

SWALE
HOUSING NEEDS SURVEY
UPDATE
2005



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1 INTRODUCTION

1.1 Government Guidance

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

1.2 The 2001 Study

1.2.1 DCA conducted a wide ranging needs assessment study in the Borough between August 2001 and January 2002. This study examined housing requirements in both market and social sectors.

1.3 2001 Census

1.3.1 The 2001 Census results were not available during the 2001 study therefore we have looked at the tenure balance of the 2001 data against Census figures and re-weighted the data in accordance with 2004 household numbers and Census Data. A copy of the weighting carried out in this survey is provided with the survey data tables.

1.4 The Update Study Objectives

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

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

1.5 Definitions

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

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

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

1.5.3 The types of affordable housing which comply with our definition are as follows:-

- ◆ *Units for rent, the major requirement;*
- ◆ *shared ownership with public subsidy;*
- ◆ *shared equity where land value is retained to provide housing for sale at below market levels and where control of the 'equity discount' can be retained as long as they are needed;*
- ◆ *discounted market rented housing.*

1.5.4 The issue of affordability is central to our approach. Within the project, we capture a range of data on actual incomes and costs of housing and the likely level of incomes and the accessible costs of housing for moving or newly forming households. We also examine secondary data on incomes, house prices and rent levels. Thus a reliable indicator of affordability is derived that leads towards the identification of real options for meeting housing need.

1.6 Methodology

1.6.1 The study consisted of the following elements:-

- i. analysis of the existing base of primary data gathered in 2001 which gathered information on housing needs to 2005 and is still currently valid;
- ii. A housing market survey utilising the Land Registry and Halifax databases and a telephone survey of estate agents on the cost of access level property and on the supply and cost of private rented housing;
- iii. Secondary data analysis drawing upon HIP and Housing Register data on the flow of social stock and need, 2001 Census, household and population projections and other national research.

1.6.2 As a database therefore the achieved sample of 4,409 in the 2001 study is very good and more than three times over the 1,250 minimum level recommended in the ODPM Guidance.

2 THE SWALE HOUSING MARKET

2.1 Introduction

- 2.1.1 This report was commissioned by Swale Borough Council to provide an update on house prices in the Borough. It has been conducted using the data from the 2001 Housing Needs Survey. 2004 housing market comparisons and the available data on income change has also been analysed.
- 2.1.2 Three data searches were commissioned to provide information on house price and sales volumes across the Borough:-
- ◆ from the Halifax, as the largest mortgage lender, analysing lending in the Region;
 - ◆ from the Land Registry, providing data on all sales in the area for the past year;
 - ◆ Estate Agency survey to assess access prices for new households in each sub-area.
- 2.1.3 The records include house price information by categories of dwellings, also included in the analysis is information about the volumes of sales of each type of dwelling.
- 2.1.4 As explained in 2.1.3 above, these indices are not absolutely comparable. Land Registry increase levels tend to be lower because they include cash transactions but they are less reliable on a quarterly basis because they only calculate actual transactions and the figures are affected by changes in the mix of properties between the current and previous periods. Halifax data measures a constant mix of properties by type and size, which removes the changing mix factor but does not of course include lower price cash transactions.
- 2.1.5 This information sets the context for the key issue of the affordability of housing in the area, and in particular the analysis can be related to problems of low income evaluated through the 2001 Housing Needs Survey.

2.2 National Picture

- 2.2.1 House price inflation in the third quarter of 2004 accelerated in most regions with an overall increase of 2.7%, below the 5.9% gain in the second quarter of 2004. However, this still remains well below the peak record in 1988 (34%). The overall sound UK economic background and the lowest mortgage rates since the 1950s have boosted housing demand in 2004 and this trend is expected to continue throughout the rest of the year.
- 2.2.2 UK house price inflation for the year ending 30th September 2004 was recorded by Halifax at 20.5% and Land Registry at 16.7%.

2.3 Regional Picture

Table 2-1 House Price Inflation

	Increase over year to 30 th September 2004 %	Increase over quarter to 30 th September 2004 %
The South East ⁽¹⁾	10.9	1.1
Kent ⁽²⁾	18.1	6.6

Source ⁽¹⁾ Halifax Index, © HBOS plc; ⁽²⁾ Land Registry, © Crown Copyright

- 2.3.1 The annual rate of house price inflation in the Halifax Index in the South East at 30th September 2004 was 10.9%, well below the UK average of 20.5%. House prices in the South East show a slight rise, increasing by 1.1% during the third quarter of 2004, the smallest quarterly increase in more than a year.
- 2.3.2 House prices in Kent rose over the last year by 18.1% as calculated by Land Registry compared to a rise in the Borough over the last year by 18.0% as calculated by Land Registry.

2.4 The Housing Market

- 2.4.1 The Regional Market is shown in Table 2-2 below, which details the prices paid for the main categories of house types for the whole of the South East Region with comparisons against a different source of house price index data.

Table 2-2 Average Region & County House Prices - All Buyers 2004

Property Type	SOUTH EAST REGION		KENT	
	Land Registry Average Price	Halifax Average Price	Land Registry Average Price	Land Registry % of sales
Terraced	173,861	183,880	157,511	30.4
Semi-detached	212,351	224,414	197,054	29.5
Detached	363,765	405,778	333,717	24.8
Bungalows	*	247,311	*	*
Flats & maisonettes	144,001	145,830	132,112	15.3
All properties	227,990	240,438	208,991	100.0

Source: Halifax House Price Index, 3rd Quarter 2004, © HBOS plc
 Land Registry Residential Property Price Report, 3rd Quarter 2004.
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 * Land Registry figures do not identify bungalows separately.

- 2.4.2 The Halifax data refer to mortgage transactions at the time they are approved rather than when they are completed. Whilst this may cover some cases which may never proceed to completion, it has the important advantage that the price information is more up-to-date as an indicator of price movements and is on a more consistent time-base than completions data (such as the ODPM Index) given the variable time lags between approval and completion.¹ The Land Registry data incorporates all sales transactions in the Region and more specifically in the Borough.
- 2.4.3 Prices vary between the different data sources and we would expect the Land Registry figures to be lower in all cases, given that these figures include non-mortgaged sales.

¹ Source: www.hbosplc.com – Methodology Section

- 2.4.4 The table below examines average house prices for the Borough recorded by the Land Registry against house prices and also the volume of sales for the Borough in 2004 and 2001.

Table 2-3 Average House Prices and Sales for the Swale Borough - All Buyers 2004

Property Type	SWALE BOROUGH				Increase 2001 - 2004 %
	2004		2001		
	Land Registry Average Price	Land Registry % of sales by Borough	Land Registry Average Price	Land Registry % of Sales by Borough	
Terraced	132,055	38.9	76,969	41.0	71.6
Semi-detached	163,541	27.3	99,643	27.8	64.1
Detached	260,457	24.5	156,366	26.9	66.6
Flats / maisonettes	122,833	9.3	50,183	4.3	144.8
All properties	171,242	100.0	103,496	100.0	65.5

Source: Land Registry Residential Property Price Report, 3rd Quarter 2001 / 3rd Quarter 2004.
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- 2.4.5 Whilst the overall house price increase in the Borough is 65.5% over the last three years, the price of terraces – the access level stock, have increased by 71.6% and flats / maisonettes by 144.8% (mainly due to the different nature of new build flats.)
- 2.4.6 The largest volume of sales in the Borough were for terraced houses (38.9%) selling at an average price of £132,055. Semi detached houses average £163,541 and are 27.3% of sales. Detached houses sell at an average price of £260,457 and account for 24.5% of sales. Flats / maisonettes average £122,833 and are 9.3% of sales. In view of the higher volume of sales and relative lower costs we believe that terraces are the main access property for first time buyers although increasing levels of flats in the market clearly now assist some households.
- 2.4.7 The sales levels of terraced properties in 2004, (38.9%) are similar to 2001 levels (41.0%). Sales levels of flats have risen and are higher in 2004 (9.3%) compared to 4.3% in 2001. Sales levels of detached houses in 2004 are similar to the 2001 sales levels although there was a slightly higher level of sales for these property types in 2001. Sales levels of semi-detached houses (27.3%) in 2004 show a slight decrease in sales compared to 27.8% in 2001.

