



# 2004 HOUSING NEEDS SURVEY UPDATE

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## SUMMARY

This report has been produced for Southend-on-Sea Borough Council as an update to the 2002 housing needs survey. The main purpose of the update is to revise estimates of the need for affordable housing as new information has become available. The main changes made were:

1. To take account of changes in the housing market (i.e. changes in prices/rents)
2. To take account of changes in the supply of affordable housing
3. A re-basing of base figures to take account of information from the 2001 Census and also H.I.P. data

In addition the opportunity was taken to consider in greater detail the wider housing market in terms of demands and affordability across all tenures in the Borough (rather than just affordable housing). This additional analysis is termed the 'Balancing Housing Markets' analysis and has been included because this issue has become a more prominent issue to consider in recent housing needs surveys.

Overall, the results of the update suggest a slightly lower level of housing need than that shown in 2002 (an annual requirement for 1,363 units). This reflects a slightly lower level of gross need and a slight increase in the supply of affordable housing. The assessment does however show a significant amount of need and suggests that any target level for affordable housing would be perfectly justified.

In terms of the types of affordable housing able to meet the identified need, analysis suggests that around a third of the gross need could afford 'intermediate' forms of housing available at outgoings between social rents and the minimum cost of (second hand) market housing. However this assumes that intermediate housing could be provided at a cost just above social rented housing, and further analysis indicates that very few households are able to afford costs just below minimum market prices (the typical price at which intermediate housing is usually made available).

The balancing housing markets exercise confirms the need (demand) for affordable housing and surpluses of private rented housing. The analysis also indicates the existence of a significant shortage of one and two bedroom homes in the owner-occupied sector.

Overall, the update confirms the continuing need for affordable housing in the Borough, it suggests a very limited scope for forms of housing other than social rent and also suggests that in the private sector the main requirement is for smaller owner-occupied properties.



# 1. INTRODUCTION

## 1.1 Nature of this report

During 2002 *Fordham Research* carried out a Housing Needs Survey for Southend-on-Sea Borough Council. The report included detailed assessments of the levels of housing need and the need for new affordable housing, together with commentary on the affordable housing options to meet identified need. This report is intended to review the Housing Needs Survey (HNS) and provide an updated estimate in the context of changes that have occurred since the time of the first survey.

The main changes are:

1. Changes in market prices/rents and income levels which have occurred since the original HNS
2. Changes in the supply of affordable housing (relets excluding transfers within the social rented sector)
3. Improvements to the methodology used to assess housing need

## 1.2 Why do a Housing Needs Survey?

The reasons for carrying out Housing Needs Surveys are well documented in ODPM advice. The following is taken from *Local Housing Needs Assessment: A Guide to Good Practice – (ODPM Housing Research Summary Number 117, 2000)*:-

*'.....Every local authority has a responsibility to produce a housing strategy based on up-to-date assessments of aggregate housing needs in their area. These strategies are reflected in authorities' annual Housing Investment Programme (HIP) submissions to central government, and an assessment of their quality contributes to ODPM decisions on HIP resource allocation. Local housing needs assessment also plays a crucial role in underpinning land-use policies relating to affordable housing, a policy area increasingly emphasised by central government. In addition, information on local needs is required to guide new provision investment (mainly involving RSL's) and to inform local authority policies on stock conversion, demolition and transfer.....'*

The survey reported here addresses the question of housing need at Borough level. Since, both for Housing Investment purposes and Local Plan reasons, the need has only to be established at the District level, there is no general requirement to achieve a high level of geographical detail.

### 1.3 Key points from the housing needs assessment guide

The basis for carrying out housing needs assessment has been standardised by the publication of the Guide (formally: *Local Housing Needs Assessment: A Guide to Good Practice – ODPM Housing, July 2000*). Since the Guide now provides the test of a good Housing Needs Survey, it is important to summarise its key features. This section is devoted to that purpose.

#### *(i) Introduction*

This Guide, published in July 2000, has gone a long way to filling the gap which has been apparent ever since, in Circular 7/91, the Government told councils they could seek affordable housing provided that there was evidence of housing need (without ever explaining what ‘need’ meant).

There are still a number of detailed difficulties with the advice, but they are minor compared with the gaps that have been filled. The following summary focuses upon the key issues, and in particular those which affect affordable housing.

#### *(ii) Definition of housing need*

The definition of housing need controls which households are defined as being in need, and indirectly affects what constitutes affordable housing. Affordable housing is, in principle, designed to address the identified housing need. The Guide defines a household in housing need as one which is living in housing that is not suitable for its requirements and who cannot afford to resolve this unsuitability within the private sector housing market.

<b>ODPM Guide</b>	<i>‘Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.’ Appendix 2 (page 116)]</i>
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‘Unsuitable housing’ is used throughout the Guide to refer to households who are potentially in need. The second part of the test is an evaluation of whether a household in unsuitable housing can afford market prices to buy or rent.

#### *(iii) Procedure*

An 18 staged procedure is set out in the Guide. This is aimed at producing an estimate of the net need for new affordable housing. Thus the Guide is very much geared to the requirements of planning for clear indications of the affordable housing requirement. The following table reproduces the stages from the key table of the Guide.

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**Table 1.1 Basic Needs Assessment Model: (from Table 2.1 of *ODPM Local Housing Needs Assessment: A Guide to Good Practice*)**

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***Element and Stage in Calculation***

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***B: BACKLOG OF EXISTING NEED***

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1. Backlog need existing households
  2. *minus* cases where in-situ solution most appropriate
  3. *times* proportion unable to afford to buy or rent in market
  4. *plus* Backlog (non-households)
  5. *equals* total Backlog need
  6. *times* quota to progressively reduce backlog
  7. *equals* annual need to reduce Backlog
- 

***N: NEWLY ARISING NEED***

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8. New household formation (gross, p.a.)
  9. *times* proportion unable to buy or rent in market
  10. *plus* ex-institutional population moving into community
  11. *plus* existing households falling into need
  12. *plus* in-migrant households unable to afford market housing
  13. *equals* Newly arising need
- 

***S: SUPPLY OF AFFORDABLE UNITS***

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14. Supply of social relets p.a.
  15. *minus* increased vacancies & units taken out of management
  16. *plus* committed units of new affordable supply p.a.
  17. *equals* affordable supply
- 
18. Overall shortfall/surplus
- 

*Source: Local Housing Needs Assessment: A Guide to Good Practice ODPM 2000*

*NB This table has been adapted from Table 2.1 of the Guide, by removing the suggested data sources.*

***(iv) Conclusions***

The Guide provides a coherent definition of housing need, and a great deal of advice on how to implement it. Throughout this report key methodological quotes from the guide are highlighted in boxes. This is to help understand and reinforce the reasoning behind some of the analysis carried out.

## 1.4 Methodological changes

A number of developments to the assessment of the overall requirement have been implemented in the current report. This includes, for example, standardisation of the affordability assessment using affordability ratios that compare housing costs as a proportion of net household income. The thresholds for affordability range from 25% to 35% of net income depending upon the total amount of household income. The net income estimate includes all non housing benefits and has been adjusted to reflect the impact of household composition on disposable income using the McClements equivalence scale.

The other significant development is that the assessment of newly arising need from new household formation is now based on households forming in the last three years rather than future intended moves. Although this is likely to understate the need for affordable housing from this group of households, (as significant house price rises for example can suppress new household formation), it has been used to ensure the overall requirement is a minimum requirement. The remaining components of the assessment do however remain unchanged.

## 1.5 Summary

Housing Needs Surveys have become, over the past decade, a standard requirement for local authorities across Britain. The publication of *Local Housing Needs Assessment: A Guide to Good Practice* by ODPM in July 2000 has now standardised the form of such assessments. They are designed to underpin housing and planning strategies by providing relevant data for them.

In addition to focussing on the need for affordable housing, this study addresses housing requirements across all housing tenures. This is with a view to producing information, which will assist policy making in relation to both housing and planning policy, as well as the Comprehensive Performance Review.

### **Changes since 2002**

This report is designed to update the results of the 2002 survey by taking account of changes in household numbers, house prices and incomes. It also uses information now available from the Census together with recent HIP information to adjust for changes in tenure. The stages of the approach remain largely unchanged from the previous survey, although some modifications to the affordability assessment and newly arising need from new household formation have been undertaken.

## 2. SURVEY WORK AND VALIDATION

### 2.1 Introduction

The 2002 survey employed a hybrid approach with both personal interviews and postal questionnaires covering all areas and tenure groups in the Borough. The samples were drawn from the Council Tax Register.

The survey achieved a total 500 completed personal interviews. In addition 2,090 households returned a postal survey form giving a total of 2,590 responses. This allows us to complete accurate and detailed analysis of needs across the Borough. Survey fieldwork was completed in June 2002. For the purpose of this update report the original survey data has been re-weighted for measurable bias taking account of more recently available information sources. This Chapter provides information on the procedures to take account of survey bias and compares results with other data sources.

### 2.2 Base household figures

The 2002 survey used a combination of information sources to estimate a total number of households at the time of the survey, and further used survey data to estimate additional households in multiple occupation. The total number of households at 2002 was estimated to be 73,995.

To update the household estimate, the Council's H.I.P. return (for 2003) is the primary source of information used. At April 2003 there are an estimated 73,819 occupied dwellings in the Borough. Analysis of past H.I.P. return information back to 2000 suggests household growth of around 569 households per annum. Therefore the estimated number of households at April 2004 is 74,388 (73,819 + 569).

As with the previous survey however, in deriving a total household account is also taken of additional households in multiple occupation. Information from the survey suggests an additional 553 households in the dwelling stock due to sharing. Taking account of these households, the total number of households in Southend-on-Sea is estimated to be 74,941 (74,388+553).

## 2.3 Household profile

The table below shows an estimate of the current tenure split in Southend-on-Sea. Information for this came from Council H.I.P. forms and the 2001 Census.

**Table 2.1 Number of households in each tenure group**

Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	24,647	32.9%	932	36.0%
Owner-occupied (with mortgage) ①	30,148	40.2%	1,043	40.3%
Council	6,110	8.2%	203	7.8%
RSL	3,132	4.2%	92	3.6%
Private rented ②	10,903	14.5%	320	12.4%
<b>TOTAL</b>	<b>74,941</b>	<b>100.0%</b>	<b>2,590</b>	<b>100.0%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

NOTES ① - Includes shared ownership

② - Includes 'tied' accommodation

An important aspect of preparing data for analysis is 'weighting' it. As can be seen from the table above, social survey responses never exactly match the estimated population. As a result it is necessary to 'rebalance' the data to correctly represent the population being analysed. This approach is recommended in the Guide.

### ODPM Guide

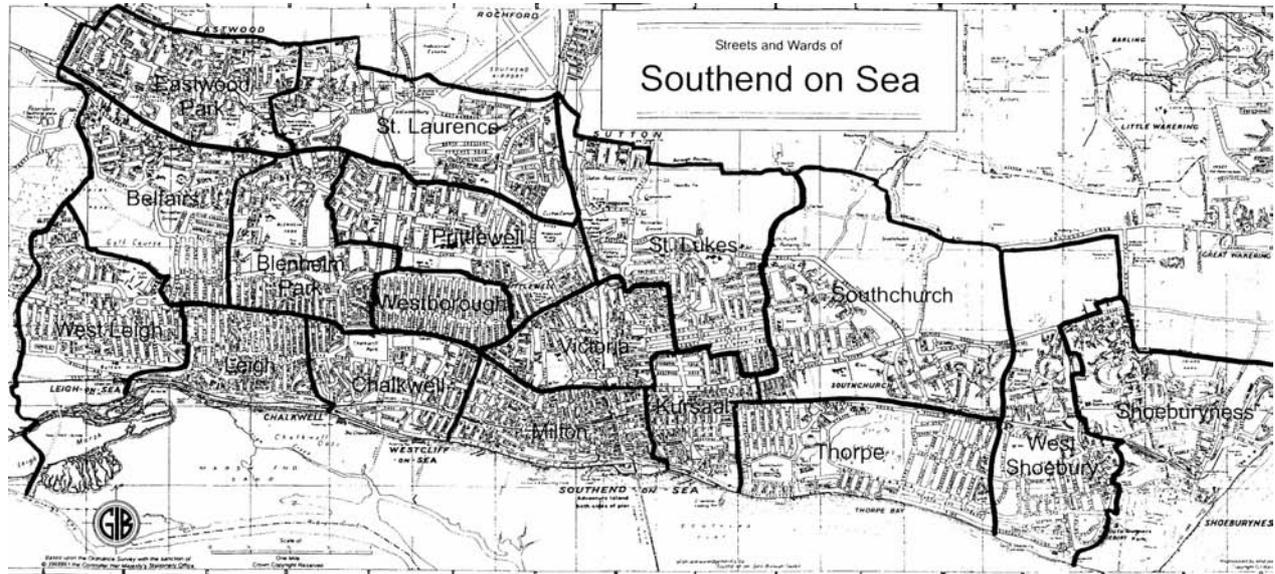
'If inconsistencies are found between survey results and benchmark sources, there may be a case for re-weighting the data in-line with the distribution indicated by the benchmark source.'  
[Section 4.2 (page 54)]

There are diminishing returns to weighting survey data. Thus weighting by 6 variables is not twice as good as weighting by three: indeed it may add no further accuracy at all provided that the first factors are suitably chosen. This survey was weighted by the following five variables:

- τTenure (from 2001 Census and H.I.P. data)
- τSeventeen wards (from 2001 Census)
- τHousehold type (Table KS20 of 2001 Census)
- τAccommodation type (Table KS16 of 2001 Census)
- τCar ownership (Table KS17 of 2001 Census)

The proportion of households of various types in the survey were weighted so as to be in line with the proportion shown in each of these groups. The distributions of data for these variables are shown below.

Figure 2.1 Housing needs survey study area



Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

Table 2.2 Number of households in each sub-area

Sub-area	Total number of households	% of households	Number of returns	% of returns
Eastwood Park	4,140	5.5%	165	6.4%
Belfairs	4,314	5.8%	158	6.1%
West Leigh	3,937	5.3%	174	6.7%
St. Laurence	4,591	6.1%	140	5.4%
Blenheim Park	4,401	5.9%	154	5.9%
Leigh	4,679	6.2%	145	5.6%
Prittlewell	4,546	6.1%	152	5.9%
Westborough	4,588	6.1%	156	6.0%
Chalkwell	4,262	5.7%	174	6.7%
St. Lukes	4,760	6.4%	140	5.4%
Victoria	4,712	6.3%	162	6.3%
Milton	4,823	6.4%	122	4.7%
Kursaal	4,456	5.9%	134	5.2%
Southchurch	4,146	5.5%	145	5.6%
Thorpe	4,019	5.4%	158	6.1%
West Shoebury	4,084	5.4%	170	6.6%
Shoeburyness	4,485	6.0%	141	5.4%
<b>TOTAL</b>	<b>74,941</b>	<b>100.0%</b>	<b>2,590</b>	<b>100.0%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 2.3 Number of households by household type**

<i>Household type</i>	<i>Total number of households</i>	<i>% of households</i>	<i>Number of returns</i>	<i>% of returns</i>
<i>Single pensioner</i>	13,104	17.5%	462	17.8%
<i>2 or more pensioners</i>	7,601	10.1%	359	13.9%
<i>Single non-pensioner</i>	13,496	18.0%	424	16.4%
<i>2 or more adults, no children</i>	22,625	30.2%	733	28.3%
<i>Lone parent</i>	3,492	4.7%	117	4.5%
<i>2+ adults, 1 child</i>	6,012	8.0%	201	7.8%
<i>2+ adults, 2+ children</i>	8,610	11.5%	294	11.4%
<b>TOTAL</b>	<b>74,941</b>	<b>100.0%</b>	<b>2,590</b>	<b>100.0%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 2.4 Dwelling type**

<i>Dwelling type</i>	<i>Total number of households</i>	<i>% of households</i>	<i>Number of returns</i>	<i>% of returns</i>
<i>Flat/maisonette</i>	24,407	32.6%	718	27.7%
<i>Detached/semi-detached/terrace</i>	50,534	67.4%	1,872	72.3%
<b>TOTAL</b>	<b>74,941</b>	<b>100.0%</b>	<b>2,590</b>	<b>100.0%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 2.5 Levels of car ownership**

<i>Car ownership</i>	<i>Total number of households</i>	<i>% of households</i>	<i>Number of returns</i>	<i>% of returns</i>
<i>None</i>	21,476	28.7%	945	36.5%
<i>One</i>	34,082	45.5%	1,077	41.6%
<i>Two</i>	15,594	20.8%	467	18.0%
<i>Three or more</i>	3,789	5.1%	101	3.9%
<b>TOTAL</b>	<b>74,941</b>	<b>100.0%</b>	<b>2,590</b>	<b>100.0%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

## 2.4 Comparisons with secondary data sources

This section shows some of the main findings from the survey of local households and sets them in context with comparisons with similar regional and national figures drawn from a number of secondary data sources.

The table below shows current housing tenure in the Borough. This information is compared with that from the Census and also the S.E.H. The table shows that Owner-occupation levels are relatively high in Southend-on-Sea particularly when compared with the national average, whilst the proportion of households in the social rented sector is noticeably lower than for either the East region or England as a whole. The private rented sector in Southend-on-Sea is significantly higher than both the East region average and the national average. It is also interesting to note the difference in figures for private renting between the S.E.H. and the Census.

**Table 2.6 Housing tenure in Southend-on-Sea, East region and England**

Tenure	Southend-on-Sea (survey)	East region (2001 Census)	England (2001 Census)	England (S.E.H. 2001/02)
Owner-occupied (no mortgage)	32.9%	30.7%	29.2%	29%
Owner-occupied (with mortgage)	40.2%	42.0%	39.5%	42%
Council	8.2%	11.6%	13.2%	14%
RSL	4.2%	4.9%	6.1%	6%
Private rented	14.5%	10.8%	12.0%	10%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004, Census (2001), Survey of English Housing (2001/02)

The table below shows household type groups in Southend-on-Sea, the East region and England. The data suggests that households in Southend-on-Sea are more likely than both regional and national figures to be comprised of single pensioners. The data also suggests much higher levels of single non-pensioner households when compared with regional and national averages. The Census data for the last four categories has been merged into one as slightly different definitions are used between *Fordham Research* and the Census.

**Table 2.7 Household types in Southend-on-Sea, East region and England**

Household type	Southend-on-Sea (survey)	East region (2001 Census)	England (2001 Census)
Single pensioner	17.5%	14.1%	14.4%
2 or more pensioners	10.1%	10.6%	9.3%
Single non-pensioner	18.0%	14.1%	15.7%
2 or more adults, no children	30.2%		
Lone parent	4.7%	61.2%	60.6%
2+ adults, 1 child	8.0%		
2+ adults, 2+ children	11.5%		
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004, Census (2001)

## 2.5 Summary

The housing needs survey was carried out in 2002. A hybrid approach was used achieving 2,590 completed survey forms. This is a significant amount of data and enables reliable analysis of housing need in accordance with ODPM guidance. The original survey data has been re-weighted so as to be representative of all households within Southend-on-Sea. In total it is estimated that there are 74,941 resident households at the beginning of 2004.

Comparison with existing secondary data sources suggests that Southend-on-Sea has higher levels of owner-occupation and lower levels of social rented housing when compared with both national and regional estimates. Southend-on-Sea is also more likely to contain single pensioner and single non-pensioner households when compared with regional and national averages.

### **Changes since 2002**

Adjustments have been made to the data to take account of the changes in the number of households and also changes in the make up of households (e.g. to take account of tenure changes). As of the beginning of 2004, the total number of households in the Borough has been estimated at 74,941, compared to 73,995 in the 2002 survey.

