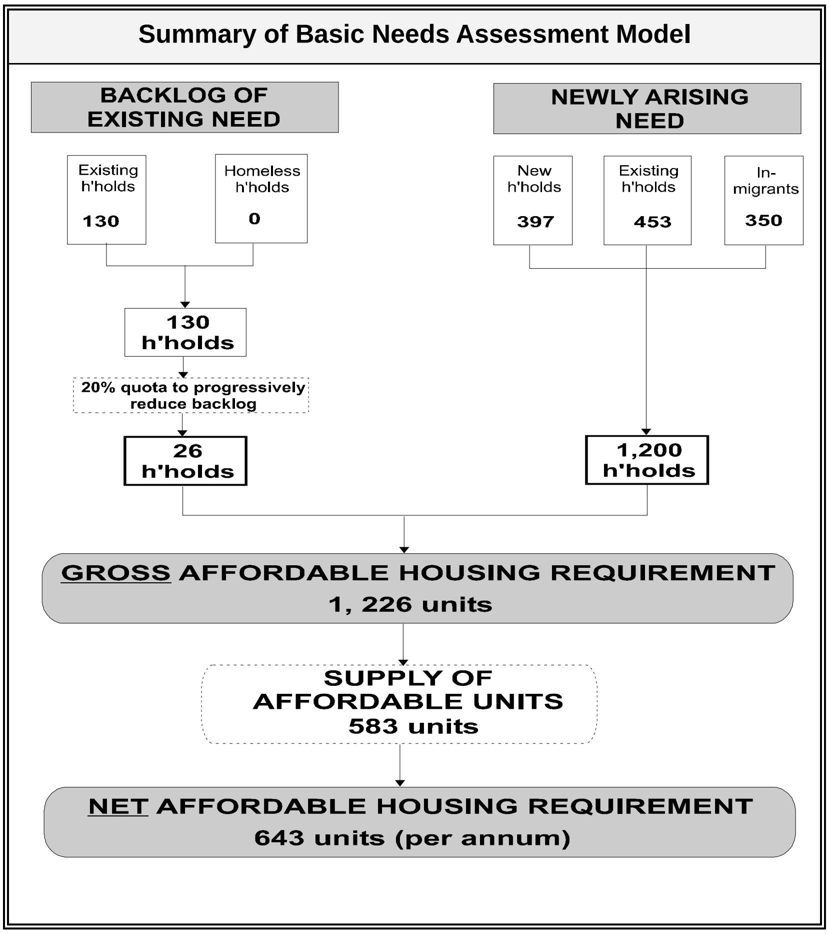


The Guide model

As part of the study, an estimate of the need for affordable housing was made based on the 'Basic Needs Assessment Model' (BNAM). The BNAM is the main method for calculating affordable housing requirements suggested in Government guidance *'Local Housing Needs Assessment: A Guide to Good Practice'* (ODPM 2000).

The BNAM sets out 18 stages of analysis to produce an estimate of the annual requirement for additional affordable housing. The model can be summarised as three main analytical stages with a fourth stage producing the final requirement figure. The stages are:

- Backlog of existing need
- Newly arising need
- Supply of affordable units
- Overall affordable housing requirement



Overall, using the BNAM it was estimated that there is currently a shortfall of affordable housing in the South Kesteven District Council of around 646 units per annum. The data suggested that this shortfall is most acute for smaller (one and two bedroom) properties. Additionally, data suggests shortfalls across the District, though most notably in Grantham.

The analysis suggests that any target of affordable housing is justified (in terms of the needs) and that site size thresholds below the current Circular 6/98 level of 25 dwellings should be considered. Further analysis suggests that around half of this need could theoretically be met by 'intermediate' housing, available at outgoings between social rents and the minimum cost of (second hand) market housing.

Affordable Housing Policy Targets

The recommendation from the Lincolnshire County Council Deposit Draft Structure Plan (2004) is that local plans should provide policies on affordable housing provision which are supported by an up-to-date housing needs assessment and set achievable targets.