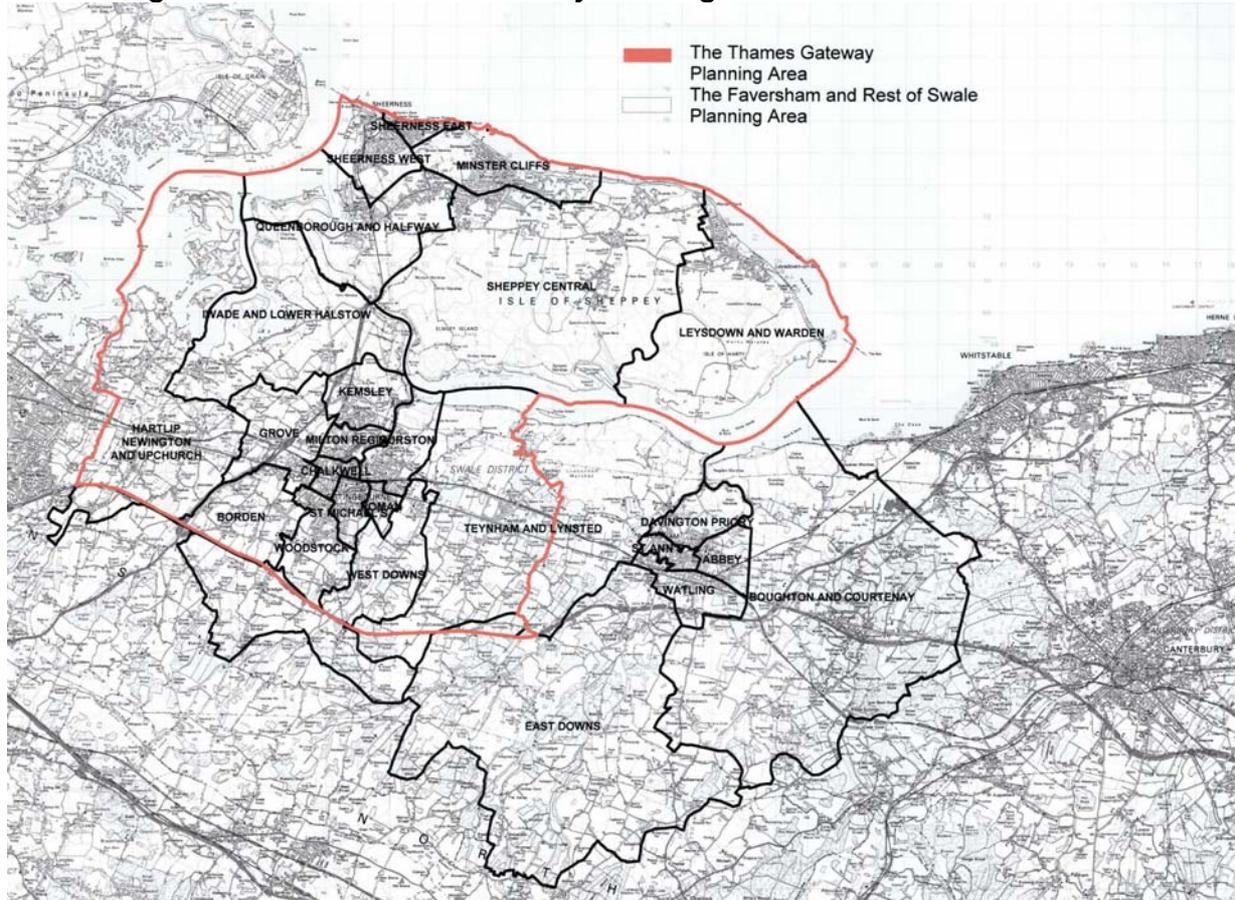
2.5 Sub Area Structure

- 2.5.1 In order to further analyse house prices and rental prices in the area, the Borough has been divided into 5 sub-areas. Table 2-4 below demonstrates a breakdown of the areas that were used in the 2001 survey. Additionally a Thames Gateway area and an additional rural area have been used for the 2004 update.

Table 2-4 Housing Market Areas

Sub-Areas	Wards
Faversham	
Sittingbourne	
Sheerness / Minster	
Rural Area *	<i>Boughton, Doddington, Upchurch, Bredgar, East Church</i>
Thames Gateway *	Sheerness / Minster, Sittingbourne, Upchurch, Eastchurch

* additional areas

Figure 2-1 Thames Gateway Housing Market Area

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2.6 Entry Sales Levels in the Borough

- 2.6.1 Entry to the market is clearly dependent on availability, a factor, which is particularly critical for low income households who can only enter the market in any numbers where there is an adequate supply of affordable dwellings.
- 2.6.2 First-time buyers as new entrants to the Housing Market do not purchase houses at average prices as they do not have average incomes. Although average prices are useful for comparisons in general they are not the purchase levels used in assessing the ability of households to access local markets.
- 2.6.3 In broad terms new purchasers of terraced properties buy in the lowest quartile of prices i.e. the bottom 25%. We have therefore made the only comparison available from Land Registry data which is at Borough wide level. In Swale Borough this is £114,995, 32.8% lower than the all property average of £171,242 in Table 2-3.
- 2.6.4 DCA have therefore undertaken a survey of the local estate agents to ascertain the cost of the cheapest units available both for private rent and for sale in each of the 5 sub-areas. In Sheerness / Minster and the rural area a low level of data was found for 1-bed flats.

- 2.6.5 There was also a lower level of data for flats in the wards of Doddington and Bredgar; in these rural areas stock mainly consisted of detached properties.

Table 2-5 Entry Sales Levels in the Borough – December 2004

Property Type	Faversham	Sittingbourne	Sheerness / Minster	Rural Area
1-Bed Flat	76,500	61,746	65,000*	-nd-
2-Bed Flat	129,330	84,997	-nd-	-nd-
2-Bed Terraced	120,662	100,296	91,248	119,995

Property Type	Thames Gateway	Borough-Wide
1-Bed Flat	56,997	60,997
2-Bed Flat	84,997	86,698
2-Bed Terraced	96,297	94,305

nd – no data available

** Low level of data available*

Source: DCA House Price Survey December 2004

- 2.6.6 Although the average price of flats / maisonettes according to the Land Registry survey is £122,833 entry sales levels vary across the Swale Borough with the lowest access prices, for a 1-bed property, starting at around £56,997 in the Thames Gateway area rising to £76,500 in Faversham as can be seen in Table 2-5 above. 2-bed flats can be accessed at £84,997 in Sittingbourne and the Thames Gateway area rising to £129,330 in Faversham. It should be noted that figures for 1 and 2 bed flats are based on the lowest entry level prices and in all areas average prices were significantly higher. Samples were particularly low in the rural areas and in Sheerness / Minster. Prices of 1-bed and 2-bed flats may also be affected by the condition of stock.
- 2.6.7 Terraced properties can be accessed at £91,248 for a 2-bed property in Sheerness / Minster, rising to £120,662 in Faversham.