### 3. LOCAL HOUSING MARKET STUDY

#### 3.1 Introduction

This chapter sets out the results of an analysis of housing market prices and rents in Southend-on-Sea. Information was collected from two sources:

- τLand registry
- τSurvey of local estate and letting agents

The analysis provides a context for the property price situation in Southend-on-Sea and then a sequence of analysis based on information collected from estate/letting agents. This leads to figures that show the minimum price/rent of housing for a range of dwelling sizes.

#### 3.2 National, regional and local picture

The Land Registry compiles information on all residential land transactions. Analysis of this data is made available for recent quarterly periods, for geographical areas including Council areas and more highly disaggregated postcode districts, and by four main dwelling types.

This data is therefore very versatile, and can potentially provide a valuable picture of the housing market, both in comparing Southend-on-Sea with other parts of the country, and in showing what is occurring at a very local level, i.e. within the Borough.

Information from Land Registry shows that nationally between 1998 and 2003 average property prices in England and Wales rose by 83.5% whilst in Southend-on-Sea the figure was 119.5%.

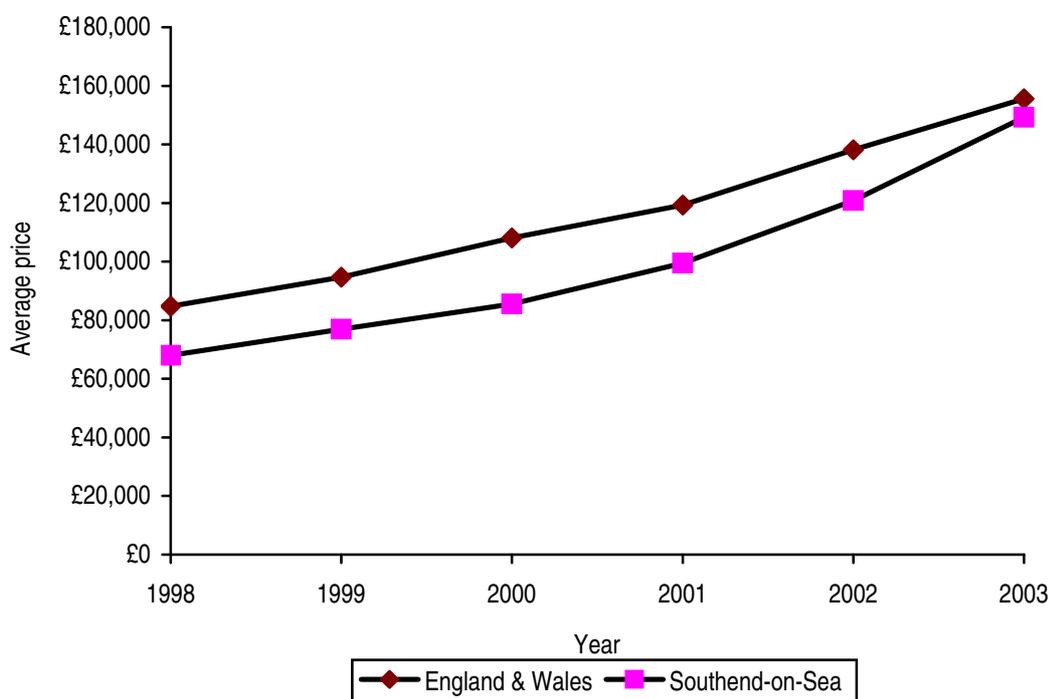
The table below shows average prices in the 4<sup>th</sup> quarter of 2003 for each of England & Wales and Southend-on-Sea. The table shows that average prices in Southend-on-Sea are marginally lower than the average for England & Wales as a whole.

**Table 3.1 Land Registry average prices (4<sup>th</sup> quarter 2003)**

<i>Area</i>	<i>Average price</i>	<i>As % of E &amp; W</i>
<i>England &amp; Wales</i>	£163,584	100.0%
<i>Southend-on-Sea</i>	£160,528	98.1%

*Source: HM Land Registry, Property Price Data, 2003*

**Figure 3.1 Land Registry price changes 1998 –2003**



Source: HM Land Registry, Property Price Data, 2003

The table below shows average property prices for Southend-on-Sea for each dwelling type (from Land Registry data). This data is compared with regional price information. The volume of sales is also included for both areas.

**Table 3.2 Land Registry average prices and sales (4th quarter 2003)**

Dwelling type	Southend-on-Sea		England & Wales	
	Average price	% of sales	Average price	% of sales
Detached	£294,618	13.6%	£248,943	22.7%
Semi-detached	£182,189	23.9%	£147,196	27.9%
Terraced	£138,801	25.9%	£123,231	33.0%
Flat/maisonette	£112,118	36.7%	£154,598	16.4%
<b>All dwellings</b>	<b>£160,528</b>	<b>100.0%</b>	<b>£163,584</b>	<b>100.0%</b>

Source: HM Land Registry, Property Price Data, 2003

The largest volume of sales in Southend-on-Sea was for flat/maisonette dwellings (36.7%) with an average price of £112,118. The volume of flats/maisonettes sold is notably higher than for the whole of England & Wales whilst the proportion of detached houses is significantly lower. This will have the effect of making the average price in Southend-on-Sea appear closer to the national figure than if data were standardised. With the high volume of sales of flats/maisonettes we would assume that these properties would be the main access property type for first time buyers.

Further commentary and analysis of the effects of standardising house prices can be found in Appendix A1 of this report.

### 3.3 Estate Agents' information

To assess changes in house prices since the time of the previous survey a further survey of estate agents within the Southend-on-Sea borough was undertaken. The methodology and approach used to carry out this survey are discussed in more detail in Appendix A1. The function of this primary survey work is to identify suitable estimates of housing costs to determine levels of affordability within the Borough. In determining the appropriate estimates to use, two factors are taken account of:

- τThe appropriate measure of price (e.g. minimum or average prices/costs); and
- τHow to deal with a situation where significant price variations have been identified within the Council area.

On the first point, we use the minimum prices collected in the estate agents survey, since these have been designed to represent the 'entry level' into the housing market. For consistency we will also use minimum private rental costs as part of the affordability test.

<b>ODPM Guide</b>	<i>'The most commonly used affordability test involves comparing estimated incomes of unsuitably housed households against 'entry level' house prices' Section 4.3 (page 57]</i>
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<b>ODPM Guide</b>	<i>'approaches which compare maximum prices payable against average house prices are certainly questionable' Section 4.3 (page 57]</i>
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On the second point, the 2002 survey identified some differences with prices in Leigh-on-Sea and Thorpe Bay more expensive than the remaining parts of the Borough. In consequence the 2002 survey used an estimate of minimum prices and rents based on the cheaper priced areas of the Borough (namely Southend, Shoeburyness, Eastwood and Westcliff areas). The update survey, conducted in April 2004, targeted estate agents covering these areas to produce comparable minimum price estimates.

The results of the survey are presented in the table and figure below and indicate average and minimum estimates both to buy and to rent.

**Table 3.3 Minimum and average property prices/rents in Southend-on-Sea (selected areas as of April 2004)**

<i>Property size</i>	<i>Minimum price</i>	<i>Average price</i>
1 bedroom	£80,500	£105,000
2 bedrooms	£111,000	£149,000
3 bedrooms	£142,000	£193,500
4 bedrooms	£161,500	£231,500
<i>Property size</i>	<i>Minimum rent (£/month)</i>	<i>Average rent (£/month)</i>
1 bedroom	£362	£449
2 bedrooms	£486	£597
3 bedrooms	£604	£730
4 bedrooms	£694	£863

Source: Fordham Research Survey of Estate Agents 2004

**Figure 3.2 Minimum & average property prices in Southend-on-Sea (selected areas as of April 2004)**



Source: Fordham Research Survey of Estate Agents 2004

### 3.4 Changes in prices and rent levels since 2002

The table below compares minimum property prices between the last survey (undertaken in June 2002) and the update survey (undertaken in April 2004).

**Table 3.4 Minimum property prices in Southend-on-Sea (June 2002 and April 2004)**

<i>Property size</i>	<i>June 2002</i>	<i>April 2004</i>	<i>% change in prices</i>
<i>1 bedroom</i>	£58,500	£80,500	37.6%
<i>2 bedrooms</i>	£69,500	£111,000	59.7%
<i>3 bedrooms</i>	£98,000	£142,000	44.9%
<i>4 bedrooms</i>	£141,500	£161,500	14.1%
<b>OVERALL AVERAGE</b>	-	-	<b>39.1%</b>

*Source: Fordham Research Survey of Estate Agents 2002 and 2004*

The table above indicates that minimum prices have increased, overall, by around 40%, with the greatest price rises occurring for two and three bedroom property sizes. Comparison with Land Registry data (between 2<sup>nd</sup> quarter 2002 and 4<sup>th</sup> quarter 2003) suggests average price rises of 39.9%.

In addition to looking at how property prices have changed it is also worth considering changes in the costs of private rented housing. The results are presented in the table below and show that minimum rents have increased by a significantly lower amount than prices, with prices for larger four bedroom property even showing a slight decrease. This is typical of findings elsewhere where increased buy-to-let activity has had the effect of increasing supply of private rented property and limiting significant price rises.

**Table 3.5 Minimum private rental costs (£ per month) in Southend-on-Sea (June 2002 and April 2004)**

<i>Property size</i>	<i>June 2002</i>	<i>April 2004</i>	<i>% change in rents</i>
<i>1 bedroom</i>	£330	£362	9.7%
<i>2 bedrooms</i>	£450	£486	8.0%
<i>3 bedrooms</i>	£590	£604	2.4%
<i>4 bedrooms</i>	£710	£694	-2.3%
<b>OVERALL AVERAGE</b>	-	-	<b>4.5%</b>

*Source: Fordham Research Survey of Estate Agents 2002 and 2004*

### 3.5 Relative housing outgoings

Typical outgoings for the minimum ‘entry level’ prices and rents, average and new build established from the market survey have been calculated. These are set out in the table below and compared to outgoings for newly built social rented housing.

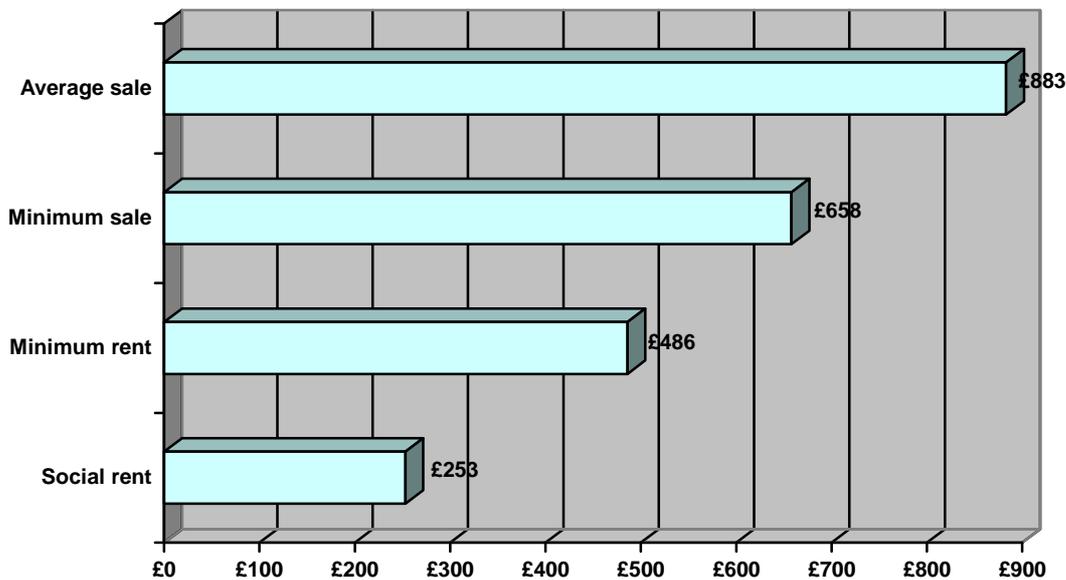
**Table 3.6 Typical outgoings per month (excluding service charges, utility bills, maintenance etc)**

Property size	Outgoings £ per month			
	Social rent	Minimum sale	Minimum rent	Average sale
1 bedroom	£222	£477	£362	£622
2 bedrooms	£253	£658	£486	£883
3 bedrooms	£295	£842	£604	£1,147
4 bedrooms	£338	£957	£694	£1,372

Source: Fordham Research Survey of Estate Agents 2004

NOTES Based on a Nationwide Building Society variable rate 25 year repayment mortgage at 5.14%:

**Figure 3.3 Typical outgoings per month for 2 bedroom property**



Source: Fordham Research Survey of Estate Agents 2004

The data suggests that at present, weekly outgoings for minimum priced property are above those for social rented accommodation. It is also evident that outgoings for minimum rent are cheaper than minimum purchase for all property sizes.

### 3.6 Summary

An analysis of the local housing market is a crucial step in any housing study. In this report information was drawn from both the Land Registry and local estate/letting agents to provide the context for local property prices/rents. Analysis indicates that prices in Southend-on-Sea rose by 120% in the period 1998 to 2003. This is above national increases and has brought property prices in Southend-on-Sea closer to the average for England & Wales as a whole (average property prices for the 4<sup>th</sup> quarter 2003 in Southend-on-Sea represent 98% of the average for England & Wales as a whole).

Consistent with the approach adopted in the 2002 Survey, the estate agent survey suggests that minimum property prices in Southend-on-Sea range from £80,500 for one bedroom properties to £161,500 for 4 bedroom properties. Minimum monthly private rentals vary according to the size of the dwelling, and range from £362 to £694 per month.

#### **Changes since 2002**

The data shows that minimum purchase prices have risen overall since the 2002 survey by an average of around 40%. Minimum rents have also increased but to a much lesser degree (an overall increase of around 5% since the 2002 survey).



## 4. FINANCIAL INFORMATION AND AFFORDABILITY

### 4.1 Introduction

This chapter considers the current financial situation of households in the Borough and sets out the methods used to determine affordability. The financial information is required along with that in the previous chapter to feed into a detailed assessment of affordability. The main income measures used were annual gross income (excluding benefits), weekly net income (including non-housing benefits) and the amount of savings.

#### ODPM Guide

*'An accurate estimate of household income is one of the most important pieces of information that has to be obtained from a housing needs survey'* Section 3.6 (page 39]

The issue of affordability is crucial in assessing both backlog and newly arising needs in the Borough. The latter sections of this chapter concentrate on the assessment of affordability for existing households and also considers the slightly different methods used when assessing the needs of potential households.

To update financial information, data from the *New Earnings Survey* (2002 to 2003) was used which suggests an average annual increase in incomes of around 3.2% in the East region (in which Southend-on-Sea is situated) over the year. Thus an index of +0.8% per quarter (compound) was used to update all financial information on a household by household basis.

### 4.2 Household income

Survey results for average household income for Southend-on-Sea are shown below. Household income is taken to include income of the head of household and their partner (if applicable) but not other members of the household such as a son or daughter.

**Table 4.1 Average household income**

<i>Household income</i>	<i>Average household income</i>
<i>Annual <u>gross</u> household income (including non-housing benefits)</i>	£24,346
<i>Weekly <u>net</u> household income (including non-housing benefits)</i>	£374

*Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004*

Survey results for average household income for Southend-on-Sea suggest that the average net household income (including all non-housing benefits) is around £24,346. Additionally, households have an average of just under £5,804 in savings whilst owner-occupiers are estimated to have an average of just under £109,500 in equity. The table below shows that there are significant differences by various characteristics for each of these measures.

**Table 4.2 Household income and other household characteristics**

<i>Characteristic</i>	<i>Average gross annual household income (including benefits)</i>	<i>Average amount of savings</i>	<i>Average amount of equity (owner-occupiers only)</i>
<b>Tenure</b>			
<i>Owner-occupied (no mortgage)</i>	£20,449	£10,449	£148,636
<i>Owner-occupied (with mortgage)</i>	£35,070	£4,906	£77,181
<i>Council</i>	£8,281	£1,359	-
<i>RSL</i>	£10,639	£2,409	-
<i>Private rented</i>	£16,444	£1,255	-
<b>Household type</b>			
<i>Single pensioner</i>	£8,997	£3,859	£125,719
<i>2 or more pensioners</i>	£18,871	£12,812	£174,715
<i>Single non-pensioner</i>	£18,680	£3,956	£74,242
<i>2 or more adults, no children</i>	£32,774	£7,582	£115,127
<i>Lone parent</i>	£9,533	£1,908	£63,718
<i>2+ adults, 1 child</i>	£33,510	£3,034	£64,496
<i>2+ adults, 2+ children</i>	£38,883	£4,318	£91,478
<b>Special needs</b>			
<i>Special needs</i>	£13,126	£5,273	£130,809
<i>No special needs</i>	£26,017	£5,883	£107,027
<b>ALL HOUSEHOLDS</b>	<b>£24,346</b>	<b>£5,804</b>	<b>£109,322</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

### 4.3 Assessing affordability – existing households

The assessment of affordability for households is carried out using a single test based on the cost of housing and the financial ability of each household to afford housing of a suitable size in the private sector housing market. Adjustments are made to the test depending on income levels and household composition such that affordability tests realistically assess the ability of each individual household to afford suitable housing in the local housing market.

The first step in the procedure is to estimate how much housing will cost for each individual household. This is done for both owner-occupied and private rented housing and is based on the costs shown in the housing market chapter. The table below shows estimated outgoings for each of owner-occupation and private renting. In the case of owner-occupation the costs are based on a 100% repayment mortgage over 25 years (the current base rate of the Nationwide Building Society).

**Table 4.3 Cost of housing in Southend-on-Sea (per week)**

<i>Property size</i>	<i>Owner-occupation</i>	<i>Private rent</i>
<i>1 bedroom</i>	£110	£84
<i>2 bedroom</i>	£152	£112
<i>3 bedroom</i>	£194	£139
<i>4 bedroom</i>	£221	£160

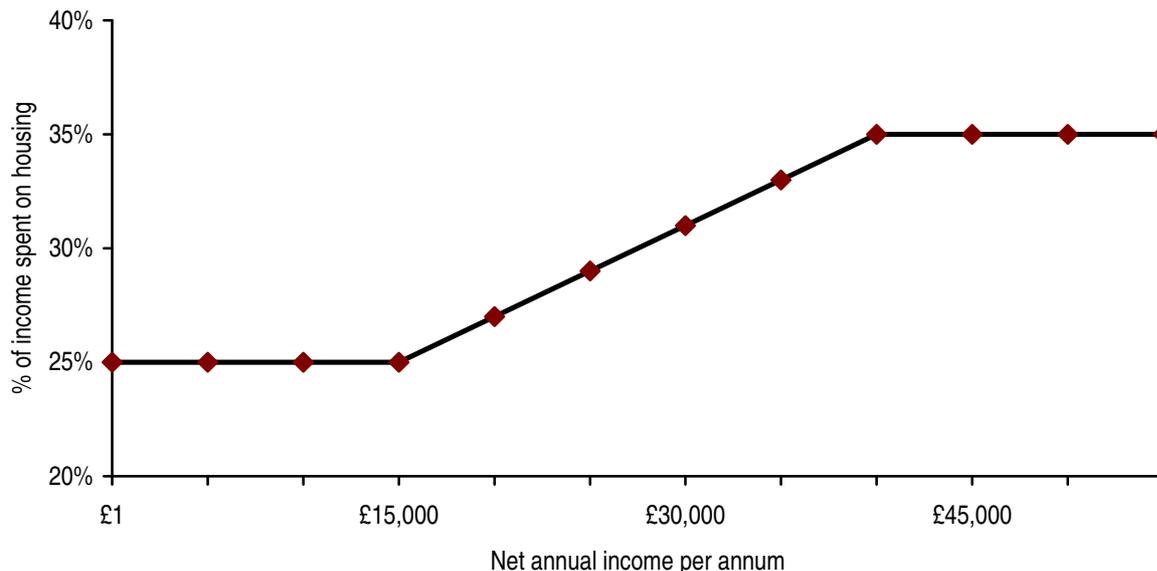
*Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004*

It can be seen from the table that the estimated cost for owner-occupation is higher for all sizes of accommodation.