The following two points are the key recommendations from the South Kesteven Local Plan (1995):

- *Policy H8-* that affordable housing may be permitted where other housing would not be, namely on small sites adjacent to other housing
- *Policy H9-* when developing large sites, and where there is a demonstrable need for affordable housing, the council will seek to negotiate with developers for the inclusion of an element of affordable housing, and a reasonable mix of housing types.

In neither of these plans do they set a site threshold. However, a small site is defined in the South Kesteven Local Plan as up to 10 dwellings.

The ODPM Guide to Housing Needs Surveys has its own proposals on how targets should be calculated (contained within Table 8.1 of the Guide). It is therefore worth pursuing the suggested ODPM method to show the expected result. The table below shows an estimate of the likely suggested percentage target from following the ODPM method.

Table 10.5 Calculation of affordable housing target: following ODPM methodology	
Element	Dwellings (per annum)
Affordable housing requirement	646
Minus affordable supply from non S106 sites (estd.)*	-2
Equals	644
Projected building rate (estimated)**	460
Minus affordable supply from non S106 sites (estd.)*	-2
Minus sites below threshold (assumed)	-0
Equals	458
Therefore Target is	644/458
Equals	140%

*Notes: * HSSA data*
*** Information on projected building rate from Lincolnshire Draft Deposit Structure Plan*

Given the results of this table it is clear that at the general level, any target would be justified. In our view there is no real point in varying the target from site to site or from locality to locality; the target is only likely to be varied downwards as a result of this practice.

Custom and practice is in fact the only guide to choosing a target, assuming that there is a substantial housing need. Clearly that is the case in South Kesteven District. The evidence suggests that for example a target of 50% is justified. Such targets have been used by a number of local planning authorities. There have been no justifiable problems with financial viability as a consequence, though this site specific matter may require investigation in some cases (e.g. severely damaged brownfield sites).

We would advise the use of a District-wide percentage target. This is the most easily understood form of target. It applies to allocated and windfall sites where viability permits. It is almost impossible to justify any variation of targets, since the Council's housing needs problem is one for the Local Planning Authority and the Local Housing Authority as a whole. The question of how and where to meet the housing needs problem is a strategic one for the Council. On the evidence, a 50% target is justified, and therefore recommended.

Broader Housing Market & Future Changes

In addition to concentrating on the need for affordable housing in isolation the study looked at housing requirements in the private sector market. The analysis began by looking at the differences between three broad housing sectors (owner-occupation, private rented and social rented). The survey data revealed large differences between the three main tenure groups in terms of stock profile (size of accommodation), turnover and receipt of housing benefit (or income support towards mortgage interest payments in the case of owner-occupiers).

Profile and turnover of stock and housing benefit claims by tenure

Tenure	% of properties with less than three bedrooms	Annual turnover of stock (% of households)	% claiming housing benefit (income support for owners)
Owner-occupied	20.0%	8.3%	1.3%
Private rented	56.6%	20.8%	16.2%
Social rented	59.5%	9.8%	75.2%
All Households	29.0%	13.0%	30.9%

In terms of estimating market requirements a 'Balancing Housing Markets' (BHM) assessment was undertaken looking at the whole local housing market, considering the extent to which supply and demand are 'balanced' across tenure and property size. The notion has been brought into prominence by the work of the Audit Commission in assessing councils' performance (Comprehensive Performance Assessment (CPA) of district authorities).

The BHM differs from the BNAM in that it looks at households' future aspirations and affordability – the BNAM is mainly a trend-based analysis. The table below shows the overall results of the BHM analysis.

Total shortfall or (surplus)

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	76	335	44	134	588
Affordable housing	94	347	178	22	640
Private rented	(-106)	(-134)	(-141)	(-14)	(-396)
Total	64	547	80	142	833

A number of conclusions can be drawn from this analysis:

i) In terms of the demand for affordable housing in the District it is clear that this is on-going. The BHM methodology suggests a significant shortfall of affordable housing of all sizes of accommodation, most notably two and three bedroom homes

ii) Overall, the data also shows a shortfall of owner-occupied housing and a large surplus in the private rented sector. In terms of size requirements, the information suggests that in the owner-occupied sector the main shortage is for two bedroom homes; whereas in the private rented sector all dwelling sizes except four bedroom properties show similar levels of surplus.