2.7 The Private Rented Sector

- 2.7.1 We offer below a few comments on the private rented sector but must stress that the evidence available is largely empirical. We approached some of the main private renting agencies operating in the Borough.
- 2.7.2 From the estate agency sources approached, we set out below the prevailing private sector rent levels. The level of rental information was low in the rural areas, Faversham and Sheerness / Minster.

Table 2-6 Average and Entry Rent Levels in the Swale Borough (£/month) - December 2004

Property Type	Faversham		Sittingbourne		Sheerness / Minster		Rural Area		Thames Gateway Area		Borough-wide	
	Average	Entry	Average	Entry	Average	Entry	Average	Entry	Average	Entry	Average	Entry
1-Bed Flat	425	400	441	340	358	300	428	350	425	300	424	338
2-Bed Flat	500	500	472	400	438	400	490	450	460	400	465	430
2-Bed Terraced	551	470	541	475	483	400	552	465	526	400	532	442
3-Bed Terraced	625	600	598	525	515	450	659	600	576	450	597	525
2-Bed Semi-Detached	650	650	581	525	493	400	595	500	539	400	557	495
3-Bed Semi-Detached	644	575	636	575	556	500	684	600	613	500	632	550

Source: DCA House Price Survey December 2004

Low level of data

- 2.7.3 Entry level rental costs in the private rented sector vary by location within the Borough. The private rented sector can be accessed at £300 a month in Sheerness / Minster and the Thames Gateway area to £400 in Faversham (see Table 2-6 above) for a one bedroom flat, the smallest unit. For a 2-bed flat, rents range from £400 per month in Sittingbourne, Sheerness / Minster and the Thames Gateway area, £450 in the rural area and £500 in Faversham.

- 2.7.4 In the case of 2-bed terraced houses, we found that the entry rent levels were £400 p.m. in Thames Gateway and Sheerness / Minster, £465 p.m. in the rural area, £470 in Faversham and £475 in Sittingbourne. Semi-detached properties can be rented from £400 (for a 2-bed property) to a maximum of £600 (for a 3-bed property).
- 2.7.5 There is evidence to suggest that landlords would not accommodate Housing Benefit / Income Support cases; however the decision does rest with the individual landlord concerned.
- 2.7.6 A range of property types are available in the sector as a whole and are found in a variety of locations within Swale Borough. It would appear that the difference in rent level between furnished and unfurnished property is marginal with respondents indicating they do charge only slightly more for furnished accommodation, although many agencies do not deal with furnished property due to the fire regulations involved.

2.8 Conclusions

- 2.8.1 The annual rate of house price inflation in the Halifax Index in the South East at 30th September 2004 was 10.9%, below the UK average of 20.5%.
- 2.8.2 The Land Registry average price for all dwellings in the Swale Borough during the year was £171,242.
- 2.8.3 The largest volume of sales in the Borough were for terraced houses (39%) selling at an average price of £132,055. Semi detached houses average £163,541 and are 27% of sales. Detached houses sell at an average price of £260,457 and account for 25% of sales. Flats / maisonettes houses average £122,833 and are 9% of sales. In view of the higher volume of sales / terraces are the main access property for first time buyers.
- 2.8.4 The increase in the price of terraced houses (72%) and flats / maisonettes (145%) is in excess of wage inflation in the four year period. Incomes in the Borough are assessed independently to have increased by 21.7% over the period 2001 to 2004.
- 2.8.5 An income of around £18,000 is needed to buy a one bedroom flat in the Thames Gateway area, rising to £24,200 in Faversham. A two bedroom flat requires an income of £26,900 in Sittingbourne and Thames Gateway areas, rising to £41,000 in Faversham. On average the incomes needed to access flats and terraced properties have increased by 114% and 71% respectively between 2001 and 2004.
- 2.8.6 Based on rent at 25% of gross income a one bed flat in Sheerness / Minster requires £14,400 per annum, rising to £19,200 in Faversham. A 2-bed flat requires an income of £19,200 in Sittingbourne, Sheerness, Minster and Thames Gateway, rising to £24,000. To rent a 2-bed terraced house would require an annual income of £19,200 in Sheerness / Minster and Thames Gateway rising to £22,800 in Sittingbourne.
- 2.8.7 Mortgage interest rates are at their lowest level for over 40 years and people who cannot enter the market under these circumstances may never be able to do so, short of some collapse in the market or a significant change in their income level. Further house price increases above wage inflation in 2004 would make access to market housing more difficult to achieve and would impact on households with marginal incomes significantly.
- 2.8.8 Entry to market housing has therefore become more difficult for new households than it was in the 2001 Survey, increasing the need for subsidised housing especially in the much higher priced areas.

3 HOUSING COSTS AND INCOME

3.1 Introduction

3.1.1 The increase in average prices has a direct and significant impact on the income requirement to access owner occupation and the change from September 2001 to September 2004 is shown below in Table 3-1.

Table 3-1 Average Income Requirements 2001 – 2004 (£)

Property Type	2001 (£)	2004 (£)	Increase %
Terraced	24,400	41,800	71.3
Flats	15,900	38,900	144.7

2001 requirements relate to Land Registry price report, 3rd Quarter 2001

2004 requirements relate to Land Registry price report, 3rd Quarter 2004

3.1.2 Table 3-1 above shows that the Borough-wide level incomes at which the Housing Market can be accessed have increased since 2001. The income needed to access terraced properties has increased to £41,800 (71.3%) and access to flats / maisonettes requires an income of £38,900 compared to £15,900 in 2001, an increase of 144.7%.

3.2 Purchase Income Thresholds

3.2.1 The ability of a household to satisfy its own housing requirement is fundamentally a factor of the relationship between local house prices and households income. This section of the report assesses the income levels required to enter the market through the lowest quartile stock, (flats and terraced houses) available in reasonable supply from the research detailed in Section 2 and the change in incomes from the 2001 survey utilising national secondary data.

3.2.2 The cheapest entry level prices of the smallest units were assessed to enable threshold income levels to be calculated. These are based on 95% mortgage availability and a 3x gross income lending ratio the levels recommended in the SEERA Good Practice Guidance (2004). Table 3-2 below outlines the income ranges needed to enter the market in the main settlements in the Borough.

Table 3-2 Purchase Income Thresholds 2004

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terrace
Faversham	24,200	41,000	38,200
Sittingbourne	19,600	26,900	31,800
Sheerness / Minster	20,600 *	-nd-	28,900
Rural Area	-nd-	-nd-	38,000
Thames Gateway	18,000	26,900	30,500

* - Caution Low Sample

-nd- no data available

3.3 Rental Income Thresholds

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

Table 3-3 Rental Income Thresholds 2004

Area	Income Thresholds (£)		
	1 bed Flat	2 bed Flat	2 bed Terraced
Faversham	19,200	24,000	22,600
Sittingbourne	16,300	19,200	22,800
Sheerness / Minster	14,400	19,200	19,200
Rural Area	16,800	21,600	22,300
Thames Gateway	14,400	19,200	19,200

-nd- no data available

- 3.3.2 The income thresholds for each property type are in a relatively narrow band across the Borough. Based on rent at 25% of gross income a one bed flat in Sheerness / Minster requires £14,400 per annum, rising to £19,200 in Faversham. A 2-bed flat requires an income of £19,200 in Sittingbourne, Sheerness / Minster and Thames Gateway. To rent a 2-bed terraced house would require an annual income of £19,200 in Sheerness / Minster and Thames Gateway, rising to £22,800 in Sittingbourne.
- 3.3.3 In the 2001 survey incomes ranged from £15,000 to £19,000 for a 2 bed terraced house. This has increased between 2001 and 2004 as the income level needed for a 2-bed flat or terrace ranges from £19,200 to £22,800.