Additionally, in the case of owner-occupation adjustments are made to take account of any savings or equity that a household may have to put towards the purchase of a different home. For example, if a household requires a property costing £100,000 then the estimated weekly outgoing is £137 per week. If the household has £50,000 in savings and/or equity then the purchase price is reduced to £50,000 and hence the outgoings are reduced to £69 per week. In such a case the household would only need to have sufficient income to cover the £69 and not the full purchase of the property. In many cases, owner-occupiers will have sufficient equity to buy a suitably sized property without the need for any additional outgoings. In such cases the household will automatically be deemed able to afford market housing. In the case of private renting no adjustments are made for savings or equity levels.

Having established weekly outgoings required a threshold for affordability is established. For this purpose the threshold for affordability has been determined on the basis of the households net income (inclusive of all non-housing benefits). The figure below indicates the scale used.

**Figure 4.1 Affordability ratios – thresholds for affordability**



Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

The figure above indicates that the threshold for affordability varies according to the income of the household. A household earning up to £15,000 (net) per annum is assumed to be able to afford up to 25% spent on housing costs. A household earning £40,000 per annum or more is assumed to be able to afford 35% of their net income to be spent on housing. For those on incomes between £15,000 and £40,000 the threshold for affordability increases by around 2% per £5,000. The 25% of net income starting point is consistent with government guidance.

<b>ODPM Guide</b>	<i>'These rent:income ratios are normally calculated comparing rent with net income.....A threshold level of 25-30 per cent of net income may be adopted.....Where the appropriate entry level [property] price equates to a higher proportion of a household's income, the household is deemed to be in need of subsidised housing'. Section 4.3 (page 58)</i>
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In assessing affordability ratios, as the Guide makes clear, it is also important to take account of residual income which is affected by size and composition of the household.

<b>ODPM Guide</b>	<i>'Residual income calculations normally start from net income and take account of the number and age of household members supported by a given income. This is done through the application of an 'income equivalence scale'; examples of such scales include the Income Support/Housing Benefit 'Applicable Amounts' and the McClements (1977) scale'. Section 4.3 (page 58)</i>
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For the purpose of the survey a net equivalent income has been calculated using the McClements equivalence scale. Depending on the size and composition of the household a factor is derived and applied to net income levels based on the following.

**Table 4.4 Net income adjustment values using the McClements equivalence scale**

<i>Type of household member</i>	<i>Equivalence value</i>
<b>a. Married head of household</b>	
<i>i.e. a married couple of 2 adults</i>	1.00
<i>1<sup>st</sup> additional adult</i>	0.42
<i>2<sup>nd</sup> (or more) additional adult</i>	0.36 (per adult)
<b>b. Single head of household</b>	
<i>i.e. 1 adult</i>	0.61
<i>1<sup>st</sup> additional adult</i>	0.46
<i>2<sup>nd</sup> additional adult</i>	0.42
<i>3<sup>rd</sup> (or more) additional adult</i>	0.36 (per adult)
<b>c. Child aged:</b>	
<i>16-18</i>	0.36
<i>13-15</i>	0.27
<i>11-12</i>	0.25
<i>8-10</i>	0.23
<i>5-7</i>	0.21
<i>2-4</i>	0.18
<i>Under 2</i>	0.09

Source: *Harmonised Concepts and Questions for Government Social Surveys*

A worked example of the use of equivalence values is shown below:

*A household containing a married couple and two children; one aged nine and one aged four with a net household income of £300 per week. The total equivalence value for this household is  $1.0+0.23+0.18 = 1.41$ . Consequently the household's equivalised net weekly disposable income is £213 ( $=£300/1.41$ ).*

Overall levels of affordability are then assessed by comparing whether the cheapest housing cost (whether it be rental or mortgage cost) for the property size required is greater than the affordability threshold determined by the equivalised net disposable income of the household.

In summary the measure of affordability used in the survey is defined below:

**Overall affordability:**

A household is unable to afford private sector housing if:

The cost of housing (either to rent or to buy – whichever is the cheaper) exceeds 25-35% of net equivalised disposable household income.

#### 4.4 Potential household affordability

The Housing Needs Survey ascertained whether or not potential households (namely persons who currently live as part of another household and commented on further in the following chapter) would be able to access the private sector housing market by asking the following question to the survey respondent.

*‘Will they be able to afford suitable private sector housing in the Southend-on-Sea Borough Council area (this can either be rented or bought) excluding the use of housing benefit?’*

This would appear to be broadly in line with ODPM guidance which says:

<b>ODPM Guide</b>	<i>‘It is difficult to estimate the incomes of future newly forming households. Unless potential household members are interviewed specifically, it is not practical to collect complete income data relating to this group through a housing needs survey. Even where the fieldwork includes concealed household interviews, there are doubts as to the value and reliability of any income data which might be collected.’</i> Section 4.4 (page 62]
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The ODPM guide goes on to suggest that the affordability profile of newly forming households (in the recent past) could be used as a check on the more subjective measure used. This however can only work in areas where recently forming households can provide a reasonable profile for households forming in the future. In areas where there are acute shortages of housing and prices are high, newly forming households from the recent past will be biased towards those that can afford or are able to access the housing market. Those that can’t afford defer formation of their household or move away from the Council area. In consequence the profile of recently forming households will be biased towards those that can afford. This difficulty is recognised by the ODPM.

<b>ODPM Guide</b>	<i>‘Use should also be made of data from surveys on the number and characteristics of households which have actually newly formed over the recent period (1-2 years), where these households have moved from a previous tenure of living with parents/relatives/friends/other. These are likely to be more reliable, <u>although even here care is needed. Some potential households may not have been able to form owing to [a] lack of suitable, affordable housing</u>’. [Our emphasis] Section 2.4 (page 25]</i>
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## 4.5 Summary

The collection of financial information is a fundamental part of any Housing Needs Survey. The survey estimates that average annual gross household income (including benefits) in the Borough is £24,346. The average conceals wide variations among different household groups.

Having collected detailed information on the local housing market and the financial situation of households it is important to use appropriate affordability measures to assess their ability to afford market priced housing in the Borough. For existing households a combined affordability test is used to assess whether they can afford to either buy or rent a property of a suitable size. Any equity or savings is also taken into account in determining the overall numbers of households unable to afford. The affordability of potential households is assessed using the judgements of respondents; an approach in line with ODPM Guidance.

### **Changes since 2002**

Different income measures have been used in this update and the original survey. The 2002 housing needs survey estimated gross earned household income (excluding benefits) to be £20,793. The equivalent figure for 2004 is estimated to be £22,422, an increase of roughly 8%. This can be largely put down to general wage inflation and also demographic changes. The affordability test has changed to be based on the ability to afford the costs of housing. Although the approach is different to that used in 2002 the impact on the need assessment is small.



## 5. BACKLOG OF EXISTING NEED

### 5.1 Introduction

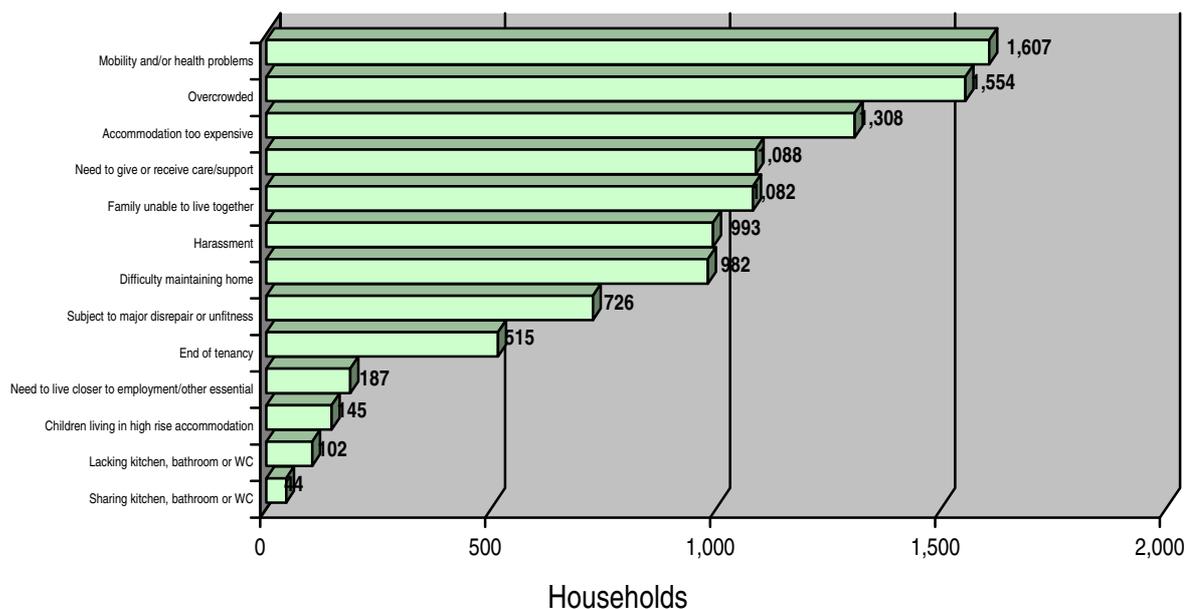
This chapter of the report assesses the first part of the 'Basic Needs Assessment Model' – Backlog of Existing Need. This begins with an assessment of housing suitability and affordability and also considers backlog non-households (potential and homeless households) before arriving at a total backlog need estimate.

### 5.2 Unsuitable housing

This section looks at households whose current accommodation is in some way unsuitable for their requirements. It is estimated that a total of 7,034 households are living in unsuitable housing. This represents 9.4% of all households in the Borough.

The figure below shows a summary of the numbers of households living in unsuitable housing (ordered by the number of households in each category). The main reason for unsuitable housing is *mobility and/or health problems*.

**Figure 5.1 Summary of unsuitable housing categories**



Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

The table below shows unsuitable housing by tenure. Patterns emerging show that households who rent accommodation are most likely to be in unsuitable housing (notably those in the private rented sector).

**Table 5.1 Unsuitable housing and household characteristics**

<i>Household characteristic</i>	<i>In unsuitable housing</i>	<i>Not in unsuitable housing</i>	<i>Number of h'holds in Southend</i>	<i>% of total h'holds in unsuitable housing</i>	<i>% of those in unsuitable housing</i>
<b>Tenure</b>					
<i>Owner-occupied (no mortgage)</i>	1,071	23,576	24,647	4.3%	15.2%
<i>Owner-occupied (with mortgage)</i>	1,987	28,161	30,148	6.6%	28.2%
<i>Council</i>	1,146	4,964	6,110	18.8%	16.3%
<i>RSL</i>	491	2,641	3,132	15.7%	7.0%
<i>Private rented</i>	2,339	8,564	10,903	21.5%	33.3%
<b>Household type</b>					
<i>Single pensioner</i>	722	12,382	13,104	5.5%	10.3%
<i>2 or more pensioners</i>	396	7,204	7,601	5.2%	5.6%
<i>Single non-pensioner</i>	1,461	12,035	13,496	10.8%	20.8%
<i>2 or more adults, no children</i>	1,681	20,944	22,625	7.4%	23.9%
<i>Lone parent</i>	1,084	2,408	3,492	31.0%	15.4%
<i>2+ adults, 1 child</i>	705	5,308	6,012	11.7%	10.0%
<i>2+ adults, 2+ children</i>	985	7,625	8,610	11.4%	14.0%
<b>Special needs</b>					
<i>Special needs</i>	2,067	7,650	9,716	21.3%	29.4%
<i>No special needs</i>	4,968	60,256	65,224	7.6%	70.6%
<b>TOTAL</b>	<b>7,035</b>	<b>67,906</b>	<b>74,941</b>	<b>9.4%</b>	<b>100.0%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

### 5.3 Migration and 'in-situ' solutions

The survey has highlighted that 7,035 households are in unsuitable housing. However it is most probable that some of the unsuitability can be resolved in the households current accommodation and also that some households would prefer to move from the Borough in order to resolve their housing problems.

The extent to which 'in-situ' solutions might be appropriate are assessed by looking at the moving intentions of the unsuitably housed household. The Housing Needs Survey asked households whether they need or are likely to move to a different home within the next five years. Any household in unsuitable housing who stated that they need/are likely to move now is considered not to have an appropriate 'in-situ' solution. Households stating that their move could be avoided if repairs or adaptations are carried out to their current home are also considered to have an appropriate 'in-situ' solution.

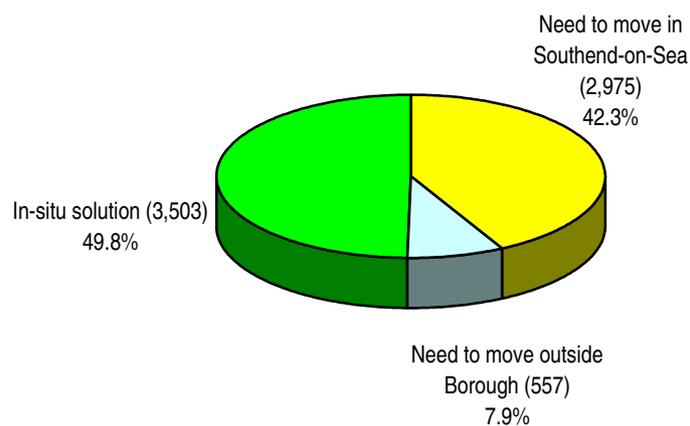
**ODPM  
Guide**

*'The extent to which in situ solutions could be feasible can be examined by a survey...[using]...a judgement on whether the unsuitably housed main household intends to move. Where this is the case, it may be taken to indicate that an in situ solution is not appropriate'. Section 4.3 (page 56)*

The survey data estimates that of the 7,035 households in unsuitable housing 3,532 (or 50.2%) would need to move to resolve their housing problems. This means an estimated 3,503 (49.8%) may be best helped with an 'in-situ' solution.

Of the 3,532 households who need/are likely to move a further question was asked about where they would be looking to live. Households who would be looking to move from the Borough are then excluded from further analysis. In total 84.2% would be looking to remain in the Borough (2,975 households) and 15.8% would be looking to move out of the Borough.

**Figure 5.2 Households in unsuitable housing and in-situ requirements**



Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

## 5.4 Affordability

Using the affordability methodology set out in Chapter 4 it is estimated that there are 2,261 existing households that cannot afford market housing and are living in unsuitable housing (and require a move to different accommodation within the Borough). This represents around 3.0% of all existing households in the Borough. The results reveal that 76.0% of households living in unsuitable housing (and needing to move within the Borough) cannot afford market housing (2,261/2,975).

The table below focuses on the characteristics of the 2,261 households currently estimated to be in housing need. The results show in particular that private renting tenants are most likely to be in housing need, with 66.5% of all households in housing need living in the private rented sector.

**Table 5.2 Backlog need and household characteristics**

<i>Household characteristic</i>	<i>In need</i>	<i>Not in need</i>	<i>Number of h'holds in Southend</i>	<i>% of total h'holds in need</i>	<i>% of those in need</i>
<b>Tenure</b>					
<i>Owner-occupied (no mortgage)</i>	0	24,647	24,647	0.0%	0.0%
<i>Owner-occupied (with mortgage)</i>	216	29,932	30,148	0.7%	9.6%
<i>Council</i>	358	5,752	6,110	5.9%	15.8%
<i>RSL</i>	183	2,949	3,132	5.8%	8.1%
<i>Private rented</i>	1,503	9,400	10,903	13.8%	66.5%
<b>Household type</b>					
<i>Single pensioner</i>	55	13,049	13,104	0.4%	2.4%
<i>2 or more pensioners</i>	27	7,574	7,601	0.4%	1.2%
<i>Single non-pensioner</i>	524	12,972	13,496	3.9%	23.2%
<i>2 or more adults, no children</i>	251	22,374	22,625	1.1%	11.1%
<i>Lone parent</i>	676	2,816	3,492	19.4%	29.9%
<i>2+ adults, 1 child</i>	235	5,777	6,012	3.9%	10.4%
<i>2+ adults, 2+ children</i>	493	8,117	8,610	5.7%	21.8%
<b>Special needs</b>					
<i>Special needs</i>	391	9,325	9,716	4.0%	17.3%
<i>No special needs</i>	1,869	63,355	65,224	2.9%	82.7%
<b>TOTAL</b>	<b>2,261</b>	<b>72,680</b>	<b>74,941</b>	<b>3.0%</b>	<b>100.0%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

## 5.5 Housing need and the need for affordable housing

There is a further issue relating to existing households in need. For households in social rented accommodation it is likely that a move will release a social rented home for re-letting and therefore there will be no requirement for additional affordable housing to be provided. It has been decided to remove all households in need currently living in social rented accommodation from the estimates of additional requirement. This reduces the backlog figure by 542 households to 1,719.

## 5.6 Potential and homeless households (backlog (non-households))

The final elements of backlog need are potential and homeless households. Potential households in need are persons who currently live as part of another household (typically with parents) but state that they need to move to independent accommodation and are unable to afford to do so. The homeless households in need are those that would not have already been accounted for in the main sample survey or the methodology so far employed.

### (i) Potential households

In the case of potential households we are wishing to separate any backlog of needs from future (newly arising) needs. In this chapter we define the backlog as potential households who need or are likely to move now and are unable to afford suitable market housing. Such households will also need to have stated that they would be looking to remain living in the Borough. Projecting the need from potential households can be found in Chapter 4.

#### ODPM Guide

*'Determining... potential households can be achieved by asking the main household respondent for their opinion as to whether the people concerned need separate accommodation...'. Section 4.4 (page 60)*

In terms of assessing the backlog need from potential households we only analyse data from those who need/are likely to move home now. We have also taken account of the fact that some of these households will join up with other person(s) when setting up home independently.

#### ODPM Guide

*'Many single person potential households may decide to set up their new home with a partner or friend(s). Since most potential households are single people, there is a danger that the volume of new household formation will be overstated if this is not taken into account, and that the projected composition of newly forming households will be skewed unrealistically towards single, childless units'. Section 4.4 (page 60)*

The table below summarises the number of potential households within the Borough and those that are considered within the backlog element of the needs assessment.

**Table 5.3 Derivation of the number of potential households**

<i>Aspect of calculation</i>	<i>Number</i>	<i>Sub-total</i>
<i>Number of potential households in the Borough</i>		11,332
<i>Minus those not needing/likely to move now</i>	-10,536	796
<i>Minus those joining up with other persons</i>	-197	599
<i>Minus those moving out of the Borough</i>	-25	574
<b>TOTAL POTENTIAL HOUSEHOLDS</b>		<b>574</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

The survey estimates that there are 11,332 potential households in the Borough, of these 796 need or are likely to move now. When taking account of those joining up with other persons this figure is reduced to 599, of which 574 would like or expect to remain in the Borough.

Not all of these potential households will necessarily be in need. Some may be able to afford suitable private sector accommodation. The potential households were then asked whether or not they could afford to access the private sector housing market without resorting to housing benefit. The table below shows the number of potential households and their affordability.