Therefore both the BHM and BNAM analyses suggest that there will be a shortage of affordable housing in the future.

The Needs of Particular groups

The study moved on from a consideration of future needs for additional housing to look at the needs of particular groups. The survey concentrated on the characteristics and requirements of households with disabilities (special needs households), key workers, Black and Minority Ethnic households and overcrowded households.

Supporting people

Information from the survey on special needs groups can be of assistance to authorities drawing up their detailed Supporting People Strategies. Some 17.9% of all the District's households (9,648) contain special needs members. 'Physically disabled' is the largest category with special needs.

Special needs categories			
Category	Number of households	% of all households	% of special needs households
Frail elderly	2,882	5.3%	29.9%
Physical disability	5,792	10.7%	60.0%
Learning disability	915	1.7%	9.5%
Mental health problem	1,215	2.3%	12.6%
Vulnerable young people & children leaving care	0	0.0%	0.0%
Severe sensory disability	423	0.8%	4.4%
Other	1,210	2.2%	12.5%

Special needs households in South Kesteven are disproportionately made up of older persons only. Special needs households have lower than average incomes and are more likely than households overall to be in unsuitable housing.

Special needs households in general stated a requirement for a wide range of adaptations and improvements to the home. The most commonly-sought improvements needed were:

- Shower unit (1,643 households – 17.0% of all special needs households)
- Extra handrails inside home (1,245 households – 12.9% of all special needs households)
- Wheelchair access (874 households- 9.1% of special needs households)

The survey also suggested considerable scope for 'care & repair' and 'staying put' schemes, with a larger than average proportion of special needs households stating problems with maintaining their homes.

Key worker households

The term intermediate housing is often used with reference to specific groups of households such as key workers. The survey therefore analysed such households (the definition being based on categories of employment and notably including public sector workers). Analysis of survey data indicates that there are an estimated 9,489 people in key worker occupations and 4,790 households are headed by a key worker. These households are more likely to be owner-occupiers, and are more likely to contain two adults.

Key worker categories		
Category	Number of persons	% of key workers
Health care	3,906	41.2%
Education	4,022	42.4%
Police officers	297	3.1%
Prison and probation services	393	4.1%
Social services	765	8.1%
Fire service	105	1.1%
Total	9,489	100.0%

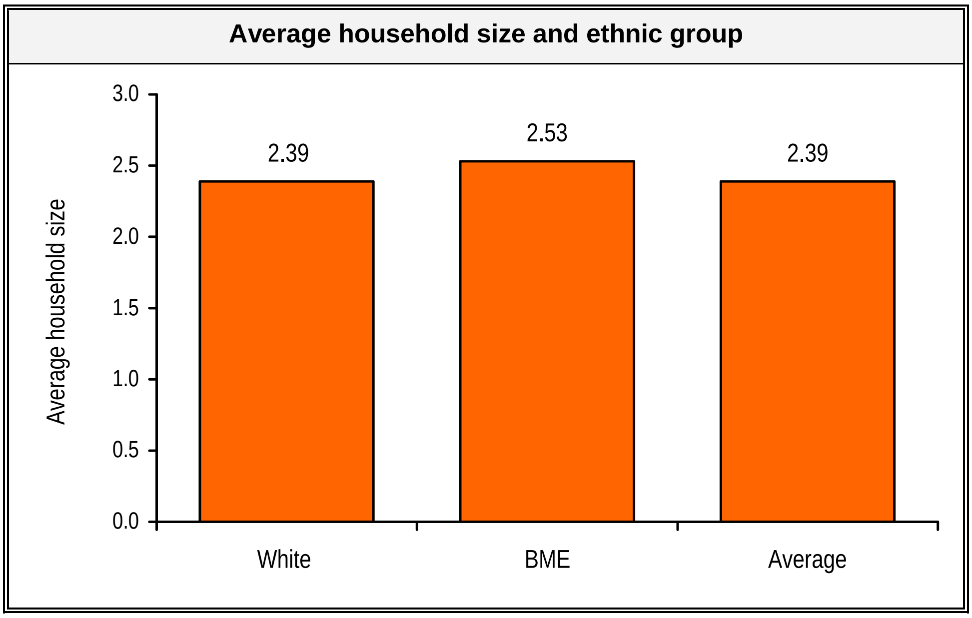
The main findings from further analysis of these groups of households can be summarised as follows:

- Key worker households are more likely to have moved in the last two years than non-key workers and are less likely to have moved from elsewhere in South Kesteven than non-key workers
- Key worker households are less likely to want to move within the District, and but are more likely to want to buy their own home
- Key worker households have slightly higher incomes to non-key worker households (in employment)
- Four-fifths of key worker households can afford market housing in the District. Of those that can't afford, intermediate housing options are only affordable for 33.3%. Looking only at those key worker households who need or are likely to move in the next two years we find a worse affordability situation and a higher proportion able to afford intermediate housing
- In terms of the need for affordable housing the study suggests that around 20.6% of the net affordable housing requirement comes from key worker households.

Black and Minority Ethnic households

The survey revealed that 98.9% of South Kesteven households were White, with the remaining 1.1% being BME households.

The survey showed that BME households have a larger average household size than other households. Additionally, results show that BME households are less likely to be owner-occupiers and more likely to be living in private rented accommodation.



Finally, the survey results suggest that White households are particularly likely to be made up of older people and that these households are generally more likely to contain someone with a special need.

Older person households

Some 24.7% of households in South Kesteven contain older persons only, and a further 8.2% contain a mix of both older and non-older persons. Older person only households are largely comprised of one or two persons, providing implications for future caring patterns. Although the majority of older person only households live in the private sector, a high proportion of social rented accommodation houses older people only (41.7% of all Council and 32.7% of all RSL accommodation).

Overcrowding and under-occupation

This brief chapter looked at overcrowding and under-occupation. The results suggest that 1.6% of all households are overcrowded and 44.2% under-occupy their dwelling. The owner-occupied (no mortgage) sector shows the highest levels of under-occupation; the private and Council rented sectors the highest overcrowding. Households with low incomes, lone parent households and 2 adults with children are especially likely to suffer from over-crowding, as are BME households.

Overcrowding and under-occupation

Number of bedrooms required	Number of bedrooms in home				
	1	2	3	4+	TOTAL
1 bedroom	2,956	134	32	0	3,122
2 bedrooms	10,019	2,254	240	26	12,539
3 bedrooms	13,666	7,860	3,460	382	25,368
4+ bedrooms	4,733	4,746	3,047	445	12,971
Total	31,374	14,994	6,779	853	54,000

KEY: Overcrowded households Under-occupied households

Note: The bottom two cells of the 4+ bedroom column contain some households that are either overcrowded or under-occupied – for example they may require three bedrooms but live in a five bedroom property or may require five bedroom property but currently be occupying four bedroom property.

Conclusions

The housing needs study of the South Kesteven District Council provides a detailed analysis of housing requirement issues across the whole housing market in the District. The study began by following the Basic Needs Assessment Model, which estimated a requirement to provide an additional 646 affordable dwellings per annum if all housing needs are to be met (for the next five years).

The study continued by looking at requirements in the housing market overall using a 'Balancing Housing Markets' methodology. This again suggested a significant requirement for additional affordable housing to be provided.

Overall, the need for additional affordable housing represents nearly double the level of estimated new dwellings in the District (460 units per annum). It would be sensible to suggest that in the light of the affordable housing requirement shown, the Council will need to maximise the availability of affordable housing from all available sources (including new-build, acquisitions, conversions etc). Attention should also be paid to the cost (to occupants) of any additional housing to make sure that it can actually meet the needs identified in the survey.