3.4 Secondary Research

- 3.4.1 The Joseph Rowntree Foundation published the results of a study undertaken across the Country examining the ability of working households, both existing and new forming, to become homeowners. The study entitled '*Can Work – Can't Buy*' conducted by Professor Steve Wilcox uses the Halifax database for House Prices of the lowest quartile prices for 4/5 room dwellings and calculates affordability ratios based on working household incomes from the New Earnings Survey.
- 3.4.2 In 2003 the survey was updated to take account of local prices and increase in incomes at the end of 2003.
- 3.4.3 The report highlights the key issue, "All ratios should be considered in relation to the ratio of mortgage advance to household gross income, which rarely exceeds 3.5 to 1". This ration would apply only to professionals and it is more likely that the majority of local households would achieve mortgage rates below 3 to 1 and closer to the average of the Council of Mortgage Lenders for first time buyers in 2003 of 2.83 to 1.

- 3.4.4 Table 3-4 highlights the data and house price to income ratio for Swale Borough, including the 13 Kent Authorities and for the South East Region.

Table 3-4 Purchase Income Thresholds

Area	Working Households		
	2003 Prices £	Income £	Ratio
Swale	147,417	33,839	4.36
Ashford	147,965	38,160	3.88
Canterbury	163,385	32,706	5.00
Dartford	159,072	38,576	4.12
Dover	127,198	28,518	4.46
Gravesham	156,845	34,080	4.60
Maidstone	166,053	37,157	4.47
Medway Towns UA	136,607	33,325	4.10
Sevenoaks	227,126	51,157	4.44
Shepway	144,287	30,561	4.72
Thanet	136,247	27,245	5.00
Tonbridge and Malling	178,325	42,176	4.23
Tunbridge Wells	200,417	45,343	4.42
South East Region	152,555	38,478	3.96

Source: Joseph Rowntree Foundation 2003 Update

- 3.4.5 Additionally the house price to income ratios across the 13 Kent authorities range from 3.88 to 5.00. Swale has the ninth highest house price to income ratio across the County at 4.36, well above mortgage ratios of 3 to 1 for the majority of households.

3.5 Annual Survey of Hours and Earnings

- 3.5.1 Income data is always difficult to gather at local level. Most data is regionally based and we have used the 2004 Annual Survey of Hours and Earnings (ASHE) prepared by the Office for National Statistics (formerly known as the New Earnings Survey). This provides data at County and Borough-wide level of full-time employees of adult rates who have been in the same job for more than a year.
- 3.5.2 The ASHE 2004 shows an average income of £24,484 for the Borough of Swale, a 21.7% increase on the 2001 figure of £21,058, which was the timing of the 2001 survey.
- 3.5.3 Although the ASHE does provide useful data on income distribution, the data produced refers to income related to a person's place of work, not income distribution in their resident area. There are indications within the new ASHE of unreliable and unavailable data within certain areas, where this applies to data that affects the Local Authority being assessed the County wide level data has been used as a more reliable source.

- 3.5.4 It is particularly important to examine the distribution of income rather than the average figure, especially in relation to the proportion of households with the capacity to access the private sector market for rent or sale.
- 3.5.5 There is a wide distribution of earnings illustrated from the ASHE. Analysis of the data for the Borough shows that: -
- ◆ 10% earned less than £12,181;
 - ◆ 25% earned less than £15,596;
 - ◆ 60% earned less than £25,126;
 - ◆ 75% earned less than £29,380;
 - ◆ 90% earned less than £36,820.
- Please note findings from Annual survey of Hours and Earnings for this area are based on a reasonably precise statistical measurement of quality at CV >5% and <=10%.*
- 3.5.6 The ASHE data on the spread of incomes, important in any area, with diverse house prices and markets, shows that for the Borough at April 2004, 10% of people earned less than £12,181; 60% less than £25,126 and 90% of people earned less than £36,820.
- 3.5.7 The increases in house prices over the last three years have excluded a large proportion of 'first-time buyers' from the owner occupied market. We believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised low cost market housing than would have been the case three years ago when it was a more marginal element of affordable need.
- 3.5.8 This assessment utilises all of the data from the 2001 Housing Needs Survey which incorporated income data from 3,600 households. This compares with a sample of 181 in the New Earnings Survey 2001 for Swale and 2,063 in the New Earnings Survey 2002 and 2,113 in 2003 for Kent County.
- 3.5.9 Access to the market has been based on the updated house price information detailed in Section 2. We have also undertaken analysis of the income levels of local households, to be able to assess the proportion of people now able enter market housing.
- 3.5.10 Table 3-5 highlights the 2001 and 2004 incomes of existing households from the 2001 Survey. As the average incomes for the Borough have increased by 21.7% between the years 2001 and 2004, an income inflation of 21.7% applied to determine the 2004 annual income levels.

Table 3-5 Incomes of Existing Households 2001 & 2004

Annual Income 2001		Annual Income 2004		%
Below	£10,000	Below	£12,170	21.6
£10,001 - £20,000		£12,171 - £24,340		25.3
£20,001 - £30,000		£24,341 - £36,510		22.2
£30,001 - £40,000		£36,511 - £48,680		13.0
£40,001 - £50,000		£48,681 - £60,850		8.0
£50,001 - £60,000		£60,851 - £73,020		4.6
£60,001 - £75,000		£73,021 - £91,275		2.7
£75,001 - £100,000		£91,276 - £121,700		1.5
Above	£100,000	Above	£121,701	1.1
Total				100.0

- 3.5.11 Table 3-6 below highlights the 2001 and 2004 incomes of concealed households from the 2001 Survey. The 2001 annual income bands taken from the 2001 HNS have an income inflation of 21.7% applied to determine the 2004 annual income levels.

Table 3-6 Incomes of Concealed Households 2001 & 2004

Annual Income 2001		Annual Income 2004		%
Below	£10,000	Below	£12,170	30.0
£10,001 - £15,000		£12,171 - £18,255		31.0
£15,001 - £20,000		£18,256 - £24,340		17.0
£20,001 - £22,500		£24,341 - £27,383		6.6
£22,501 - £25,000		£27,384 - £30,425		2.5
£25,001 - £27,500		£30,426 - £33,468		2.6
£27,501 - £30,000		£33,469 - £36,510		5.2
£30,001 - £40,000		£36,511 - £48,680		3.4
£40,001 - £50,000		£48,681 - £60,850		1.5
Above	£50,000	Above	£60,850	0.2
Total				100.0

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

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

Type of Property	Area	(£) Income Required	% of concealed households unable to purchase
1-bed Flat	Thames Gateway Area (cheapest)	18,000	59.7
2-bed Flat	Faversham (most expensive)	41,000	96.9
2-bed Terraced	Sheerness / Minster (cheapest)	28,900	88.3
2-bed Terraced	Faversham (most expensive)	38,200	95.4

- 3.5.13 Using the income requirements from Table 3-2, Table 3-7 shows that 59.7% of concealed households are unable to buy a 1-bed flat in the Thames Gateway area and 96.9% cannot afford a 2-bed flat in Faversham. For 2-bed terraced properties, 88.3% cannot afford to buy in Sheerness / Minster, this rises to 95.4% of concealed households being unable to afford to buy in Faversham.