**Table 5.4 Numbers and affordability of potential households**

<i>Able to afford market housing</i>	<i>Number of households</i>	<i>% of households</i>
<i>Yes – can afford to either rent or buy</i>	359	62.6%
<i>No – cannot afford either</i>	215	37.4%
<b>TOTAL</b>	<b>574</b>	<b>100.0%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

It is estimated that of the 574 potential households who need or are likely to move now (within the Borough), 37.4% cannot afford local private sector housing (215 households).

#### *(ii) Additional homeless households in need*

The Housing Needs Survey is a 'snapshot' survey that assesses housing need at a particular point in time. There will, in addition to the existing and potential households in need, be some homeless households who were in need at the time of the survey and should also be included within any assessment of backlog need. To assess these numbers we have used information contained in the Councils P1(E) Homeless returns.

The main source of information used is Section E6: *Homeless households accommodated by your authority at the end of the quarter*. The important point about this information is the note underneath 'This should be a "snapshot" of the numbers in accommodation on <date>, not the numbers taking up accommodation during the quarter.' This is important given the snapshot nature of the survey. Data compiled from the P1(E) form for the quarter ending March 2004 is shown in the table below.

**Table 5.5 Homeless households accommodated by authority at the end of quarter**

<i>Category</i>	<i>Quarter to date (31/3/04)</i>
<u><i>Bed and breakfast hotels</i></u>	<u>16</u>
<u><i>Other nightly paid, privately managed accommodation</i></u>	<u>0</u>
<u><i>Hostel accommodation</i></u>	<u>89</u>
<i>Private sector accommodation leased by authority</i>	0
<i>Private sector accommodation leased or managed by RSLs</i>	51
<i>Directly with private sector landlord</i>	64
<i>Accommodation within own stock</i>	0
<i>Accommodation within RSL stock on assured shorthold tenancies, or on licence</i>	0
<i>Any other types of accommodation</i>	8
<b>TOTAL</b>	<b>228</b>

Source: Southend-on-Sea Borough Council, P1(E) forms for quarter ending 31<sup>st</sup> March 2004

Not all of the households in the above table are added to our assessment of existing and potential households in need. This is because, in theory, they will be part of the sample for the Housing Needs Survey. Households housed in private sector accommodation should already be included as part of the housing need – such household addresses should appear on the Council Tax Register from which the sample was drawn. Also households housed in the RSL stock should also already be included and therefore it seems sensible to exclude this element from the backlog of housing need section.

After considering the various categories, we have decided there are three which should be included as part of the homeless element. These have been underlined in the table above. Therefore, of 228 total homeless households, 105 will be counted as homeless for the purpose of the update survey. This number of homeless households is used as our estimate of the homeless element.

**105 extra households in need**

## 5.7 Total backlog need

Having been through a number of detailed stages in order to assess the backlog of need in Southend-on-Sea we shall now bring together all pieces of data to complete the 'B: BACKLOG OF EXISTING NEED' element of the Basic Needs Assessment model encouraged by the ODPM. This is shown in the following section.

The table below summarises the first stage of the overall assessment of housing need as set out by the ODPM. The data shows that there is an estimated backlog of 2,039 households in need (see stage 5). The final stage is to include a quota to progressively reduce this backlog. A reduction in the backlog of need of 20% per year has been assumed in Southend-on-Sea. The table therefore shows that the annual need to reduce backlog is 408 dwellings per annum.

<b>ODPM Guide</b>	<i>'It is also unrealistic to expect to meet all of any backlog in the planning period. It is recommended that all authorities apply a standard factor of 20% here for comparability (this implies eliminating the backlog over a 5 year strategy period). LA's may then make policy judgements to determine the practical rate at which this backlog can be reduced' Section 2.4 (page 25).</i>
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**Table 5.6 Basic Needs Assessment Model – Stages 1 to 7**

<i>B: BACKLOG OF EXISTING NEED</i>		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
1. Backlog need existing households	Number of households currently living in unsuitable housing	7,035
2. <i>minus</i> cases where in-situ solution most appropriate	In situ (or outside Borough) solution most appropriate for 4,060 households	Leaves 2,975
3. <i>times</i> proportion unable to afford to buy or rent in market	76.0% = 2,261 – also remove 542 social renting tenants	1,719
4. <i>plus</i> Backlog (non-households)	Potential = 215 Homeless = 105	320
5. <i>equals</i> total Backlog need		2,039
6. <i>times</i> quota to progressively reduce backlog	Suggest 20% as in ODPM report	20%
7. <i>equals</i> annual need to reduce Backlog		408

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

## 5.8 Summary

This chapter reported on the components contributing to the backlog need element of the needs assessment model. In total it is estimated that 7,035 households are currently living in unsuitable housing. Of those in unsuitable housing 2,975 needed to move to different accommodation to solve the problem and would be looking to remain living in the Borough.

Of the 2,975 households living in unsuitable housing (and requiring a move within the Borough) an assessment of affordability was made involving the consideration of local property prices, size requirement and their financial situation. It is estimated that 76.0% could not afford local market housing of a suitable size making for an estimated 2,261 existing households in housing need. When looking further forward to the additional affordable housing requirements of these households we remove households currently living in social rented housing to produce a final figure of 1,719.

The final element of backlog need considered the needs arising from potential and homeless households. Survey results identified a further 215 potential households in housing need (i.e. unable to afford market housing and need to move now within the Borough). Using data available from the Council it has been estimated that there are 105 homeless households who should be included as an additional element of the backlog of housing need. These two elements together make for 320 additional households in need.

Bringing together all the factors of the backlog of housing need (as defined by the ODPM and followed by *Fordham Research*) it is estimated that there is an overall backlog of need of 2,039 affordable homes. Annualised, assuming a 20% reduction per year suggests an annual need to reduce the backlog of 408 dwellings.

### **Changes since 2002**

Comparing estimates of backlog need with the 2002 survey suggest that there has been an increase from 352 dwellings per annum to 408 per annum. The increase primarily reflects the rise in housing costs comparative to rises in income levels which has resulted in more households in unsuitable housing being unable to afford.



## 6. NEWLY ARISING NEED

### 6.1 Introduction

In addition to the Backlog of existing needs discussed so far in this report there will be newly arising need. This is split, as per ODPM guidance into four categories. These are as follows:

1. New households formation (× proportion unable to buy or rent in market)
2. Ex-institutional population moving into the community
3. Existing households falling into need
4. In-migrant households unable to afford market housing

The guidance also suggests that each of these should be calculated on an annual basis. The following sections deal with each of these points in detail.

### 6.2 New household formation

The 2002 Survey based this element of the assessment on potential households stating a need to move within the next three years and indicated a significant amount of need arising from new household formation. It is however also possible to assess this element of the survey on the basis of households that have formed over the past three years. Although this approach produces a lower estimate (reflecting the likelihood that higher house prices have prevented household formation), it has been used to ensure that the overall requirement is not overstated. The table below shows details of the derivation of new household formation based on information about households who have formed over the past three years (within the Borough) and affordability.

<b>ODPM Guide</b>	<i>'Stage 9 in the basic needs assessment model... involves estimating the proportion of newly forming households who will be unable to afford to access housing in the private market'.</i> Section 4.4 (page 62)
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**Table 6.1 Derivation of newly arising need from new household formation**

<i>Aspect of calculation</i>	<i>Number</i>	<i>Sub-total</i>
<i>Number of households who have moved in past three years</i>		20,958
<i>Minus moves from outside Borough</i>	-7,058	13,900
<i>Minus households NOT forming in previous move</i>	-11,842	2,058
<i>Minus households moving to owner-occupation</i>	-1,088	970
<i>Minus households whose move could be avoided</i>	-0	970
<b>TOTAL APPLICABLE MOVES</b>		<b>970</b>
<i>Times proportion unable to afford</i>		66.2%
<b>TOTAL IN NEED (3 years)</b>		<b>642</b>
<b>ANNUAL ESTIMATE OF NEWLY ARISING NEED</b>		<b>214</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

The table above shows that an estimated 2,058 households newly formed within the Borough over the past three years (686 per annum). Of these, it is estimated that 970 did not move to owner-occupation and whose move could not be avoided. Of these, 66.2% are unable to afford market housing without some form of subsidy. The annual estimate of the number of newly forming households falling into need is therefore estimated to be 214 per annum.

### 6.3 Ex-institutional population moving into the community

This is quite a difficult group to analyse. The ODPM guidance suggests information from Community Care Plans could be used for this element of newly arising need. However, all of this element would be picked up in each of the next two stages of the projection. Therefore to avoid any possible double-counting, it has been decided in the case of Southend-on-Sea to give this element of newly arising need a value of zero.

### 6.4 Existing households falling into need

This is an estimate of the number of existing households currently living in Southend-on-Sea who will fall into housing need over the next three years (and then annualised). The basic information for this is households who have moved home within the Borough in the last three years and affordability.

A household will fall into need if it has to move home and is unable to afford to do this within the private sector (examples of such a move will be because of the end of a tenancy agreement). A household unable to afford but moving to private rented accommodation may have to claim housing benefit or otherwise spend more of their income on housing than would be considered affordable (or indeed a combination of both).

<b>ODPM Guide</b>	<i>'The basic needs model also identifies two other ways [the second is the next section] in which new needs may arise in a locality. The first of these refers to existing households, previously satisfactorily housed, who fall into need during the period (per year, conventionally)'. Section 4.4 (page 63)</i>
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A filter is put on the data to exclude any household moving to owner-occupation because these households at the time of the move (which is when we are interested in) could afford market housing. Households previously living with parents, relatives or friends are also excluded as these are likely to double-count with the potential households already studied.

The data also excludes moves between social rented properties. Households falling into need in the social rented sector will have their needs met through a transfer to a different social rented property (and will hence release a social rented property for someone else in need). The number of households falling into need in the social rented sector should therefore, over a period of time, roughly equal the supply of 'transfers' and so the additional needs arising from within the social rented stock will be net zero. Finally the data excludes a group of households who have stated that their previous move could have been avoided if repairs or adaptations had been carried out to their previous home.

**Table 6.2 Derivation of newly arising need from households currently living in the Borough**

<i>Aspect of calculation</i>	<i>Number</i>	<i>Sub-total</i>
<i>Number of households moving in past three years</i>		20,958
<i>Minus moves from outside Borough</i>	-7,058	13,900
<i>Minus households forming in previous move</i>	-2,058	11,842
<i>Minus households moving to owner-occupation</i>	-6,584	5,258
<i>Minus households transferring within affordable housing</i>	-1,128	4,130
<i>Minus households whose move could be avoided</i>	-404	3,726
<b>TOTAL APPLICABLE MOVES</b>		<b>3,726</b>
<i>Times proportion unable to afford</i>		72.9%
<b>TOTAL IN NEED (3 years)</b>		<b>2,717</b>
<b>ANNUAL ESTIMATE OF NEWLY ARISING NEED</b>		<b>906</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

The table above shows that a total of 3,726 household moves are considered as potentially in need. Using the standard affordability test for existing households it is estimated that 72.9% of these households cannot afford market housing (as with the main analysis of existing households in need the affordability test is based on the size requirements and financial situation of those households having made a 'potentially in need' move over the past three years). Therefore our estimate of the number of households falling into need within the Borough excluding transfers is 2,717 households ( $3,726 \times 0.729$ ) over the three year period. Annualised this is 906 households per annum.

### 6.5 In-migrant households unable to afford market housing

This is the final element of newly arising need. Households falling into need in this group are households currently living outside the Borough who are expected to move into the Borough but cannot afford suitable private sector housing. The basic information for this is similar to the above section except that it deals with households who are expected to move home to the Borough in the next three years (based on past move information) and these households' affordability. Again a filter is put on the data to exclude any household moving to owner-occupation because these households at the time of the move (which is when we are interested in) could afford market housing. Households whose moves could be avoided through repairs or adaptations are also excluded.

This data does not exclude transfers as none of these households could have transferred within the stock in Southend-on-Sea at the time of the move. Household formation is not an issue as none of these households could be double-counted because they do not currently live within the Borough.

<b>ODPM Guide</b>	<i>'Households moving into the District and requiring affordable housing can be identified by HN surveys, again using data on recent movers'. Section 4.4 (page 63)</i>
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The table below shows the derivation of the in-migrant element of newly arising need.

**Table 6.3 Derivation of newly arising need from households currently living outside the Borough**

<i>Aspect of calculation</i>	<i>Number</i>	<i>Sub-total</i>
<i>Number of households moving in past three years</i>		20,958
<i>Minus moves from within Borough</i>	-13,900	7,058
<i>Minus households moving to owner-occupation</i>	-3,952	3,106
<i>Minus households whose move could be avoided</i>	-45	3,061
<b>TOTAL APPLICABLE MOVES</b>		<b>3,061</b>
<i>Times proportion unable to afford</i>		59.5%
<b>TOTAL IN NEED (3 years)</b>		<b>1,820</b>
<b>ANNUAL ESTIMATE OF NEWLY ARISING NEED</b>		<b>607</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

In total the table above shows that 3,061 'potentially in need' moves took place in the past three years from outside the Borough. The survey data also shows us that 59.5% of these households cannot afford market housing (as with the main analysis of existing households in need the affordability test is based on the size requirements and financial situation of those households having made a 'potentially in need' move over the past three years). Therefore our estimate of the number of households falling into need from outside the Borough is 1,820 households ( $3,061 \times 0.595$ ) over the three year period. Annualised this is 607 households per annum.

## 6.6 Summary

The data from each of the above sources can now be put into the Basic Needs Assessment Model as is shown in the table below. It indicates that additional need will arise from a total of 1,727 households per annum.

**Table 6.4 Basic Needs Assessment Model – Stages 8 to 13**

<i>N: NEWLY ARISING NEED</i>		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
8. New household formation (gross, p.a.)		323
9. <i>Times</i> proportion unable to buy or rent in market	66.2% cannot afford market housing	Leaves 214
10. <i>plus</i> ex-institutional population moving into community		0
11. <i>plus</i> existing households falling into need		906
12. <i>plus</i> in-migrant households unable to afford market housing		607
13. <i>equals</i> Newly arising need	9+10+11+12	1,727

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Changes since 2002**

Both the 2002 HNS and this update cover three main areas when looking at newly arising needs (newly forming households, existing households falling into need and in-migrant households). In 2002 it was estimated that newly arising need came to 1,836 households per annum. In this update a figure of 1,727 households per annum is estimated.

## 7. SUPPLY OF AFFORDABLE HOUSING

### 7.1 Introduction

This chapter looks at current supply of affordable housing from the Council and RSLs in Southend-on-Sea. We shall begin by highlighting the general patterns of supply in the social rented stock over the past three years before making a judgement about which supply figures should feature as part of the needs assessment model that will appear in the main housing needs report.

<b>ODPM Guide</b>	<i>'The most important source of supply is typically relets of existing social housing. A basic projection should assume continuance of the same rate of net relets as in the last year or an average over the last 3 years'. Section 2.4 (page 26)</i>
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### 7.2 The Social Rented stock

We have studied information from the Councils Housing Investment Programme (HIP) for three years (from 2001 to 2003 inclusive). The table and figure below show the changing levels of Council and RSL stock within Southend-on-Sea.

**Table 7.1 Social rented stock numbers in Southend-on-Sea (2000-2003)**

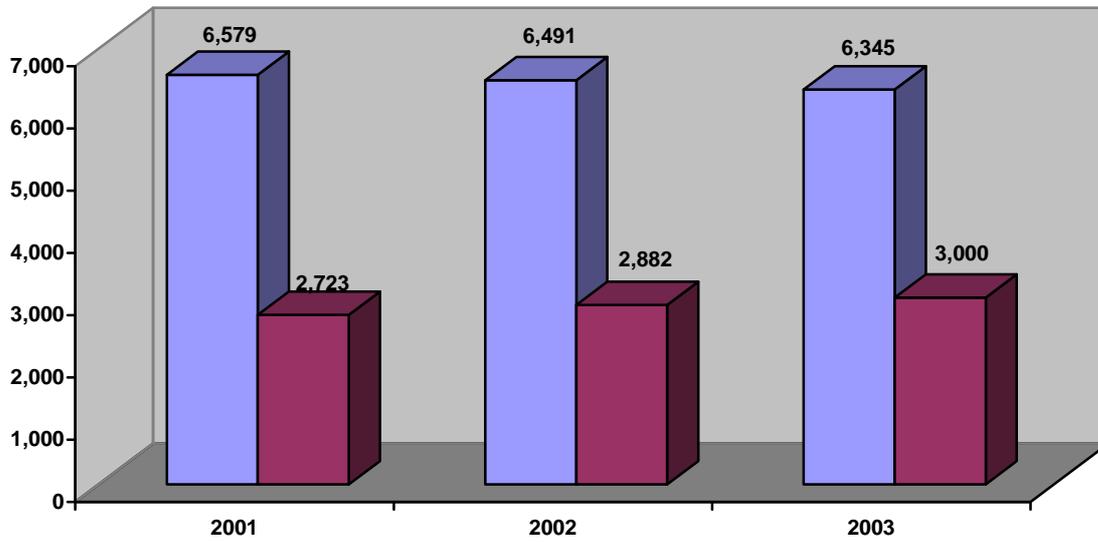
<i>Year</i>	<i>Council Stock</i>	<i>RSL Stock</i>
2001	6,579	2,723
2002	6,491	2,882
2003	6,345	3,000
<b>CHANGE</b>	<b>-234</b>	<b>277</b>

*Source: Southend-on-Sea Borough Council H.I.P. 2001 - 2003*

The table shows that whereas the Council stock has decreased by 234 units the RSL stock has increased by 277 units between 2001-2003. This has resulted in a net gain of 43 properties from the social rented sector over the period. This equates to a net gain of 22 properties per year.

**Figure 7.1 Social rented stock numbers in Southend-on-Sea (2001-2003)**

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Source: Southend-on-Sea Borough Council H.I.P. 2001 - 2003

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### 7.3 The supply of affordable housing

Below is a table summarising trends in supply of social stock over the last three years in Southend-on-Sea. The final column shows the average for the period. The figures incorporate both council and RSL stock.

**Table 7.2 Analysis of past housing supply – Average for three years**

Source of supply	2000/01	2001/02	2002/03	Average 2000-03
<i>Local Authority</i>				
LA lettings through mobility arrangements	32	15	25	24
LA lettings to new secure tenants	468	472	405	448
LA lettings to new tenants on an introductory tenancy	0	0	0	0
LA lettings to new tenants on other tenancies	0	3	6	3
(Exclude transfers from RSL)*	(7)*	(7)*	(6)	(7)
<b>① LA Sub-total excluding transfers</b>	<b>493</b>	<b>483</b>	<b>430</b>	<b>468</b>
<i>Registered Social Landlords</i>				
Total RSL lettings from LA & other nominations exc. transfers	368	354	336	353
(Exclude transfers from LA)*	(27)*	(26)*	(25)	(26)
<b>② RSL Sub-total excluding transfers</b>	<b>341</b>	<b>328</b>	<b>311</b>	<b>327</b>
<b>TOTAL (①+②)</b>	<b>834</b>	<b>811</b>	<b>741</b>	<b>795</b>

Source: Southend-on-Sea Borough Council H.I.P. 2003

Note (\*) In 2001 & 2002 this information was not included on the HIP form. The same proportion of lettings as transfers have been used as an estimate for the missing years.

The table above shows the trends in supply for the past three years. The figures show a slight decrease in the numbers of social rented relets over the period. Overall the supply of lettings for the last three years indicates an average of 795 per year.