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

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

Type of Property	Area	(£) Income Required	% of concealed households unable to rent
1-bed Flats	Sheerness / Minster and Thames Gateway Area (cheapest)	14,400	41.4
2-bed Flats	Sittingbourne, Sheerness / Minster, Thames Gateway (most expensive)	19,200	63.6
2-bed Terraced	Sheerness / Minster, Thames Gateway (cheapest)	19,200	63.6
2-bed Terraced	Sittingbourne (most expensive)	22,800	73.6

- 3.5.15 Table 3-8 above shows that 41.4% of concealed households in Sheerness / Minster and the Thames Gateway area cannot rent a 1-bed flat and 63.6% cannot rent a 2-bed flat in Sittingbourne, Sheerness / Minster and Thames Gateway area. In Sheerness / Minster and the Thames Gateway area 63.6% cannot afford to rent a 2-bed terraced property, rising to 73.6% in Sittingbourne.
- 3.5.16 Overall the calculation of the proportion of concealed households unable to access the private sector takes account of those who need one, two and, for some with children, three bedroom housing in the lowest quartile cost stock across the Borough. The proportion who cannot meet their needs in this sector is 64% unable to buy in the general market and 40% unable to afford private rental.

3.6 Summary

- 3.6.1 An income of around £18,000 is needed to buy a one bedroom flat in the Thames Gateway area, rising to £24,200 in Faversham. A two bedroom flat requires an income of £26,900 in Sittingbourne and Thames Gateway areas, rising to £41,000 in Faversham. On average the incomes needed to access flats and terraced properties have increased by 145% and 71% respectively between 2001 and 2004.
- 3.6.2 The income thresholds for each property type are in a relatively narrow band across the Borough. Based on rent at 25% of gross income a one bed flat in Sheerness / Minster requires £14,400 per annum, rising to £19,200 in Faversham. A 2-bed flat requires an income of £19,200 in Sittingbourne, Sheerness, Minster and Thames Gateway. To rent a 2-bed terraced house would require an annual income of £19,200 in Sheerness / Minster and Thames Gateway rising to £22,800 in Sittingbourne.
- 3.6.3 The Annual Survey of Hours and Earnings (ASHE) 2004 shows an average income of £24,484 for the Borough of Swale, a 21.7% increase on the 2001 figure of £21,058, which was the timing of the 2001 survey. The ASHE data on the spread of incomes, important in any area, with diverse house prices and markets, shows that for the Borough at April 2004, 10% of people earned less than £12,181; 60% less than £25,126 and 90% of people earned less than £36,820.
- 3.6.4 The implication of incomes having risen by 21.7% since 2001 directly impacts concealed household's ability to access the market through owner occupation. Updating the incomes of concealed households from the 2001 survey shows that 60% of concealed households are unable to buy a 1-bed flat in the Thames Gateway area and 97% cannot afford a 2-bed flat in Faversham. For 2-bed terraced properties, 88% cannot afford to buy in Sheerness / Minster, this rises to 95% of concealed households being unable to afford to buy in Faversham.
- 3.6.5 A similar pattern is found when looking at concealed household's ability to access the market through private rented accommodation. 41% of concealed households in Sheerness / Minster and the Thames Gateway area cannot rent a 1-bed flat and 64% cannot rent a 2-bed flat in Sittingbourne, Sheerness / Minster and Thames Gateway area. In Sheerness / Minster and the Thames Gateway area 64% cannot afford to rent a 2-bed terraced property, rising to 74% in Sittingbourne.

4 POPULATION GROWTH AND HOUSEHOLD FORMATION PROJECTIONS

4.1 Introduction

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

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

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

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

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

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

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

4.2 Demographic Analysis

- 4.2.1 There are four basic components to changes in the number and composition of households. The aim of this section of the report is to highlight the issues which are relevant to the evaluation of housing needs in Swale Borough particularly the changes in:-
- ◆ the age distribution of the population arising from births, deaths and ageing of the indigenous population;
 - ◆ family units such as marriage, divorce and child bearing patterns;
 - ◆ the number and composition of households arising from migration, particularly due to employment opportunities in the area;
 - ◆ the probabilities that family units form a separate household, particularly in response to changes in incomes in the labour market area.
- 4.2.2 In local area forecasting new household formation is mainly due to responses to income and employment opportunities. New household formation is also affected by life cycle patterns. This purely demographic influence on the number of households contributes to about 40% of the growth in the number of new households at any one time (Dicks, 1988; Ermisch, 1985).
- 4.2.3 The general demographic forecasts in the tables in this section have been provided by Kent County Council and are provisional 2001-based projections from the 2003 Kent and Medway Structure Plan. The 2001 Census data has not been taken into consideration in the production of these projections.
- 4.2.4 Kent County Council are currently in the process of updating their population projections using V19 projections which are based on Housing Policy from the KSMP (July 2004)². V19 projections have not been used as a breakdown of age projections were not available when the current report was written and they do not greatly differ from previous 2003 projections.
- 4.2.5 The factors which combine to produce the population and household forecasts are:- population age-sex structures, headship rates, survival factors, infant mortality, fertility rates, base numbers of dwellings, vacancy rates, building / demolition programmes and the age-sex structure of migrants. The summary of this data is provided in the following tables with population changes disaggregated for 5 year intervals from 2001 – 2021.

4.3 2001 Census

- 4.3.1 The population data has only just been published by the Office of National Statistics following completion of the 2001 Census. We are therefore outlining the age band population numbers from the Census for 2001 along side the population model in Table 4-2.
- 4.3.2 We have discussed the updating of the population model with Kent County Council and they, like all other Counties, will not be in a position to update the model to reflect the actual figures at 2001 from the Census for some time. The base model used is a national model maintained at Anglia University, and there are a range of issues that need to be taken into account, particularly headship rates, before longer term projections can be prepared.
- 4.3.3 Whilst there is variance in actual population numbers we would not expect any major difference in longer term trends in population change within age groups, which in our view is the critical issue for household formation and its impact on stock requirements.

² KSMP Working Paper 1 (Revised July 2004) Trend and Strategy Based Population, Household and Dwellings Projections 2001- 2021

4.4 Population Projections

4.4.1 The projections in Table 4-1 are based on the predictions made by Kent County Council (2001-based). These figures are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.5 regarding mortality, fertility and migration etc, and are contained in population projections for Swale Borough for the period 2001 -2021 provided by Kent County Council.

Table 4-1 Population Change in Swale Borough, 2001 - 2021

	2001 Census	2001	2006	2011	2016	2021	Change
Total Population	122,801	123,100	125,500	127,900	130,800	133,300	
Change		+ 299	+ 2,400	+ 2,400	+ 2,900	+ 2,500	+ 10,200
% Change		+ 0.2	+ 1.9	+ 1.9	+ 2.3	+ 1.9	+ 8.3

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

Figures are rounded to the nearest 100 so totals may not agree with the sum of their rounded components.

4.4.2 The table shows an increase in the population of Swale Borough of about 10,200 over the forecast period. A steady increase is seen across the forecast period, with the main increase occurring between 2011 and 2016 (2,900; 2.3%).

4.5 Age Structure Forecast 2001 - 2021

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

Table 4-2 Population Age Band Forecast, Swale Borough, 2001 - 2021

	2001 Census	2001	2006	2011	2016	2021	Change
0 - 19	24,865	25,900	25,400	25,000	25,100	25,300	- 600
20 - 29	14,151	14,100	14,700	14,800	14,400	14,100	0
30 - 44	34,628	34,300	33,500	32,400	32,700	33,000	- 1,300
45 - 64	30,765	30,300	32,500	34,300	33,600	33,900	+ 3,600
65 +	18,392	18,500	19,400	21,500	25,000	26,900	+ 8,400
Total	122,801	123,100	125,500	127,900	130,800	133,300	+ 10,200
% Change		+ 0.2	+ 1.9	+ 1.9	+ 2.3	+ 1.9	+ 8.3

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

Figures are rounded to the nearest 100 so totals may not agree with the sum of their rounded components.

- 4.5.2 As we show above there will be an average rise in the population of Swale Borough of approximately 0.4% per annum over the forecast period according to the forecast model. There is projected to be around 10,200 more people in Swale Borough in 2021 than in 2001.
- 4.5.3 The 0-19 age range shows a small decrease overall (600; 2.3%). A fall is seen up to 2011 (900; 3.5%), with a slight rise seen for the remaining forecast period (300; 1.2%).
- 4.5.4 The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall this age group shows no change in population numbers. However, numbers fluctuate over the forecast period. There is an increase in the current decade up to 2011 (700; 5.0%) with a fall at the end of the forecast period to 2021 (700; 4.7%).
- 4.5.5 The 30-44 age group, the main economically active group shows a large decrease overall (1,300; 3.8%). A fall is seen up to 2011 (1,900; 5.5%), followed by a rise up to 2021 (600; 1.9%).
- 4.5.6 The 45-64 age group shows an overall rise in numbers. Over the forecast period there is an increase of 3,600 people (11.9%). A rise is seen up to 2011 (4,000; 13.2%), with numbers fluctuating for the remaining forecast period.
- 4.5.7 The most significant feature here is the growth of the population in the over 65 age group. An increase of 8,400 individuals is seen over the forecast period, with a large increase in the current decade between 2001 and 2011 (3,000; 16.2%). Given the resource demands associated with elderly people, these are very significant figures.

4.6 Forecast Change in Households 2001-2021

- 4.6.1 Table 4-3 outlines the household formation forecasts for the Swale Borough in the 20-year period from 2001 to 2021. It is based on the statistics provided by Kent County Council, and we consider it the best available forecast on currently available data of household change in the Swale Borough.

Table 4-3 Forecast Change in Households in Swale Borough, 2001 - 2021

	<i>2001 Census</i>	2001	2006	2011	2016	2021	Change
Households	49,257	49,300	51,700	54,200	56,600	58,500	
Household change	+ 43		+ 2,400	+ 2,500	+ 2,400	+ 1,900	+ 9,200
% change	+ 0.01		+ 4.9	+ 4.8	+ 4.4	+ 3.4	+ 18.7

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

4.7 Summary

- ◆ The 2001 Census Data shows that the population of the Borough is currently 122,801 people, approximately 299 less people than the forecast at this point. This data has only just been produced and will not be reflected in population model projections for some time. We would not however expect the following trends within age bands, taken from the existing population and housing model which are outlined below, to alter in any significant way.
- ◆ The forecasts to 2021 are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.5 regarding mortality, fertility and migration etc, and are contained in population projections for Swale Borough for the period 2001 - 2021 provided by Kent County Council.
- ◆ The population is projected to increase by 10,200 people, 8% over the 20 years to 2021.
- ◆ The 0-19 age range shows a small decrease overall (600; 2%). A fall is seen up to 2011 (900; 4%), with a slight rise seen for the remaining forecast period.
- ◆ The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. Overall this age group shows no change in population numbers. However, numbers fluctuate over the forecast period. There is an increase in the current decade up to 2011 (700; 5.0%) with a fall at the end of the forecast period to 2021 (700; 4.7%).
- ◆ The 30-44 age group, the main economically active group, decreases in numbers, with 1,300 less individuals. A fall is seen up to 2011 (1,900; 6%) followed by a rise up to 2021 (600; 2%).
- ◆ The 45-64 age group shows an overall rise in numbers. Over the forecast period there is an increase of 3,600 people (12%). A rise is seen up to 2011 (4,000; 13%), with numbers fluctuating for the remaining forecast period.
- ◆ The most significant feature here is the growth of the population in the over 65 age group. An increase of 8,400 individuals is seen over the forecast period, with a large increase in the current decade between 2001 and 2011 (3,000; 16.2%). Given the resource demands associated with elderly people, these are very significant figures. This represents 26,900 individuals in the Borough by 2021, who are much more likely to have care and support needs which should now be assessed in detail.

4.7.1 Household formation is forecast to rise at over two times the level of population increase and this is due to a large increase in single person households through elderly people living longer, separation and divorce and young people forming single person households.

5 HOUSING NEEDS ASSESSMENT

5.1 Survey Weighting

- 5.1.1 In undertaking this update of the original Swale 2001 Housing Needs Survey the data file has been re-weighted using 2005 revised household numbers and social stock by sub-area and 2001 Census tenure proportions (adjusted by four years new dwellings) to draw key data used in the Model. The social sector stock has been weighted to the actual figures in the 2005 HIP return.
- 5.1.2 Table 5-1 below shows the resultant weighted tenure proportions in the data file, providing a very close match to the 2001 Census. Table 5-2 shows the weighted house type proportions in the data file compared with the 2001 Census, which also results in a close match to the 2001 Census.

Table 5-1 Tenure of Present Households

Question 1

Tenure	2005 %	N ^{os} implied	Local Area Census 2001 *
HA rented	13.6	7,612	15.4
Private rented	9.6	5,391	8.7
Shared ownership	0.3	160	0.5
Other / tied to employment	1.3	751	2.1
Owner occupier - mortgage	45.3	25,408	43.7
Owner occupier - outright	29.9	16,734	29.6
Total	100.0	56,056	100.0

* © Crown Copyright (Census)

Table 5-2 House Type of Present Households

Question 2

Type	2005 %	N ^{os} implied	Local Area Census 2001 *
Semi-detached	57.4	32,197	56.3
Detached			
Bungalow			
Terraced	33.1	18,528	32.9
Flat / Maisonette	9.2	5,162	10.2
Bedsit / Studio / Room only			
Caravan / Mobile home	0.3	172	0.6
Total	100.0	56,059	100.0

* © Crown Copyright (Census)

5.2 Model Structure

- 5.2.1 The model is structured on a 'flows' basis, taking account of recent experience over the previous three years and examining projections over the next two years. It has to be assumed that this 'annualised' data will occur each year to 2011. The primary data gathering will of course be undertaken again before 2011, but unless there are major changes in house prices and incomes it is unlikely that there will be much variation in the overall situation.

6 ODPM NEEDS ASSESSMENT MODEL

6.1 Affordable Housing Needs Assessment Model

- 6.1.1 The overall assessment of housing need is calculated using the ODPM Basic Needs Assessment Model, which is structured from the survey data to take account of the key demand sources, households requiring subsidised housing, homeless households not assessed in the survey, households living in unsuitable housing whose needs can only be resolved in a different dwelling and concealed household formation emanating from demographic change.
- 6.1.2 Although a model is provided in Guidance the data **used** within it can come from a varying number of sources and calculations made in a number of different ways. **Essentially a comprehensive and robust assessment process has been followed** and the method of calculation in this update takes account of a number of changes to the format used in the original study.

6.2 Income Requirement Assumptions

- 6.2.1 Each category has been adjusted to ensure that proper account is taken of households who can buy the lowest quartile stock in the owner occupied market without assistance, subject to location. The private rent sector costs are estimated at an access cost of £300 / £500 per month for the vast majority of households in this sector, requiring an annual income of at least £14,400 / £24,000 per annum, subject to location.