#### 7.4 New dwellings

From this estimated supply of affordable housing however we also need to deduct lettings made to new dwellings. As one of the main purposes of the survey is to estimate any surplus or shortfall of affordable housing, it is important to avoid double-counting by not including likely future supply through additions to the stock from RSLs (although these new properties will themselves in time produce some relets). This is also a view taken in ODPM guidance.

<b>ODPM Guide</b>	'...it may be more helpful to combine committed and shortfall figures [shortfall including committed new provision] to obtain an overall affordable need estimate, which can then be related to overall planned housing requirements and provision' Section 2.4 (page 26)
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**Table 7.3 Analysis of past provision of new affordable housing – Average for three years**

<i>New affordable housing</i>	<i>2000/01 outturn</i>	<i>2001/02 outturn</i>	<i>2002/03 outturn</i>	<b><i>Average 2000-03</i></b>
<i>Number of additional Local Authority dwellings</i>	0	0	0	<b>0</b>
<i>Number of additional RSL rented dwellings</i>	65	85	18	<b>56</b>

Source: Southend-on-Sea Borough Council H.I.P. 2003

The table above summarises information contained in the H.I.P. return for 2003 (Section N). Over the period 2000-01 to 2002-03 an average of 56 additional social rented dwellings were completed per annum. Thus assuming an average of 56 new affordable housing completions per annum, the estimated supply of affordable housing in Southend-on-Sea is 739 per year (795-56).

### 7.5 Shared ownership supply

In most local authorities the amount of shared ownership available in the stock is fairly limited (as is the case in Southend-on-Sea). However, it is still important to consider to what extent the current supply may be able to help those in need of affordable housing. In many parts of the country, shared ownership housing is as expensive as the cheapest housing available on the open market. Hence in this sense it cannot be deemed as affordable housing. Unfortunately we do not have any information about the exact affordability of the current stock of shared ownership housing in the Borough and hence for the purposes of analysis we have assumed that such housing (second-hand) will be available at prices below those for entry-level market housing.

Therefore we also include an estimate of the number of shared ownership units that become available each year. Census data (2001) estimates that there were 292 households living in shared ownership accommodation. For the purposes of this analysis it is assumed that each dwelling houses one household and that the turnover of shared ownership accommodation is roughly the same as found in the social rented sector. This is estimated at 7.9% (based on the number of lettings and the number of social rented dwellings in 2003). Hence we estimate that each year an average of 23 units of shared ownership tenure will become available to meet housing needs ( $7.9\% \times 292$ ). Therefore, the estimate of supply becomes 762 per annum (739 + 23).

## 7.6 Vacant dwellings

As of April 2003, there were 205 vacant dwellings in the social rented stock representing around 2.2% of all social rented stock in the Borough. This is a little above the recommended vacancy rate as suggested by ODPM Guidance.

<b>ODPM Guide</b>	<i>'The change in vacancies is a key factor in the net stock approach. The general principle is that there should be a target vacancy rate to allow normal movement in the housing stock. Typical recommended allowances would be 4 per cent for the private sector with 2 per cent being more appropriate for the social sector'. Section 2.5 (page 28)]</i>
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A vacancy rate of 2.0% of the social rented stock in Southend-on-Sea would be around 187 dwellings (18 less dwellings than the current number vacant). Therefore there is a small quantity of additional vacant properties that should be added to the estimated supply of affordable housing in the area. Assuming that all of this pool of vacant properties could be brought into use over a 5 year period, this would provide around 4 affordable properties annually. Taking these vacant properties into account leaves an estimated supply of affordable housing of 766 (762 + 4).

## 7.7 Changes in the supply of affordable housing

This covers Stages 15 and 16 of the *'Basic Needs Assessment Model'*. Stage 15 is *'minus increased vacancies & units taken out of management'*, Stage 16 is *'plus committed units of new affordable supply'*.

In the case of Stage 15, it would not be sensible to remove from the supply equation the number of properties taken out of management. It is much more sensible to estimate the likely reduction in relets as a result of such losses. Data contained in Table 7.1 suggests that from April 2001 to April 2003 there was a net loss of 234 dwellings from the Council rented stock, or 117 per annum. Given an average turnover of around 6.7% (based on the number of lettings and the number of Council rented dwellings in 2003) this would equate to a loss of around 8 letting opportunities per annum.

In the case of Stage 16 it seems more logical to exclude committed units as the purpose of the analysis is to show a surplus or shortfall of affordable housing. Including committed units might in some cases show a surplus of affordable housing where in fact the new housing is required to prevent a shortfall. However, we must remember that new affordable housing will in time produce additional relets (in the same way as relet opportunities are lost when dwellings are 'taken out of management').

For Stage 16, as shown by Table 7.1 the RSL stock increased by 277 rental units over the period April 2001 to April 2003 which equates to an annual gain of 139 units. Assuming a turnover rate of 10.4% in this stock (based on the number of lettings and the number of RSL rented dwellings in 2003) this means that the extra supply adds a further 14 letting opportunities per annum. Therefore Stage 16 of the Basic Needs Assessment Model will be represented by 14 letting opportunities gained per annum.

Hence, on the basis of this information it is estimated that average future supply of affordable housing will be 772 units per annum (766-8+14).

## 7.8 Summary

Relets of existing social housing in the current stock are the most important source of supply. Information provided by the Council for the past three years has been used to assess the position in the Southend-on-Sea Borough Council area.

The table below details the stages in arriving at an estimate of the 772 new lets from the current affordable stock per annum. Analysis of H.I.P. excluding transfers within the social rented stock for the last three years indicates a supply of relets of 795 per year. Taking account of lettings made to new dwellings the supply estimate is reduced by 56 units per annum. Account is also taken of letting opportunities arising from turnover in the shared ownership stock. This contributes a further 23 letting opportunities per annum and additional lettings from currently vacant stock are assumed to contribute a further 4 letting opportunities per annum.

Units taken out of management and committed units of new affordable supply will lead to a net gain of 6 relets per annum therefore leaving a total supply of affordable housing per annum of 772 units. The second table shows how this fits into the Basic Needs Assessment model.

**Table 7.4 Estimated future supply of affordable housing (per annum)**

<i>Element of supply</i>	<i>Number of units</i>
<i>Average lettings per annum (excluding transfers)</i>	795
<i>Lettings in new housing</i>	-56
<i>'Relets' of shared ownership</i>	+23
<i>Additional lettings in vacant stock</i>	+4
<i>Letting opportunities lost through units taken out of management (Stage 15)</i>	
<i>Letting opportunities gained through additional stock (Stage 16)</i>	+6
<b>ESTIMATED SUPPLY OF AFFORDABLE HOUSING (PER ANNUM)</b>	<b>772</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 7.5 Basic Needs Assessment Model – Stages 14 to 17**

<i>S: SUPPLY OF AFFORDABLE UNITS</i>		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
14. Supply of social relets p.a.	Excludes transfers within social rented stock and includes 'relets' of shared ownership	762
15. <i>minus</i> increased vacancies & units taken out of management	Letting opportunities lost	+10
16. <i>plus</i> committed units of new affordable supply p.a.	Letting opportunities gained	
17. <i>equals</i> affordable supply	14-15+16	772

*Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004*

### **Changes since 2002**

Comparing the supply data in this chapter with similar information from the 2002 survey suggests that over time there has been a slight increase in the availability of social housing for re-letting. In 2002 it was estimated that the average number of relets (excluding transfers) was around 701 per year. The current estimate is 772 dwellings per annum although this includes an additional 23 relets from shared ownership, not included in the previous survey.



## 8. BASIC NEEDS ASSESSMENT MODEL

### 8.1 Introduction

The table on the following page shows the final figures in the '*Basic Needs Assessment Model*'. This brings together the three key elements that have been calculated in the preceding chapters, namely; the Backlog of Existing Need, Newly Arising Need and the Supply of Affordable Units. The overall output from these three analytical stages represent the estimated net affordable housing requirement across the Southend-on-Sea Borough.

### 8.2 Total housing need

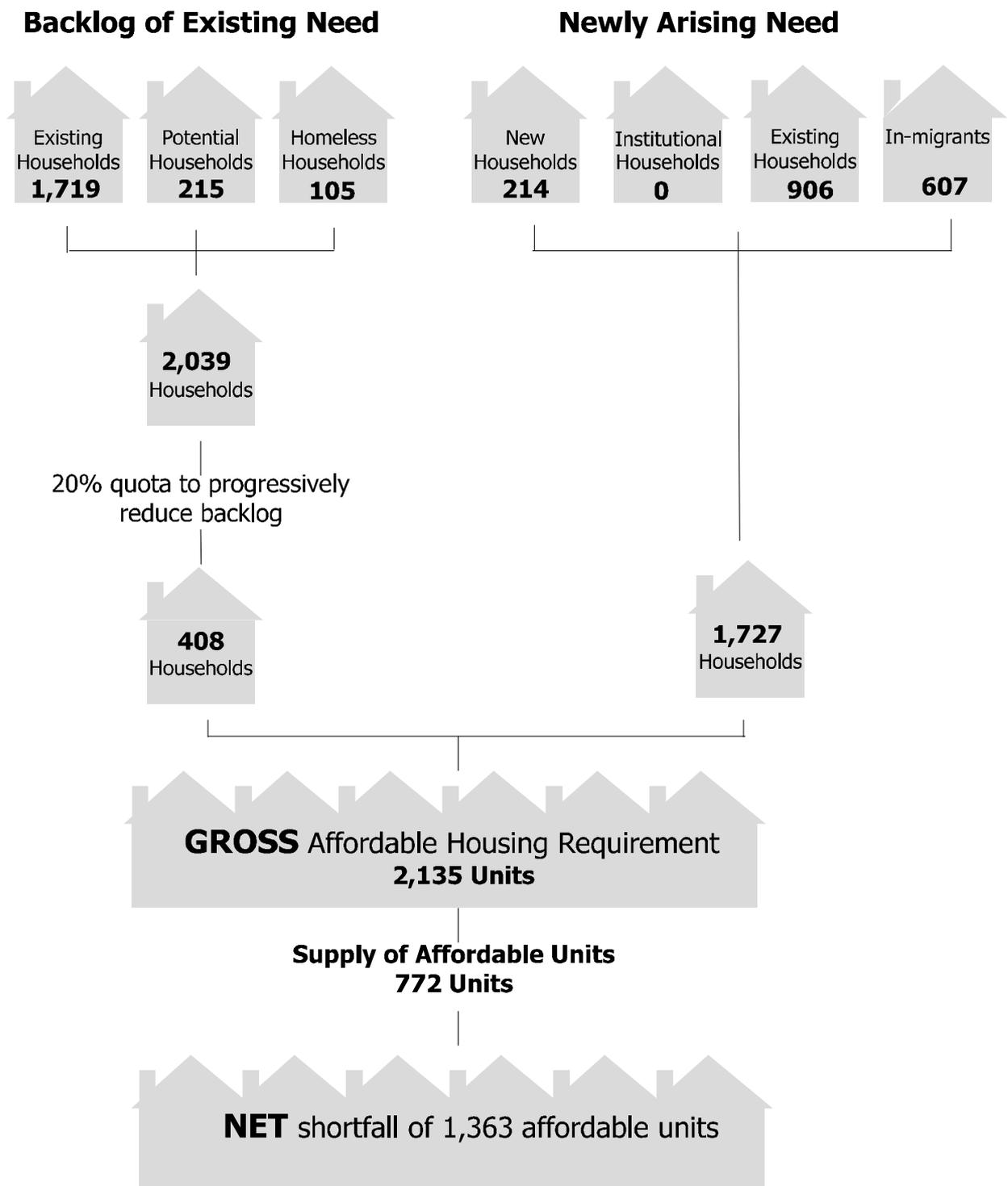
The backlog of existing need suggests a requirement for 408 units per year and the newly arising need a requirement for 1,727 units per annum. These two figures together total 2,135 units per annum. The total estimated supply to meet this need is 772 units per year. This therefore leaves a shortfall of 1,363 units per year if the Council were able to meet all of the current and projected need over the next five years. The figure of 1,363 represents 1.8% of the total number of households in the Borough (74,941).

**Table 8.1 Basic Needs Assessment Model**

<i>B: BACKLOG OF EXISTING NEED</i>		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
1. Backlog need existing households	Number of households currently living in unsuitable housing	7,035
2. <i>minus</i> cases where in-situ solution most appropriate	In situ (or outside the Borough) solution most appropriate for 4,060 households	Leaves 2,975
3. <i>times</i> proportion unable to afford to buy or rent in market	76.0% = 2,261 – also remove 542 social renting tenants	1,719
4. <i>plus</i> Backlog (non-households)	Potential = 215 Homeless = 105	320
5. <i>equals</i> total Backlog need		2,039
6. <i>times</i> quota to progressively reduce backlog	Suggest 20% as in ODPM report	20%
7. <i>equals</i> annual need to reduce Backlog		408
<i>N: NEWLY ARISING NEED</i>		
8. New household formation (gross, p.a.)		323
9. <i>times</i> proportion unable to buy or rent in market	66.2% cannot afford market housing	Leaves 214
10. <i>plus</i> ex-institutional population moving into community		0
11. <i>plus</i> existing households falling into need		906
12. <i>plus</i> in-migrant households unable to afford market housing		607
13. <i>equals</i> Newly arising need	9+10+11+12	1,727
<i>S: SUPPLY OF AFFORDABLE UNITS</i>		
14. Supply of social relets p.a.	Excludes transfers within social rented stock and includes 'relets' of shared ownership	762
15. <i>minus</i> increased vacancies & units taken out of management	Letting opportunities lost	+10
16. <i>plus</i> committed units of new affordable supply p.a.	Letting opportunities gained	
17. <i>equals</i> affordable supply	14-15+16	772
<b>18. Overall shortfall/surplus</b>	<b>7+13-17 (per annum)</b>	<b>1,363</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

Figure 8.1 Basic Needs Assessment Model – summary



Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

### 8.3 Implications for affordable housing policy

Appendix A2 details the key features of current ODPM Affordable Housing policy. This is likely to be changed only slightly if the draft affordable housing sections of PPG3 (published in July 2003) are adopted.

The first implications for affordable housing policy are the choice of an appropriate percentage target and of the site size threshold at which the eventual affordable housing policy will apply.

#### (i) Percentage target

The 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 8.2 Calculation of affordable housing target: following ODPM methodology**

<i>Element</i>	<i>Dwellings (per annum)</i>
<i>Affordable housing requirement</i>	1,363
<i>Minus affordable supply from non S106 sites (estimated)*</i>	-53
<b>EQUALS</b>	<b>1,310</b>
<i>Projected building rate (estimated)**</i>	569
<i>Minus sites below threshold (assumed)</i>	0
<i>Minus affordable supply from non S106 sites (estimated)*</i>	-53
<b>EQUALS</b>	<b>516</b>
<b>Therefore Target is</b>	<b>1,310/516</b>
<b>EQUALS</b>	<b>254%</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

NOTES: \* Estimate of supply from non S106: This has been estimated as 75% of the 71 additional affordable dwellings per year planned or proposed for 2003/04 and 2004/05

\*\* Information on projected building rate estimated from past H.I.P. data (2001-2003)

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 Southend-on-Sea. The evidence suggests that for example a target of 40% can be 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 Borough-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 40% target can be justified, although the Council is free to take a view on the particular level it wishes to set.

#### *(ii) Threshold site size*

There is more certain guidance on the issue of site thresholds. The Government advice contained in Circular 6/98 and PPG3 (2000) provides a threshold standard of 25 dwellings/ha. However, it recognises that, in special circumstances, lower thresholds of 15+ dwellings/0.5 ha may be proposed on allocated and windfall sites and of 2+ dwellings in areas with a population of 3,000 or less.

Given the amount of additional housing required, it would seem reasonable to assume that the Council would want to secure affordable housing on all sites regardless of size. Therefore, the lower government guidance thresholds would certainly be reasonable. Given the large need for affordable housing, a lower site threshold could be seriously considered.

## **8.4 Summary**

The Housing Needs Survey in Southend-on-Sea followed closely guidance from The ODPM in 'Local Housing Needs Assessment: A Guide to Good Practice'. This involved estimates of the 'Backlog of existing need', 'Newly arising need' and future supply to estimate the current surplus or shortfall of affordable housing in Southend-on-Sea. Updating this model it is estimated that for the next five years there is a shortfall of affordable housing in the Borough of around 1,363 affordable homes per year. The immediate implications for affordable housing are that any target would be justified on all suitable sites, and that the minimum site threshold possible should be applied.

**Changes since 2002**

This review of the housing needs situation suggests that around 1,363 additional affordable units would be required per year if all affordable needs are to be met. This compares with an estimate from the 2002 survey of around 1,487 per annum. The slight reduction in the overall requirement principally reflects a slight increase in the supply of affordable relets.

## 9. NATURE OF AFFORDABLE HOUSING REQUIREMENT

### 9.1 Introduction

Having considered the level of housing need in the Borough this chapter studies what types of affordable housing might be most appropriate to meet this need. In principle there are two main types of housing which can be considered (intermediate housing and social rented). Intermediate housing could include a series of different housing options such as low-cost market, shared ownership or discount market rent. The two main types of affordable housing are considered in relation to the size requirement for additional affordable housing.

### 9.2 Defining intermediate housing

'Intermediate housing' is a term which has come to be used to describe a housing demand for which the supply is neither conventional social rented housing, nor market housing. The term was originally given currency in the 'Homes for a World City' report and continues through the London Plan. The term 'intermediate' housing is now seen as relevant across the Country. It has not been very closely defined hitherto and therefore it is important to begin this chapter by doing so, since such a definition is a necessary starting point. There are two broad reasons for doing this:

τIntermediate housing should be clearly distinguished from social rented housing

τIt should also be distinguished from general market housing, and with that the various unclearly labelled variants of (newbuild) 'low cost market' housing which have confused the debate about housing affordability since the publication of Circular 13/96 (the Circular which suggested that low cost market would be one form of affordable housing)

A clear definition of the term is required because, without that, there is little prospect of this particular need being adequately addressed.

It is difficult to provide an absolute set of boundaries for the zone of intermediate housing. Nevertheless, reasonably clear distinctions can be made:

**Table 9.1 Definition of intermediate housing**

<i>Lower limit of Intermediate housing</i>	<i>Upper limit of intermediate housing</i>
<p>There are several issues:</p> <p>(i) Housing need is defined by ODPM to refer to households who are in unsuitable housing and cannot afford to buy or rent in the market. Affordability is defined by ODPM as excluding housing benefit.</p> <p>(ii) Of those in housing need, so defined, a large proportion can only afford social rented housing. The upper boundary of the cost of such housing is marked by the cost (rent) of new social rented housing.</p>	<p>Again there are several issues:</p> <p>(i) There is a clear upper threshold to intermediate housing, formed by the minimum entry level price of housing to buy or to rent in the market.</p> <p>(ii) The situation is confused by the fact that Government guidance does not recognise the fact that second-hand housing is always cheaper than newbuild housing. By referring to 'low cost market housing' (which is newbuild) Government guidance gives the impression that such low cost market housing is actually cheaper than entry level, second hand housing. This is never the case. In fact low cost market housing is normally at least 130% of the cost of entry level housing. The same is normally true of newbuild market rental housing.</p> <p>(iii) Although the objective situation is quite clear, that second hand housing forms the upper bound of the intermediate housing category, the situation is confused by claims by developers that some form of newbuild market housing should be allowed as 'affordable' given the wording of government advice. This unfortunate situation will continue until Government guidance is clarified.</p>

*Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004*

The lower boundary of intermediate housing is, therefore, formed by new social rent levels for different dwelling sizes. Some households in housing need will be able to afford somewhat more than social rents. For affordability purposes, these households fall into the intermediate housing category.

The table above serves to define the term intermediate housing in terms of the households which are covered by it. The definition does not address the question of what type of housing, either second-hand or newbuild, that might meet it. The typical expectation would be various forms of shared ownership, where the incoming household rents part of the equity value from (typically) a Registered Social Landlord, and buys the rest. Shared ownership costs somewhere between 90% and 110% of entry level housing, depending on area. Thus it is only marginally cheaper than outright purchase, in many cases. Other housing variants exist or are being developed, which may more directly meet intermediate housing demand.

### 9.3 Background

The survey estimates the costs of housing for each type of affordable housing and in each size group (by number of bedrooms) - in terms of estimated outgoings per week. The starting point is the cost of minimum priced market housing. It is obvious that any housing which costs more than the minimum cost of market housing cannot be considered as affordable in the local context, any housing available at a cost below this level will be affordable to some households in need although it is important to estimate the proportions able to afford at any particular level of outgoings.

The table below shows our estimates of the minimum cost of market housing in the Borough and estimated new social rent levels. Where the outgoings for owner-occupied housing are cheapest these figures are used and vice versa for private rented accommodation. In the case of Southend-on-Sea, the costs for private renting were cheaper for all dwelling sizes.

**Table 9.2 Basic information required for assessment of types of affordable housing required**

<i>Size requirement</i>	<i>Minimum priced second-hand market housing (£/week)</i>	<i>Social rent (£/week)</i>
<i>1 bedroom</i>	£84	£51
<i>2 bedrooms</i>	£112	£58
<i>3 bedrooms</i>	£139	£68
<i>4+ bedrooms</i>	£160	£78

*Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004*

It can be seen from the table above that for all dwelling sizes, the cost of social rented housing is significantly below that of market housing. Therefore it is clear that intermediate housing will be able to meet some housing need.

The analysis also requires an assessment of the size requirement of households in need. The table below provides an estimate of the size requirement for additional affordable housing and is based on information about those households found in the survey to have a housing need whilst the size of affordable housing supply has been based on survey evidence about the sizes of dwellings let to new tenants over the past three years (and adjusted back to the annual figure of 772).

**Table 9.3 Basic Needs Assessment Model and size requirement**

<i>Size requirement</i>	<i>Annual need</i>	<i>Affordable supply</i>	<i>Overall shortfall/ (surplus)</i>
<i>1 bedroom</i>	925	432	493
<i>2 bedroom</i>	737	188	549
<i>3 bedrooms</i>	429	112	317
<i>4+ bedrooms</i>	44	40	4
<b>TOTAL</b>	<b>2,135</b>	<b>772</b>	<b>1,363</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

The table below shows the estimated breakdown of additional affordable housing requirements by size and type of housing per annum. The figures are for gross need and include households currently living in social rented housing.

**Table 9.4 Amount of annual requirement for each type of affordable housing**

<i>Dwelling size</i>	<i>Type of housing</i>		<b>TOTAL</b>
	<i>Social rented</i>	<i>Intermediate housing</i>	
<i>1 bedroom</i>	489	436	<b>925</b>
<i>2 bedrooms</i>	497	240	<b>737</b>
<i>3 bedrooms</i>	370	59	<b>429</b>
<i>4+ bedrooms</i>	44	0	<b>44</b>
<b>TOTAL</b>	<b>1,400</b>	<b>735</b>	<b>2,135</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

The table shows that in total 34.4% of the gross requirement could be intermediate housing, the remainder should be social rented housing. However, from these figures it is important to deduct the supply of affordable housing. As with the previous analysis this has been split by social rented and intermediate housing.

**Table 9.5 Annual supply for each type of affordable housing**

<i>Dwelling size</i>	<i>Type of housing</i>		<b>TOTAL</b>
	<i>Social rented</i>	<i>Intermediate housing</i>	
<i>1 bedroom</i>	432	0	<b>432</b>
<i>2 bedrooms</i>	182	6	<b>188</b>
<i>3 bedrooms</i>	101	11	<b>112</b>
<i>4+ bedrooms</i>	34	6	<b>40</b>
<b>TOTAL</b>	<b>749</b>	<b>23</b>	<b>772</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

The following table therefore estimates the net requirements for each type of affordable housing by size. The table shows that 52.2% of the net requirement is for intermediate housing. Additionally, it is interesting to note that the need for intermediate housing is mainly for smaller one and two bedroom homes, whilst the social rented need is mainly for larger property sizes.

**Table 9.6 Net annual need for affordable housing for each type of affordable housing**

<i>Dwelling size</i>	<i>Type of housing</i>		<b>TOTAL</b>
	<i>Social rented</i>	<i>Intermediate housing</i>	
<i>1 bedroom</i>	57	436	<b>493</b>
<i>2 bedrooms</i>	315	234	<b>549</b>
<i>3 bedrooms</i>	269	48	<b>317</b>
<i>4+ bedrooms</i>	10	(6)	<b>4</b>
<b>TOTAL</b>	<b>651</b>	<b>712</b>	<b>1,363</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

#### 9.4 Affordability within the intermediate category

Although the survey suggests that around a third of all additional affordable housing could be categorised as 'intermediate' this does not imply any particular type of housing. We have therefore sought to provide some more information by looking at four categories of 'intermediate' housing based on price. The table below shows the bands of intermediate housing used for analysis.

**Table 9.7 Approximate outgoings for different types of intermediate housing**

Size requirement	Approximate outgoings (£/week)			
	Cheapest intermediate housing	2 <sup>nd</sup>	3 <sup>rd</sup>	Most expensive
1 bedroom	£51-£59	£60-£67	£68-£76	£77-£84
2 bedrooms	£58-£71	£72-£85	£86-£98	£99-£112
3 bedrooms	£68-£86	£87-£103	£104-£121	£122-£139
4+ bedrooms	£78-£98	£99-£119	£120-£139	£140-£160

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

As per the previous analysis we can estimate the number of households in need who fall into each of these categories. This is shown in the table below. It is clear that the vast majority of those in the 'intermediate' category have income/affordability levels at the bottom of the scale. For example, the data suggests that 37.8% of those who could theoretically afford intermediate housing could afford nothing costing more than a quarter of the difference between market and social rented prices. Further to this, 70% of households in the 'intermediate' category could afford nothing more than a half of the difference between market and social rented prices.

**Table 9.8 Number of households able to afford at different 'intermediate' housing prices**

Size requirement	Approximate outgoings (£/week)					TOTAL
	Social rented housing	Cheapest intermediate housing	2 <sup>nd</sup>	3 <sup>rd</sup>	Most expensive	
1 bedroom	489	74	222	35	105	<b>925</b>
2 bedrooms	497	178	18	25	21	<b>737</b>
3 bedrooms	370	26	0	12	22	<b>429</b>
4+ bedrooms	44	0	0	0	0	<b>44</b>
<b>TOTAL</b>	<b>1,400</b>	<b>278</b>	<b>240</b>	<b>72</b>	<b>148</b>	<b>2,135</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

## 9.5 The implications for targets

Clearly, a number of issues will arise in considering the implications of the above findings for any kind of policy target. Those particularly relevant to our analysis are discussed below.

The amount of affordable housing that can be provided in Southend-on-Sea is likely to fall a long way short of the requirement identified using either the Basic Needs Assessment Model or even the balancing housing markets mode (commented on further in the next chapter). As a result, there is an issue of priority.

When housing supply is as limited as it is in this case, it does not follow that the profile of affordable housing supplied should reflect the profile of all households who require it. Some groups will receive much higher priority than others; other groups will in practice rarely if ever reach the top of any waiting list and be offered a home. Experience suggests that the high-priority groups may not be representative of all need. This report provides the evidence for the degree of **need** for affordable housing, split between 'social rented' and 'intermediate'. It is clearly a policy issue, beyond the remit of this evaluation, as to how to allocate scarce **resources** between these two categories of affordable housing.

### **9.6 Affordability within the intermediate affordability category**

The results set out above make it clear that there is a potential 'market' for intermediate housing, as it has been defined for the purpose of this study, among households in need in Southend-on-Sea. On average just over a third of households in need could afford it.

Whether such households' need could be addressed in practice will depend upon the characteristics of the housing that is provided; in particular, the outgoings at which it is made available, and how attractive it is as a housing/tenure 'package' to prospective occupiers.

The implication is that in order to maximise the accessibility of an intermediate housing product, either it must be pitched at costs only a little higher than social rents, or else a series of separate products is needed covering the fullest possible range of affordability.

### **9.7 Summary**

Using information calculated from the survey, we have carried out further analysis to show how much of this need could be met by 'intermediate' housing, available at outgoings between social rents and the minimum cost of (second hand) market housing. The analysis shows that around a third (34.4%) of the additional affordable housing requirement could meet needs by such housing.

These findings cannot be translated directly into operational targets in practice. To begin with, the 34.4% figure is a maximum, and could only be reached if all the 'intermediate' housing was priced at social rents, which would be pointless, or if an extremely wide range of homes was available to cover the full spectrum of affordability from social rent to market. The data suggests that there are relatively few households in need whose financial situation place them close to being able to afford market housing.

There is also the issue of priority. Fundamentally, our analysis has focussed on the totality of need facing Southend-on-Sea. It does not differentiate between needs with different degrees of urgency or priority. If the supply of both social rented and intermediate housing continues to be severely constrained, and it is only made available to those with the greatest need, the proportion who could afford 'intermediate' housing might well be significantly different.

#### **Changes since 2002**

The 2002 survey considered the specific costs of low-cost market and shared ownership housing to meet the need in Southend-on-Sea and indicated that the majority of affordable housing should be social rented. The present report indicates that around a third of the need could be met by intermediate forms of housing, although at a cost significantly below the market. Of the total need, only 7.0% could afford intermediate housing just below the market (the price at which shared ownership is typically available).

## 10. BALANCING HOUSING MARKETS

### 10.1 Introduction

A traditional housing needs survey (HNS) can be criticised for not paying enough attention to the broader housing requirements of a local authority area. Generally this implies studying the requirements for additional private sector housing. This suggestion, indeed, appears in the ODPM guidance on HNS (under the heading of 'Gross Flows').

<b>ODPM Guide</b>	<i>'A further development of the approach (the Basic Needs Assessment Model) together with demographic components is to try to build a model showing the gross annual flows of households between each of the main tenures within the district. Such a model would also show the flows of new and migrant households into the system and of dissolving and out-migrating households out of the system'. [Appendix A7.4 (page 157)]</i>
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### 10.2 ODPM Guide's View

The general aim of the approach is to build a picture of how households move within and between different tenures and also how new households join the system and others leave (e.g. new household formation or dissolution through death). By including demographic estimates it is expected that such a model could help to estimate the tenures and sizes of dwellings required/demanded in the future.

The ODPM guidance does however note that *'It has so far been more difficult to apply this approach at the local level than at the national and regional level'*. The Guide says:

<b>ODPM Guide</b>	<i>'The gross flows approach may be thought of as a matrix of housing 'origins and destinations'. The value of this approach is that it makes the connections between what is happening in the private sector and the social sector explicit. It keeps track of households, who can't just disappear without trace, and draws particular attention to the roles of migration and private renting. It's greatest value is likely to be in drawing attention to tenure imbalances, and especially in highlighting the role of the private rented sector.' [Appendix A7.4 (page 157)]</i>
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It would appear from this that the authors of the Guide envisaged the gross flows approach as a means of projecting future tenure.

### 10.3 Why gross flows cannot predict tenure

There are a number of reasons why the gross flows model should not be used as a predictor of anything (and certainly not of the need for affordable housing). The main reason for this was noted by *Fordham Research* as long ago as 1993:

*'future variation in proportions of owner-occupiers, private renters etc should be considered as variables on which policy is to operate in seeking to meet housing need. In this sense it is not appropriate to use them as fixed variables'* (Wycombe HNS, Fordham Research 1993)

In other words actual past (or even projected future) changes in the proportions of dwellings in each of various tenure groups should not be considered as indicative of what should happen in order to best meet the housing needs (both affordable and market) of households in the future. In the jargon, such data has no 'normative' value: it contains no element of judgement.

Examples of why gross flows is not a satisfactory predictor are easy to cite:

- (i) If in a local authority area over a period of time (say a year) nothing but four bedroom owner-occupied dwellings are built then the gross flows methodology would show that nothing but four bedroom owner-occupied homes are required in the future (even if there is a significant need for additional affordable housing).
- (ii) On the other hand another local authority may have needed (and been able) to build a significant number of additional affordable units, the gross flows approach would indicate that the LA still required large numbers of affordable housing units (which might not be the case).

In other words, a gross flows approach as a forecasting method simply repeats what has happened and is, therefore, highly unlikely to be an accurate prediction of what either may or should happen. Thus a Gross Flows approach is not a useful part of any forecasting of the future of housing in an area.

### 10.4 Adaptation of Gross Flows

Gross flows is, therefore, pointless as a predictor. However the 'balance' idea inherent in Gross Flows can be adapted to be of practical use. In order to enable the approach to make a useful contribution, it is necessary to develop it somewhat. This discussion sets out to do that.

In our revised approach, some figures are derived from past trends in the HNS. We also use information about households future preferences and expectations along with affordability information. This distinguishes it from conventional Gross Flows, and also permits the approach to cast some new light on the future.

Whilst we would still expect households stated behaviour to be constrained by market realities, this revised approach has the advantage of not simply mirroring the past. Apart from the fact that a traditional Gross Flows approach presents the future as merely a mirror of the past, this approach has the advantage of helping to avoid any 'unbalancing' actions which may have been at work.

### **10.5 Illustrative analysis**

The sources of future housing demand can, with reasonable certainty, be limited to the following general categories:

1. Household formation
2. Household moving within an area
3. In-migrant households

In a similar way, there are three broad sources of supply of housing:

4. Households moving within an area
5. Households out-migrating
6. Household dissolution through death

The derivation of each of these is shown below:

**Table 10.1 Source and method of demand/supply information**

<i>Element</i>	<i>Description of analysis</i>
<i>Total dwelling/ household growth</i>	Estimated from HIP information
<b>DEMAND</b>	
<i>Household formation</i>	Number of households forming over the next five years who will be looking to remain living in the Borough (from survey results)
<i>In-migrant households</i>	Number is based on the net difference between household growth, household formation, out-migration and household dissolution. The profile of these households is based on actual housing secured by in migrating households over the past five years
<i>Existing households moving within the Borough</i>	Total figure and profile of these households based on existing households stating a need to move over the next five years and who would be looking to remain in the Borough.
<b>SUPPLY</b>	
<i>Supply from household dissolution</i>	Based on applying age specific national mortality statistics (2000) to the local population to estimate the proportion of households who are likely to wholly dissolve.
<i>Existing households moving within the Borough</i>	Total figure and profile of these households based on existing households stating a need to move over the next five years and who would be looking to remain in the Borough.
<i>Out-migrant households</i>	Total figure and profile based on households expecting to out-migrate over the next five years.

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

In terms of ascertaining exactly what type of housing would be demanded by households, we have looked at both what type of housing they would 'like' and also what they would 'expect' to move into as well as taking into account such households affordability profile.

The allocation has to be varied depending on the tenures which are aspired to or expected along with the affordability of various options. Below are some of the key features of the analysis:

1. households with a preference for owner-occupation or private renting and who can afford such housing are placed in their preferred tenure group
2. households who would like social rented housing but who can afford market housing are placed in their expected tenure, if such a household would both like and expect social rented housing then they are placed into their current tenure group
3. In-migrant households are placed in affordable housing if they cannot afford market housing. If such households are able to afford market housing then they are placed in the tenure which they secured. Households securing social rented housing but who are actually able to afford market housing are placed in owner-occupation.

In addition households were asked about their size requirement, this is based on questions about households perceived requirements except in the case of in-migrant households where the size of accommodation secured is taken as the size preference.

## 10.6 General analysis of Southend-on-Sea data

At the most general level:

- Demands minus the supply should give a net change (increase usually) in number of dwellings/households

For the purpose of this test we have set the overall net increase in dwellings to 569. This is the number of new households predicted by H.I.P. data.

We have then worked the results back to this figure using different assumptions as set out below. In effect some figures are given and the remainder can be worked out. Each of the elements of the model is set out in the tables below. The grand result can then be derived in Table 10.10 which follows.

The tables follow the sequence of elements of demand and supply discussed above. To this is added as an external factor, the projection of new households from H.I.P. data.

**Table 10.2 Demand I: Household formation by tenure and size required**

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	165	307	17	0	<b>489</b>
Social rented	279	279	15	0	<b>574</b>
Private rented	80	10	0	0	<b>90</b>
<b>TOTAL</b>	<b>524</b>	<b>596</b>	<b>33</b>	<b>0</b>	<b>1,153</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 10.3 Demand II: Demand from in-migrants by tenure and size required**

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	155	260	295	123	<b>833</b>
Social rented	110	136	45	29	<b>319</b>
Private rented	93	69	10	10	<b>183</b>
<b>TOTAL</b>	<b>357</b>	<b>465</b>	<b>350</b>	<b>162</b>	<b>1,334</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 10.4 Demand III: Demand from existing households by tenure and size required**

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	210	683	649	376	<b>1,918</b>
Social rented	300	394	328	66	<b>1,088</b>
Private rented	29	29	16	10	<b>84</b>
<b>TOTAL</b>	<b>539</b>	<b>1,106</b>	<b>993</b>	<b>452</b>	<b>3,091</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 10.5 Demand IV: Total demand by tenure and size required**

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	530	1,250	962	499	<b>3,240</b>
Social rented	689	810	388	95	<b>1,981</b>
Private rented	202	108	27	20	<b>357</b>
<b>TOTAL</b>	<b>1,420</b>	<b>2,167</b>	<b>1,377</b>	<b>614</b>	<b>5,578</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 10.6 Supply I: Supply from household dissolution**

Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	93	230	141	21	<b>485</b>
Social rented	156	25	5	0	<b>186</b>
Private rented	60	28	10	2	<b>100</b>
<b>TOTAL</b>	<b>309</b>	<b>283</b>	<b>156</b>	<b>23</b>	<b>771</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 10.7 Supply II: Supply from out-migrant households**

Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	167	184	331	179	<b>861</b>
Social rented	26	15	7	8	<b>57</b>
Private rented	126	62	26	15	<b>229</b>
<b>TOTAL</b>	<b>319</b>	<b>262</b>	<b>364</b>	<b>203</b>	<b>1,147</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 10.8 Supply III: Supply from existing households**

Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	244	387	723	288	<b>1,643</b>
Social rented	165	92	105	9	<b>372</b>
Private rented	424	454	156	42	<b>1,076</b>
<b>TOTAL</b>	<b>833</b>	<b>933</b>	<b>984</b>	<b>340</b>	<b>3,091</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

**Table 10.9 Supply IV: Total supply**

Tenure	Size released				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	504	802	1,195	489	<b>2,990</b>
Social rented	348	133	117	18	<b>615</b>
Private rented	609	544	192	59	<b>1,404</b>
<b>TOTAL</b>	<b>1,461</b>	<b>1,478</b>	<b>1,504</b>	<b>566</b>	<b>5,009</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

### 10.7 Summary of data

The preceding data tables can be summarised as follows, prior to inputting into Table 10.10:

**Growth** – 569 per annum

#### Demand

New households (non in-migration) – 1,153

In-migration – 1,334

Non in-migration – 3,091

**Total demand** = 5,578

#### Supply

Moves (within) – 3,091

Out-migrant –1,147

Moves (death) – 771

**Total supply** = 5,009

### 10.8 Overall shortfall/surplus

The previous tables are accumulated into the following one:

**Table 10.10 Total shortfall or (surplus)**

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	26	448	(232)	10	251
Social rented	341	677	271	77	1,366
Private rented	(408)	(435)	(165)	(39)	(1,048)
<b>TOTAL</b>	<b>(41)</b>	<b>689</b>	<b>(127)</b>	<b>48</b>	<b>569</b>

Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004

A number of conclusions can be drawn from this analysis:

- (i) The level of 'need' for affordable housing shown by Table 9.10 is very similar to that shown by the HNS analysis. Overall the data shows a shortfall in the social rented sector and supports the findings from the HNS analysis that there is a need for more affordable housing in Southend-on-Sea.
- (ii) The survey overall shows a surplus of private rented accommodation. This is not surprising given that it seems likely that the private rented sector is used as a 'sink' for those unable to access affordable housing and also to a lesser extent as a 'ladder' into owner occupation.
- (iii) In terms of size requirements, the information suggests that the main shortfalls in the social rented sector are for one and two-bedroom accommodation. In the owner-occupied sector the main shortfalls are for one and two bedroom homes and a significant surplus of larger three bedroom units.