6.3 Basic Model Structure

- 6.3.1 There are a total of 18 'stages' in the needs assessment model, combined into three distinct sections assessing:-
- ◆ B - The Backlog of Existing Housing Need
 - ◆ N - Newly Arising Need
 - ◆ S - Supply of Affordable Units
- 6.3.2 $(B + N) - S =$ Overall annual net shortfall (or surplus) of affordable housing.

6.4 B – The Backlog of Existing Housing Need

- 6.4.1 The first **aspect** of the backlog calculation identifies existing households in living accommodation unsuitable for their needs who need to move to resolve their difficulty. **Stage 1** identifies the number of households who specified one or more reasons why their accommodation was inadequate. There were a total of 8,579 reasons for inadequacy given by 6,242 households, relating either to property size, condition, heating, affecting health, cost or insecurity of tenure.
- 6.4.2 **Initially the assessment tests those** households who stated their accommodation was too small, without specifying any other **reason, against** the ODPM 'Bedroom Standard' to determine whether they are actually overcrowded and only those households who are overcrowded are assessed to be in inadequate housing. Households stating "Too Small" without any other reason for inadequacy are therefore removed from the calculation and replaced with those who are technically overcrowded by the bedroom standard.
- 6.4.3 3,393 households gave "Too Small" as one of their reasons but 974 of them also have other reasons and the net group (who need to be replaced with the actual overcrowded group) is 2,419 households.

- 6.4.4 1,716 households are technically overcrowded by the Bedroom Standard but 87 of them are moving to a new home outside the Borough. This leaves a figure of 1,629 overcrowded households added back into the calculation. However 251 of these households were already included in the inadequacy total as they had specified reasons other than "Too Small" and need to be deducted to avoid duplication.

Table 6-1 Inadequate Households Test

Households specifying unsuitability issues		6,242
MINUS Reason "Too Small" <u>only</u>	2,419	3,823
PLUS Technically 'overcrowded'	1,629	5,452
MINUS Duplication	251	5,201
Assessed in inadequate housing		5,201

- 6.4.5 The net figure of 5,201 is used in **Stage 1** of the model.
- 6.4.6 **Stage 2** of the unsuitability assessment removes RSL rented tenants and shared ownership households from the calculation of those in inadequate housing, because any move would release a unit of affordable housing, and it is therefore assumed that there would be no overall net effect on the annual flow model.
- 6.4.7 There are 1,250 RSL rented households living in unsuitable accommodation. Of these there are only 477 who are technically overcrowded by the 'bedroom standard'. 80 households contain a new household about to form which will resolve the overcrowding situation and 131 households can have their needs met through the normal flow of 2 and 3-bed stock.
- 6.4.8 Only 0.6% of the RSL rented stock of 7,612 units are 4+ bedroom i.e. 48 units, and in the year to 2005 it is estimated that less than 5 re-lets of these units became available and therefore there is a need to develop further 4+ bedroom stock to address the needs of these households.

Table 6-2 RSL Rented Inadequacy

RSL Rented Unsuitable & Overcrowded	477
MINUS – New Forming Solution	80
MINUS – Moving & Overcrowding Resolved by Stock Flow	131
Net unresolved need (4 / 5 bedroom)	266

- 6.4.9 Only 984 (1,250 - 266) need to be removed from the total of households with an unsuitability, and this figure is applied in the model at **Stage 2**.
- 6.4.10 The next aspect of **Stage 2** removes from the total those households whose unsuitability can be resolved 'in situ' (i.e. in their current accommodation). This is derived from HNS data testing the reason for inadequacy of those households who stated their accommodation was inadequate, mainly relating to repairs or improvements to the home.
- 6.4.11 We assess that households who stated their accommodation was too small, those whose rent / mortgage was too expensive, housing was affecting their health, whose tenancy was insecure or whose home was too large all require a move.
- 6.4.12 The calculation results in a total of 2,037 cases where an 'in situ' solution is most appropriate and this figure is also applied at **Stage 2**, giving a total of 3,021 households who need to be removed from the unsuitability calculation at this stage, leaving a net figure of 2,180 households who need to move to resolve their difficulty.
- 6.4.13 The final stage of the unsuitability assessment takes the sub-total calculated above (**Stage 1** MINUS **Stage 2**) and applies to this total the proportion of households unable to afford to buy or rent a home of a suitable size in order to resolve their difficulty.

- 6.4.14 The 2000 Guidance states that “for existing owner occupiers in unsuitable housing it is important to take account of the existing equity owned” as this would assist a move to suitable accommodation.
- 6.4.15 The 2004 SEERA Guidance however acknowledges that this is extremely complex and the data gathered might not be very accurate and suggests that best practice is to ask the specific question asked in this survey that if the household needs to move to resolve their difficulty, could they afford a home of a suitable size within the Borough.
- 6.4.16 We did not apply this question to the Swale 2001 survey but have done so recently and the table below shows the results of a range of Boroughs, some of which are not dissimilar to Swale, one of which is significantly cheaper. Levels of 69% to 78% have been found in these areas, reflecting that equity is only one aspect of moving to alternative accommodation and the problem affects a high proportion of households.

Table 6-3 Households Unable to Afford to Move

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

- 6.4.17 Although the 2001 questionnaire did not attempt to identify equity we do take account of it by totally excluding owner occupiers with no mortgage and those with a mortgage who have lived in their existing home for more than five years. Of 1,164 owner occupiers we have therefore assessed only 171 who had lived in their current home for less than five years as to their ability to move. Other survey experience shows that even quite high proportions of those with no mortgage are not able to afford a home of a suitable size and our figure is almost certainly an underestimate.
- 6.4.18 We have tested the income capacity of the 2,180 households and 790 (36.2%) cannot afford to move. This comprises 582 private tenants, 139 RSL rented households (of the 266 who remain in the calculation at this stage), 63 of the owner occupiers and 6 households in shared ownership.
- 6.4.19 This figure of 36.2% (applied at **Stage 3**) may therefore be a low estimate of the proportion unable to afford to buy or rent in the Borough, compared with our recent national experience since we began asking the SEERA Guidance question.
- 6.4.20 Homeless households are counted in the Backlog of Need although we ensure that they are not double counted from any other source. Council records at March 2005 show that 248 households are in temporary accommodation. 7 of these were living in Bed & Breakfast accommodation, and analysis of the 2005 P1(E) homelessness return shows that 14 households live in hostel accommodation. Those “homeless at home” or in other general stock would be captured in the survey. 21 (7 + 14) is therefore the figure applied at **Stage 4**.

6.4.21 The total resultant calculated backlog having taken into account unsuitability, homeless and potential households is then multiplied by a 20% quota at **Stage 6** to progressively eliminate the backlog calculated over a five year period, in accordance with Government Guidance, although the Council can make a Policy decision to eliminate the backlog over a longer period (e.g. 10 years or years to the end of the Local Plan period).

Table 6-4 Backlog of Need – Basic Needs Assessment Model

B - BACKLOG OF NEED		
1.	Households in unsuitable housing	5,201
2.	MINUS – RSL tenants	984
	MINUS – in-situ solution most appropriate or leaving Borough	2,037
		3,021
	<i>Households in unsuitable housing and need to move</i>	<u>2,180</u>
3.	TIMES - Proportion unable to afford to buy or rent	36.2%
4.	PLUS - Backlog - homeless households	790
5.	TOTAL BACKLOG NEED	811
6.	TIMES - Quota to progressively reduce backlog *	(20%)
7.	ANNUAL NEED TO REDUCE BACKLOG	162

6.5 N – Newly Arising Need

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

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

Table 6-5 Time of Move – New Forming Households

Time of Move	N ^{os} implied	Annual Average
Within 1 year	760	891
1 - 2 years	1,021	

6.5.3 The table shows that the annual average new household formation level is 891 households per annum. In order to avoid double counting due to two-person household formation, duplication is removed. We found that 45.3% of new households forming over the next two years were with a partner who lived separately elsewhere in the Borough, which would cause a double count.