## 10.9 Summary

Most of the implications that follow would be evident without the 'demand balancing' exercise carried out here.

- (i) The Council should try to secure as much additional affordable housing as possible. This would sensibly include attempting to secure a reasonable proportion of all allocated sites as affordable (e.g. having a 40%+ affordable housing target). Additionally, the Council should wherever possible secure affordable housing through other means (e.g. on 100% sites and also through other schemes such as conversions or empty homes).
- (ii) It is clear that in the medium term there will be a shortage of affordable housing for the people of Southend-on-Sea. It is likely that the private rented sector will continue to be used to make up for the shortfall of affordable housing although this would not be considered to be a long-term housing solution.
- (iii) In the owner-occupied sector the Council should encourage the building of smaller one-, and two-bedroom homes. Whilst a shortfall of these smaller properties together with four bedroom property is shown, three-bedroom properties show a significant surplus.

The practical outcome of this analysis is the same as was derived from our HNS: build more affordable housing.

The advantage of our Adapted Gross Flows (AGF) approach is that it allows the Council to monitor the degree to which the situation in Southend-on-Sea is approaching 'balance'. It shows exactly what shortages and surpluses exist, according to size of dwelling and tenure, in the existing stock. It also allows movement towards 'balance' to be monitored and, so far as possible, adjusted.

As mentioned at the start of this discussion, a Gross Flows type approach will not produce any new insights beyond those available from a Guide type HNS analysis. If the AGF approach just outlined is used, however, this type of approach can provide a useful adjunct to the HNS. It indicates more clearly than a HNS can do, the degree of 'imbalance' in the current market and non-market situation, and the degree to which 'balance' is being achieved.

#### **Changes since 2002**

The 2002 survey contained analysis of demand and supply for housing in the private sector market for Southend-on-Sea. The analysis was, however, more 'crude' than that put forward in this update. It is interesting however to note that the 2002 survey also showed the largest shortages of owner-occupied housing arising for smaller one and two bedroom properties.

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## GLOSSARY

### **Affordability**

A measure of whether households can access and sustain the costs of private sector housing. In this survey a single measure of affordability has been used based on the cost of suitably sized housing for each individual household (whether to buy or rent privately). Each household was assessed on the basis of their current financial situation (taking income, savings and equity levels into account) as well as household composition (i.e. larger households would be expected to be able to spend a smaller proportion of their income on housing). Households were assumed to not reasonably be expected to spend more than 25% to 35% of their income on housing depending on their current income level.

### **Affordable housing**

Housing of an adequate standard which is cheaper than that which is generally available in the local housing market. In theory this can comprise a combination of subsidised rented housing, subsidised low-cost home ownership (LCHO) including shared ownership, and in some market situations cheap housing for sale.

### **Annual need**

The combination of new needs arising per year plus an allowance to deal progressively with part of the backlog of need.

### **Average**

The term 'average' when used in this report is taken to be a mean value unless otherwise stated.

### **Backlog of need**

Those actual and potential households whose current housing circumstances at a point in time fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing, and homeless people living in temporary accommodation or sharing with others.

### **Bedroom Standard**

The bedroom standard is that used by the General Household Survey, and is calculated as follows: a separate bedroom is allocated to each co-habiting couple, any other person aged 21 or over, each pair of young persons aged 10-20 of the same sex, and each pair of children under 10 (regardless of sex). Unpaired young persons aged 10-20 are paired with a child under 10 of the same sex or, if possible, allocated a separate bedroom. Any remaining unpaired children under 10 are also allocated a separate bedroom. The calculated standard for the household is then compared with the actual number of bedrooms available for its sole use to indicate deficiencies or excesses. Bedrooms include bed-sitters, boxrooms and bedrooms which are identified as such by respondents even though they may not be in use as such.

### **Disaggregation**

Breaking a numerical assessment of housing need and supply down, either in terms of size and/or type of housing unit, or in terms of geographical sub-areas within the District/Borough.

### **Grossing-up**

Converting the numbers of actual responses in a social survey to an estimate of the number for the whole population. This normally involves dividing the expected number in a group by the number of responses in the survey.

### **Household**

One person living alone or a group of people who have the address as their only or main residence and who either share one meal a day or share a living room.

### **Household formation**

The process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households which form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year which did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs).

### **Housing Market Area**

The geographical area in which a substantial majority of the employed population both live and work, and where most of those changing home without changing employment choose to stay.

**Housing need**

Households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.

**Housing Register**

A database of all individuals or households who have applied to a LA or RSL for a social tenancy or access to some other form of affordable housing. Housing Registers, often called Waiting Lists, may include not only people with general needs but people with special needs or requiring access because of special circumstances, including homelessness.

**Lending multiplier**

The number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are three times a first income and one times a second income.

**Migration**

The movement of people between geographical areas, primarily defined in this context as local authority districts. The rate of migration is usually measured as an annual number of households, living in the district at a point in time, who are not resident in that district one year earlier.

**Net annual need**

The difference between annual need and the expected annual supply of available affordable housing units (e.g. from the re-letting of existing social rented dwellings).

**Newly arising need**

New households which are expected to form over a period of time and are likely to require some form of assistance to gain suitable housing, together with other existing households whose circumstances change over the period so as to place them in a situation of need (e.g. households losing accommodation because of loss of income, relationship breakdown, eviction, or some other emergency).

**Overcrowding**

An overcrowded dwelling is one which is below the bedroom standard. (See 'Bedroom Standard' above).

**Potential households**

Adult individuals, couples or lone parent families living as part of other households of which they are neither the head nor the partner of the head and who need to live in their own separate accommodation, and/or are intending to move to separate accommodation, rather than continuing to live with their 'host' household.

**Random sample**

A sample in which each member of the population has an equal chance of selection.

**Relets**

Social rented housing units which are vacated during a period and become potentially available for letting to new tenants.

**Sample survey**

Collects information from a known proportion of a population, normally selected at random, in order to estimate the characteristics of the population as a whole.

**Sampling frame**

The complete list of addresses or other population units within the survey area which are the subject of the survey.

**Social rented housing**

Housing of an adequate standard which is provided to rent at below market cost for households in need by Local Authorities or Registered Social Landlords (RSL's).

**Stratified sample**

A sample where the population or area is divided into a number of separate sub-sectors ('strata') according to known characteristics, based for example on sub-areas and applying a different sampling fraction to each sub-sector.

**Under-occupation**

An under-occupied dwelling is one which exceeds the bedroom standard by two or more bedrooms.

**Unsuitably housed households**

All circumstances where households are living in housing which is in some way unsuitable, whether because of its size, type, design, location, condition or cost.

## APPENDIX A1 FURTHER PROPERTY PRICE INFORMATION

### A1.1 Introduction

This Chapter provides further detail in support of the housing market analysis set out in Chapter 4. It contains information on prices obtained from the analysis of Land Registry property price data, and explains the methodology and approach used in our survey of local estate agents.

The estate agent survey is a key step in assessing minimum and average property prices in Southend-on-Sea but only provides limited information concerning price difference within the Borough, and doesn't shed light on the prices relative to other Local Authorities in the region.

We can look at the wider context of prices in the surrounding areas, and also the differences between areas within Southend-on-Sea, using information available from the Land Registry. This data is valuable in giving further background to the local housing market, although it does not displace the need for the estate agent information.

### A1.2 The need for primary data

There are four main reasons why Land Registry data cannot be used to calculate prices for use in the affordability model. These are:

- τThe information can only usefully give a guide to average prices. For a Housing Needs Survey we take the view that it is necessary to estimate the minimum price for which dwellings in satisfactory condition are available.
- τNo information is available about the condition of the dwellings whose price is being obtained. Clearly a property which needs major repairs is unlikely to be suitable for a first-time buyer with a limited budget, even if the initial price is relatively low.
- τA more serious limitation of this source is that records are kept by property type (i.e. detached, semi-detached, terraced, flat) and not in terms of the numbers of bedrooms. This information is, in our view, essential to provide an accurate assessment of need.

τThe Land Registry data cannot produce information about rental levels, which again ought really to be considered in carrying out a satisfactory analysis of affordability. There may be a small, but significant, number of households who cannot afford to buy market housing but who could afford suitable private rented housing. The affordability of such households cannot be adequately considered using only sale price information.

Despite these drawbacks the information available is certainly of interest to give some feel to the local context of property prices, and more specifically to provide comparison between prices in different areas.

### **A1.3 Estate agents survey: Methodology**

The methodology employed to find purchase and rental prices takes the following steps:

τWe establish the names and telephone numbers of local estate agents. This includes well known national estate agents as well as those operating specifically in the local area (allowing for good comparative measures of smaller and larger agencies). The estate agents selected are intended to be those dealing primarily with housing at the lower end of the market (e.g. not specialist agencies dealing with up-market properties)

τThese are then contacted by telephone and asked to give a brief overview of the housing market in the Borough- including highlighting areas of more and less expensive housing

τThe questioning takes a very simple form (this tends to improve efficiency without jeopardising results - people often lose interest when asked a series of detailed questions and quality of response is diminished). All agents are asked 'in their opinion'

τWhat is the minimum and average price for a one bedroom dwelling in good condition (i.e. not needing any major repair) and with a reasonable supply (not one off properties occasionally coming onto the market)?

τThis process is repeated for 2,3 & 4 bedroom dwellings

τThe same questions are then asked about private rented accommodation

τOnce several estate and letting agencies have been contacted, the results are tabulated and averages calculated to give an accurate estimation of minimum and average purchase and rental prices in the Borough. Any outlying values are removed from calculations.

τThe estimated purchase and rental prices are then inserted into the analysis to estimate the numbers able to afford a dwelling depending on the minimum number of bedrooms that the household requires.

#### **A1.4 Land Registry data**

The Land Registry compiles information on all residential land transactions. Analysis of this data is made available for recent quarterly periods, for geographical areas including Council areas, and more highly disaggregated data postcode areas, and by four main dwelling types.

This data is thus very versatile, and can potentially provide a valuable picture of housing market behaviour in quite specific detail. However, an eye needs to be kept on the size of sample when using disaggregated data for smaller areas and/or periods.

We used the data to provide several useful views of the housing market in and around Southend-on-Sea. These are considered below.

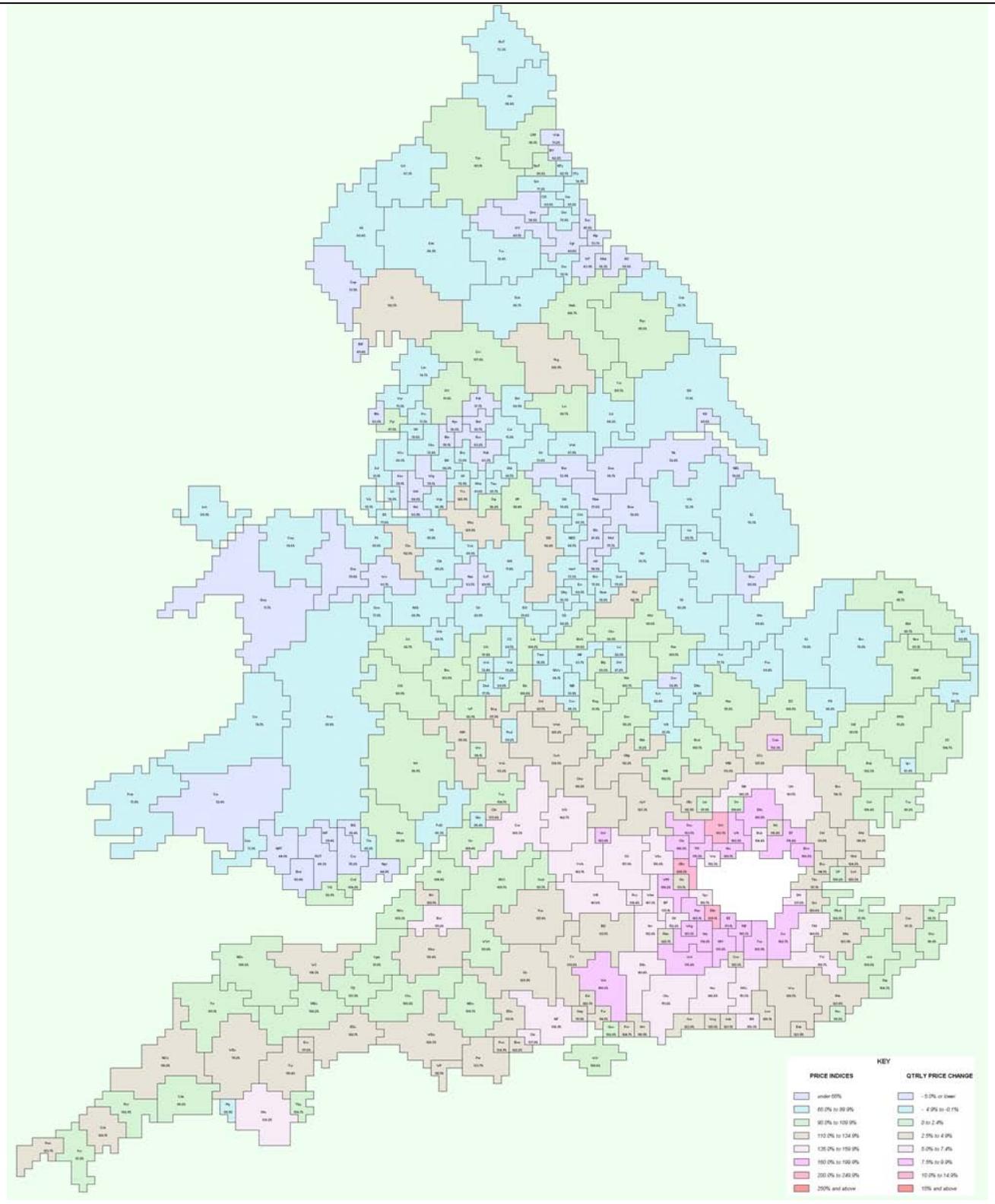
#### **A1.5 The national picture**

In order to make a valid comparison of price levels between areas it is necessary to tackle the impact of variations in the mix of house types. For instance, detached houses typically cost rather more than semi-detached, and in turn these are normally rather more expensive than terraced homes or flats. However, different areas do not contain the same mix of types; for instance, rural Districts close to prosperous urban areas can contain very high proportions of detached units, whilst older industrial towns can be predominantly terraced housing. In some parts of London, flats can be the predominant house type. If we wish to compare price levels accurately between one area and another, such variations in the type mix must be eliminated by standardisation.

Using such a technique, *Fordham Research* have analysed the most recent Land Registry data for every local Council in England & Wales to show how the price level for each area compares with an average for England & Wales as a whole.

The results are shown in the form of a map below. Indices for each local authority area are related to a base of 100% for England & Wales.

Figure A1.1 House price levels in England & Wales by Council area at Q4 2003



Source: HM Land Registry, Property Price Data, 2003

The map shows that the three highest price bands are highly concentrated around London, the Thames Valley through Oxford to the Cotswolds, and into Hampshire and Cambridge. The two lowest price bands are concentrated north and west of a line from the Severn to the Wash; above this line higher prices are largely confined to areas which are attractive to tourists and purchasers of second homes, or of homes for retirement.

In this context Southend-on-Sea has a price index of 120.3% of the national average and is therefore in the middle (fourth) of the eight price categories. Its price level in relation to the adjoining areas is considered in the next section.

### A1.6 Comparing prices in neighbouring areas

The table below shows detailed information on average sale prices for the Local Authorities adjoining Southend-on-Sea.

<i>Property type</i>	<i>Number of sales in brackets</i>					
	<i>Southend-on-Sea</i>	<i>Thurrock</i>	<i>Castle Point</i>	<i>Basildon</i>	<i>Rochford</i>	<i>England &amp; Wales</i>
<i>Detached</i>	£294,618 (162)	£269,613 (108)	£217,478 (197)	£290,369 (230)	£270,213 (122)	£248,943 (68,389)
<i>Semi – detached</i>	£182,189 (286)	£175,581 (224)	£161,015 (185)	£174,995 (236)	£170,791 (204)	£147,196 (84,147)
<i>Terraced</i>	£138,801 (309)	£141,964 (340)	£144,444 (49)	£133,619 (325)	£152,443 (54)	£123,231 (99,488)
<i>Flat / Mais'ette</i>	£112,118 (438)	£109,724 (297)	£99,249 (50)	£96,480 (149)	£139,870 (50)	£154,598 (49,383)
<b>Overall average</b>	<b>£160,528 (1,195)</b>	<b>£154,081 (969)</b>	<b>£176,031 (481)</b>	<b>£176,474 (940)</b>	<b>£193,099 (430)</b>	<b>£163,584 (301,407)</b>

Source: HM Land Registry, Property Price Data, 2003

The overall price figures for each district (e.g. Southend-on-Sea at £160,528) show that only Thurrock and Southend-on-Sea have property prices lower than the England and Wales average. The remaining districts are significantly above the average. Rochford shows the most expensive average (£193,099) whereas Thurrock shows the least expensive (at £154,081).

However, this overall average figure is coloured by the type mix of sales in each area. At its most extreme, there were 50 sales of flat/maisonette properties in Castle Point (10.4% of the total sales) but 438 of the same property type in Southend-on-Sea (36.7%) over the same period. Sales of flat/maisonette property accounted for 16.4% of total sales across England and Wales. Similarly there were only 108 sales of detached properties in Thurrock (11.1% of total sales) compared to 197 sales in Castle Point (41.0%). Sales of detached properties accounted for 22.7% of total sales across England and Wales over the same period.

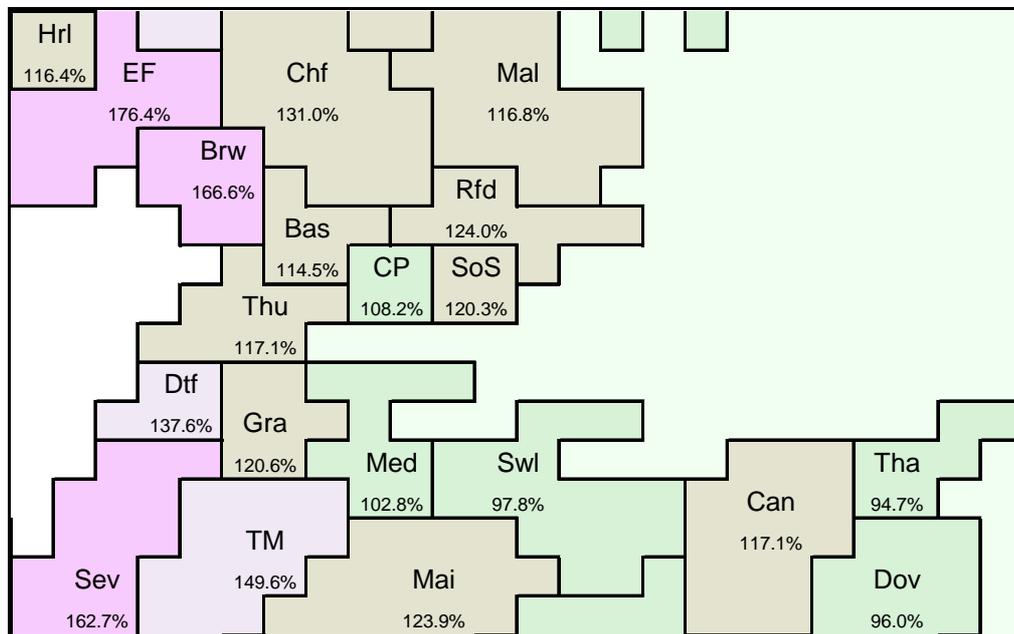
The effect of such variations on the overall average can be eliminated, by expressing the price for each type as an index (the proportion of the England & Wales average) and combining the four indices into a single percentage index using weights based on the type mix of sales for England & Wales as a whole. The results are shown in the table and figure below.

**Table A1.2 Relative property prices by Local Authority (4<sup>th</sup> quarter 2003)**

Property type	Price as % England & Wales					
	Southend-on-Sea	Thurrock	Castle Point	Basildon	Rochford	England & Wales
Detached	124.3%	113.8%	91.8%	122.5%	114.0%	100.0%
Semi – detached	128.1%	123.4%	113.2%	123.0%	120.1%	100.0%
Terraced	116.0%	118.7%	120.7%	111.7%	127.4%	100.0%
Flat / Mais'ette	110.1%	107.7%	97.5%	94.7%	137.3%	100.0%
<b>Overall average</b>	<b>120.3%</b>	<b>117.1%</b>	<b>108.2%</b>	<b>114.5%</b>	<b>124.0%</b>	<b>100.0%</b>
<b>Average as % of Southend</b>	<b>100.0%</b>	<b>97.3%</b>	<b>90.0%</b>	<b>95.2%</b>	<b>103.0%</b>	<b>83.1%</b>

Source: HM Land Registry, Property Price Data, 2003

**Figure A1.2 House price levels in England & Wales by Council area at Q4 2003**



Source: HM Land Registry, Property Price Data, 2003

The effect of standardisation is to re-order the area rankings quite radically. Rochford remains the highest priced area, but Southend-on-Sea becomes the second most expensive area (compared with fourth most expensive before standardisation). In contrast Basildon and Castle Point become the cheapest areas after standardisation whereas before they were second and third most expensive respectively. The very cheapest area, Castle Point, is 90.0% of the Southend-on-Sea average price, whereas Rochford is only 3% above the Southend-on-Sea average. It is also worth noting that, standardised, the Southend-on-Sea average is above the England and Wales average.

### A1.7 Results for Southend-on-Sea as a whole

It is possible to examine in more detail information from the Land Registry for Southend-on-Sea. The table below shows data for sales in the five quarters to December 2003.

**Table A1.3 Average property prices in Southend-on-Sea – 4<sup>th</sup> quarter 2002 to 4<sup>th</sup> quarter 2003***Number of sales in brackets*

<i>Property type</i>	<i>Oct - Dec 2002</i>	<i>Jan - Mar 2003</i>	<i>Apr – Jun 2003</i>	<i>Jul – Sep 2003</i>	<i>Oct - Dec 2003</i>
<i>Detached</i>	£252,468 (148)	£270,470 (109)	£260,666 (122)	£270,912 (146)	£294,618 (162)
<i>Semi-detached</i>	£154,302 (346)	£162,336 (257)	£170,738 (241)	£173,809 (352)	£182,189 (286)
<i>Terraced</i>	£120,479 (322)	£123,623 (205)	£135,979 (237)	£138,366 (322)	£138,801 (309)
<i>Flat/ maisonette</i>	£92,162 (588)	£99,777 (425)	£96,887 (402)	£100,295 (433)	£112,118 (438)
<b>OVERALL</b>	<b>£130,868</b> <b>(1,404)</b>	<b>£139,508</b> <b>(996)</b>	<b>£143,837</b> <b>(1,002)</b>	<b>£150,611</b> <b>(1,253)</b>	<b>£160,528</b> <b>(1,195)</b>

Source: HM Land Registry, Property Price Data, 2003

Over the duration of the period overall average property prices can be seen to have increased quite considerably. Over the period since the last quarter 2002, overall prices have increased by around £30,000. Overall property prices increased by 23% in the year to December 2003. Price rises were most dramatic between the last quarter 2002 and first quarter 2003 and between the third and fourth quarters of 2003.

In terms of property type, flat/maisonette type property saw the largest rise over the period, increasing by around 22% for the year ending December 2003. The largest rise for this type of property occurred between quarter three and four of 2003. In contrast terraced property saw the smallest increases (up 15% for the year ending December 2003).

## A1.8 Differences within Southend-on-Sea

### (i) General methodology

The general methodology is quite straightforward. We have drawn up a list of the main postcode sectors within the Borough, and mapped where these postcodes are. The table below gives a brief description of which postcodes apply to which areas of Southend-on-Sea.

It should be noted that the local authority boundaries are not always coterminous with postcodes. Therefore some properties in a postcode may be outside the area; in addition it is possible that some parts of the Borough are in a postcode zone that is predominantly located outside the Local Authority area, and are therefore excluded from analysis.

This means that the data by sub-area is only a guide to actual variations within Southend-on-Sea.

**Table A1.4 Approximate sub-areas and postcodes**

<i>Area description</i>	<i>Postcode(s)</i>
<i>Eastwood</i>	SS9 4, SS9 5, SS0 9, SS0 0
<i>Leigh-on-Sea</i>	SS9 1, SS9 2, SS9 3, SS0 8
<i>Southend-on-Sea</i>	SS0 7, SS2 4, SS2 5, SS2 6
<i>Thorpe Bay</i>	SS1 1, SS1 2, SS1 3
<i>Shoeburyness</i>	SS3 8, SS3 9

*Source: Southend-on-Sea Borough Council - Housing Needs Survey Update 2004*

The table above shows 17 different postcode sectors in five different broad sub-areas. This gives us the opportunity to compare prices across the whole of the Southend-on-Sea area.

**(ii) Results by sub-area**

In the table below, average property prices are shown for each type of property for each sub-area. It is necessary to bear in mind that the number of sales in some cells of the table are quite small and the average price shown may be less reliable as a consequence.

**Table A1.5 Average property prices by sub-area (4<sup>th</sup> quarter 2003)**

<i>Property type</i>	<i>No of sales in brackets</i>				
	<i>Eastwood</i>	<i>Leigh-on-Sea</i>	<i>Southend-on-Sea</i>	<i>Thorpe Bay</i>	<i>Shoeburyness</i>
<i>Detached</i>	£240,761 (35)	£351,411 (46)	£208,894 (19)	£324,845 (31)	£280,726 (24)
<i>Semi-detached</i>	£169,761 (32)	£221,001 (20)	£157,400 (66)	£205,153 (42)	£152,363 (33)
<i>Terraced</i>	£129,061 (115)	£188,660 (42)	£130,764 (92)	£141,813 (42)	£128,464 (38)
<i>Flat/ Maisonette</i>	£95,011 (59)	£145,165 (132)	£93,013 (117)	£104,593 (79)	£88,771 (19)

*Source: HM Land Registry, Property Price Data, 2003*

In the table below we express these figures by house type as percentages relative to the average for the area as a whole, and show an overall average percentage. This has been calculated by weighting these individual indices by the mix of total sales.

**Table A1.6 Relative property prices by sub-area (4<sup>th</sup> quarter 2003)***Price as percentage of Southend-on-Sea total*

<i>Property type</i>	<i>Eastwood</i>	<i>Leigh-on-Sea</i>	<i>Southend-on-Sea</i>	<i>Thorpe Bay</i>	<i>Shoeburyness</i>
<i>Detached</i>	81.7%	119.3%	70.9%	110.3%	95.3%
<i>Semi-detached</i>	93.2%	121.3%	86.4%	112.6%	83.6%
<i>Terraced</i>	93.0%	135.9%	94.2%	102.2%	92.6%
<i>Flat/Maisonette</i>	84.7%	129.5%	83.0%	93.3%	79.2%
<b><i>Weighted average</i></b>	<b>88.5%</b>	<b>127.8%</b>	<b>85.1%</b>	<b>102.5%</b>	<b>85.9%</b>

Source: HM Land Registry, Property Price Data, 2003

The table demonstrates that prices in Leigh-on-Sea and Thorpe Bay are above the average whereas the remaining areas are significantly cheaper. This confirms the findings from the estate agent survey and provides justification for using minimum prices from the Eastwood, Southend-on-Sea and Shoeburyness.

### A1.9 Summary

An additional analysis of Land Registry data was carried out to help put property price information obtained from estate agents into local context. The Land Registry data suggests that actual average prices in Southend-on-Sea are generally lower than found in adjoining local authority areas (with the exception of Thurrock) but that prices have risen by around 22% since 4<sup>th</sup> quarter 2002.

## APPENDIX A2 AFFORDABLE HOUSING POLICY

### A2.1 Introduction

This appendix addresses a topic which has grown rapidly in importance over the past decade, namely affordable housing. The appendix sets out the key statements in Government guidance, used as the basis for the analysis in the report.

The term is a construct of Government advice although even in its most recent form (PPG3 (2000)) it provides no coherent definition of what affordable housing is. As affordable housing, negotiated under the relevant planning guidance, has become in most parts of the country the main source of new housing to address housing need, this is a serious omission. It means that an analysis showing how affordable housing can meet housing need is a prerequisite to obtaining it.

### A2.2 Surveys as basis for policy

Circular 6/98 makes it clear that affordable housing policies:

*'should be based on a good understanding of the needs of the area over the period' (para 5) and that 'Assessments will need to be rigorous, making clear the assumptions and definitions used, so that they can withstand detailed scrutiny' (para 6)*

The Guidance also stresses that HNS should be up to date, and defines what that normally means:

*'Surveys become out of date and have to be repeated from time to time. As a general guide, a repeat once every five to seven years would be appropriate, although this should depend on local circumstances.'* (Guide to Housing Needs Assessment p 36)

### A2.3 Basis for defining affordable housing

In the introduction the broad definition of affordable housing was quoted. The difficulty with it is that, using the definition of housing need in the Guide:

*'Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.'* [Glossary: A2.2]

This definition is consistent with the quotation from paragraph 4 of Circular 6/98 in the preceding section: that affordable housing should be below market entry level. The general approach of Circular 6/98 is 'evidential': that what is affordable depends on local evidence:

*'The [affordable housing] policy should defined what the authority regards as affordable....'* (para 9(a))

This makes sense, but the following text is more difficult:

*'...but this should include both low-cost market and subsidised housing, as both **will** have some role to play in providing for local needs'* (para 9(a)) (our emphasis)

This statement is odd for two reasons:

- (i) It is grammatically incorrect: it states the results of an investigation, without there having been one ('will')
- (ii) Low cost market housing does not pass the test set out in para 4 of Circular 6/98: that it should be cheaper than market entry. It is normally at least 130% of that price.

This has led to difficulties at Local Plan (or UDP) inquiries. The Inspector is bound to follow Government Guidance, and yet the official support for low-cost market housing is contradicted by its failure to be 'affordable'. In some 150 district wide HNS since the concept was introduced in 1996, none has shown low cost market housing to be affordable in the Circular sense. Very little has been accepted by councils as a result. It is popular with developers as it is much more profitable than other types of affordable housing.

Affordable housing is defined in the ODPM Guide in a subtly different way from Circular 6/98. The ODPM guide definition was described by the Poole Local Plan Inspector (March 2003) as conflicting with the circular. The Guide definition is similar to the Circular on social rented and shared ownership but different as regards low cost market. On this point it says that affordable housing will include:

*'in some market situations cheap housing for sale'* (page 117)

This is a far more reserved judgement on the role of low cost market. It is also one which makes more sense of the Circular 6/98 one. In most market situations low cost market housing is much more expensive than market entry level, and is therefore not affordable in the Circular sense. The ODPM Guide version is therefore a more realistic one, in implying that low cost market housing will only in a minority of cases be affordable.

In most cases, therefore, the housing that will be affordable in the sense of Circular 6/98 and the ODPM Guide will be social rented and various forms of low cost home ownership (LCHO), mainly shared ownership.

#### **A2.4 Linking survey evidence to policy**

The Government has recently emphasised the link between local evidence (from HNS mainly) and affordable housing policy. The ODPM publication *'Delivering Affordable Housing Through Planning Policy'* (2002) criticised councils for 'slavishly' following the wording of Circular Guidance in a broad definition of affordable housing (para 2.4.6) rather than using the local evidence to define affordable housing. The ODPM calls for a tightening of the link between the HNS and the Affordable Housing policy:

*'.....It is very evident that this tightening or better practice process must begin with a much more robust procedure for translating the findings of housing needs assessments into local plan definitions of housing need. The research shows, surprisingly, that housing needs assessments are not a stated first port of call when it comes to defining affordable housing.....'*

(para 2.4.7)

Thus the definition of affordable housing in an area should draw upon the results of the HNS for that area.

## **A2.5 What level of subsidy is involved?**

Government advice has been reticent on this point. It refers, as quoted from para 9(a) of Circular 13/96, to 'subsidised' housing, but does not explain what subsidy should be provided by the housebuilders/landowners who provide affordable housing via this circular's requirements. The Circular prefers an indirect route:

*'...where there is evidence of need for affordable housing, local plans should include a policy for seeking an element of such housing, on suitable sites. Such policies will be a material consideration in determining an application for planning permission' (para 1 of Circular 6/98)*

The response of local authorities, since such policies were brought in (in 1991) has been quite variable. The level of subsidy has increased over the period, as the public subsidy (Social Housing Grant) has declined.

The subsidy is normally at least land at nil price, and sometimes also includes a subsidy on the build price, where this cannot be afforded by the local authority and Registered Social Landlord concerned. The issue is discussed in detail in *'Delivering affordable housing.....'* referred to in the above subsection.

## **A2.6 What target(s)**

Circular 6/98 allows for numerical targets at district level, and for percentage or numerical targets at site level (para 9(b)). The logical target is a percentage target at district level, since a numerical one can quickly be rendered obsolete if large windfall sites emerge. As the Inspector at the Merton UDP Inquiry said:

*'The use of percentages is therefore not discouraged and, as most housing within the Borough comes from windfall sites, I accept that its use in the policy is an appropriate way forward. It would also provide a consistent yield and give a level of certainty to developers' (LB Merton Inspector's report, 2001, para 3.29.11)*

Such district wide percentages are, therefore, widespread, and constitute the most common means of setting what is a target for negotiation on particular sites, based on their particular characteristics.

In terms of the levels of percentage, the figure has risen considerably over the period of more than a decade of such policies. Originally figures of 5% and 10% were common. By the mid 1990's adopted plans contained policies with 25-30% as their affordable housing target. However the outturn percentages from these policies has normally been much lower than the headline percentage. A recent report suggested that 10% had been achieved in the 1990's. As a consequence, targets have continued to rise. The current custom and practice percentage target is 40%. This has been accepted by many Inspectors as a reasonable rate, and by many developers as practicable on given sites. However the trend is rising: the London Plan (not yet adopted) is seeking 50%.

### **A2.7 What site threshold?**

Circular 6/98 sets a target of 15 dwellings as the site threshold for Inner London, and a site threshold of 25 for all other areas, except rural areas with settlements below 3,000 population, when the council can set its own threshold.

However the Circular allows that where there are 'exceptional constraints' the target can be lowered from 25 towards or to 15, in areas outside Inner London:

*The Secretary of State considers that it may be appropriate for local planning authorities in those areas where the higher threshold (at (a) above [25]) would apply, and who are able to demonstrate exceptional local circumstances, to seek to adopt a lower threshold (between the levels at (a) [25] and (b) [15]) above. Such constraints must be demonstrated, and proposals to adopt a lower threshold must be justified through the local plan process. [to this may be added, also through Supplementary Planning Guidance: I was involved in justifying 15 rather than 25 in LB Croydon via SPG in a S78 appeal in August 2001] Circular 6/98 para 10 (c)*

Footnote 9 of the Circular then applies, and it says, in terms of justifying exceptional circumstances, that the justification

*'should include factors such as: the number and types of households who are in need of affordable housing and the different types of affordable housing best suited to meeting their needs; the size and amount of suitable sites that are likely to be available for affordable housing (including an assessment of the densities of development likely to be achieved, and how these related to levels of need for affordable housing'.....[more minor points related to supply which are already factored into the ODPM Guide calculation)*

Thus the key test is that the need for affordable housing should exceed (or considerably exceed) the likely yield of affordable housing. It should be noted that the test does not involve comparing the council in question with its neighbours or with Inner London etc. It is a common mistake to assume that exceptional circumstances does mean 'exceptional' in relation to other districts. This is not the case.

Given the general shortage of sites for affordable housing in relation to the overall need as shown by a Guide analysis, 'exceptional constraints' apply to most districts in the Southern half of England, and to many in the north also.

This review has covered the key features of affordable housing policies. There are several other features, such as 'commuting off' where the developer seeks to avoid providing the affordable housing onsite by a payment or by providing an alternative site elsewhere, where the affordable housing can be put.

### **A2.8 Affordable housing in rural areas**

Apart from the fact that the Council can set the target in relation to evidence, in areas with settlements of less than 3,000 population, there is a further rule for 'exceptions' sites. These are ones where housing would not normally be permitted (for example ones which are outside a village 'envelope') but will be permitted if the purpose is to provide affordable housing.

PPG3 (2000) makes similar comments on affordable housing in rural areas, except for the longstanding emphasis on village appraisals to support particular schemes. These are not intended to be major technical exercises like HNS, but rather ones which are designed to establish whether local people want such a scheme. PPG3 (2000) also emphasises (Annex B para 2) that affordable housing on exceptions sites should not be subsidised by general market housing. That is to say the subsidy should come from a lower land price and not from extra market housing. This is designed to prevent landowners achieving the sort of land profit which could be achieved normally only on allocated development sites.

## A2.9 Recent Government advice

In July 2003 the government published 'Influencing the size, type and affordability of housing'. This document sets out a proposed change to PPG3 and the cancellation of Circular 6/98. A new PPG3 can therefore be expected sometime this year.

The draft does not appear to substantially change guidance contained within PPG3 and Circular 6/98 although there are a few pointers about the direction in which policy is going which are of importance. These include:

1. A standard threshold of 15 dwellings for all local authorities plus the possibility of going below this threshold level where justified (para 10, Annex A).
2. The ability to define specific tenures to meet affordable housing need (para 6, Annex A).
3. Dropping of the presumption that low cost market housing 'will' be affordable housing
4. Acceptance of the fact that the need for affordable housing can outstrip overall provision (para 3, Annex B)

Additionally, it is worth noting that although the draft PPG3 is still only in consultation stage a Planning Statement by Keith Hill (Minister of State for Housing and Planning, ODPM) states that the draft guidance can be used as a material planning consideration stating '*Local planning authorities are reminded that the policy is as stated in PPG3 but that emerging Government policy, in the form of draft policy guidance, can be regarded as a material consideration, depending on the context.*'