Table 6-6 Double Counting Removal

New household formation (gross p.a.)	891
MINUS - Two person formation (45.3%) x 0.5	202
Total	689

6.5.4 This results in an annual average formation level of 689 households per annum, after adjustment for 2 person household formation duplication, and is used at **Stage 8** of the model.

6.5.5 The income requirements for private rental are much lower than those to purchase and have therefore been used to test future new forming households ability to both purchase in the lower quartile stock and access private rental of 1, 2 and in some cases 3 bedroom units suitable for their requirements. Based on the income of newly forming households 61.5% are considered to be unable to rent in the market and this proportion is used in **Stage 9** of the Model.

6.5.6 The Council did not provide any data on ex-institutional population moving into community. This is a common situation and a figure of zero is used in **Stage 10** of the Model.

6.5.7 The calculation of Existing Households falling into priority need is based on net new registrations on the waiting list.

Table 6-7 Existing Households falling into need

Waiting List 2005	3,805
Waiting List 2004	3,328
Increase 2004 / 2005	477
PLUS RSL nominations	470
Total annual increase	947
MINUS 20% of 21 homeless households (Stage 4)	4
Annual net increase in need	943
Number in Priority Need	265

6.5.8 Stage 11 of the model identifies households who fell into priority need during the last year. Priority need is those households whose circumstances need to be addressed quickly and usually these households are homeless, in high medical need, suffering harassment, living accommodation which is unfit or in high levels of disrepair or have insecure tenancies.

6.5.9 Detailed data from the Council's administration systems is not available and available information on homeless households has been used as the basis for the calculation, even although there will be households in other categories who would be in addition to these numbers. Having taken into account 'repeat' applications, 336 homeless households were accepted in 2002 / 03, 236 in 2003 / 04 and 222 in 2004 / 05, an average of 264 per annum. This figure has been used as the annual level at **Stage 11**, although it is accepted this under-estimates need.

6.5.10 The survey data identified 570 in-migrant households in the last five years who live in social rented accommodation (114 per annum). Additionally there were 1,268 in-migrant households living in the private rented sector over the last five years (253 per annum), of which 387 were in receipt of housing benefit (77 per annum). An average annual figure of 191 households (114 + 77) unable to afford market housing is used at **Stage 12**.

Table 6-8 Newly Arising Need – Basic Needs Assessment Model

N - NEWLY ARISING NEED		
8.	New household formation	689
9.	TIMES Proportion unable to buy (81%) or rent (62%) in market	424
10.	PLUS - Ex-institutional population moving into community	0
11.	Existing households falling into priority need	265
12.	In-migrant households unable to afford market housing	<u>191</u>
13.	TOTAL NEWLY ARISING NEED	880

6.6 S – Supply of Affordable Units

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

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

Table 6-9 2003 to 2005 Affordable Housing Supply (HIP & CORE)

RSL Re-lets	2002 / 03	2003 / 04	2004 / 05	Average
HIP Return	575	511	503	530
CORE Data *	436	406	447	430
Average	506	459	475	480

* © CORE, Housing Corporation

6.6.3 The data for the three year period from CORE was considered to be incomplete and rather than using an average of the two data sources, the HIP return average re-let level of 530 has been used at **Stage 14** of the needs model.

6.6.4 Shared ownership units are estimated at 322, based on the 2001 Census total of 227 with 95 units built between April 2001 and March 2005. Assuming a resale rate based at 6.6%, the same as social stock re-lets, 21 units would become available each year. This number is also incorporated at **Stage 14**.

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

Table 6-10 2003 to 2005 Right to Buy & Demolitions

	2002 / 03	2003 / 04	2004 / 05	Average
Right to Buy / Demolitions	94	44	35	58

6.6.6 Data for 2004 / 05 right to buy levels was not available during preparation of the model, and the average annual right to buy level was determined from an average of the previous two years at 69 units per annum. With an average stock re-let rate of 6.6% per annum, this leads to a total of 4 units per annum applied at **Stage 15**.

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

Table 6-11 2003 to 2005 New Affordable Housing Supply (HIP)

Supply	2002 / 03	2003 / 04	2004 / 05	Average
New RSL Supply	84	63	48	65
Other New Supply	0	25	0	8
Total	84	88	48	73

6.6.8

- 6.6.9 The average annual new supply total is 73 units per annum, however both past delivery and future planned delivery levels do vary. Planned new delivery in 2005 / 06 is 102 units and in 2006 / 07 is 100 units. In view of the inconsistent supply levels over the period, new delivery has been discounted and a figure of zero is used at **Stage 16** in the model calculation. It will be important to monitor actual delivery levels in future years to assess progress in meeting the overall scale of affordable need.

Table 6-12 Supply of Affordable Units – Basic Needs Assessment Model

S - SUPPLY OF AFFORDABLE UNITS		
14. Supply of social re-lets (530) and Shared Ownership re-sales (21)		551
15. MINUS Increased vacancies (if applicable) and units taken out of management. Right to Buy	(58 x 6.6%)	<u>4</u>
<i>Net social re-lets</i>		547
16. PLUS - Committed units of new affordable supply		<u>0</u>
17. AFFORDABLE SUPPLY		547

6.7 Affordable Housing Needs Assessment Model

B - BACKLOG OF NEED		
1.	Households in unsuitable housing	5,201
2.	MINUS – RSL tenants	984
	MINUS – in-situ solution most appropriate or leaving Borough	2,037
		3,021
	<i>Households in unsuitable housing and need to move</i>	<u>2,180</u>
3.	TIMES - Proportion unable to afford to buy or rent	36.2%
		790
4.	PLUS - Backlog - homeless households	21
5.	TOTAL BACKLOG NEED	811
6.	TIMES - Quota to progressively reduce backlog *	(20%)
7.	ANNUAL NEED TO REDUCE BACKLOG	162
N - NEWLY ARISING NEED		
8.	New household formation	689
9.	TIMES Proportion unable to buy (81%) or rent (62%) in market	61.5%
		424
10.	PLUS - Ex-institutional population moving into community	0
11.	Existing households falling into priority need	265
12.	In-migrant households unable to afford market housing	<u>191</u>
13.	TOTAL NEWLY ARISING NEED	880
S - SUPPLY OF AFFORDABLE UNITS		
14.	Supply of social re-lets (530) and Shared Ownership re-sales (21)	551
15.	MINUS Increased vacancies (if applicable) and units taken out of management. Right to Buy	(58 x 6.6%)
	<i>Net social re-lets</i>	<u>4</u>
		547
16.	PLUS - Committed units of new affordable supply	<u>0</u>
17.	AFFORDABLE SUPPLY	547
	Annual need to reduce backlog (B)	162
	Newly arising need (N)	<u>880</u>
	TOTAL AFFORDABLE NEED (B + N)	1,042
	Affordable supply (S)	<u>547</u>
18.	OVERALL ANNUAL SHORTFALL (B + N) - S	495

* Elimination over a five year period is recommended in the Guidance for model purposes but the Council can make a Policy decision to do so over a longer period (e.g. 10 years or years to the end of the Local Plan period)

7 LOCATION DEMAND ANALYSIS

- 7.1.1 It is important to assess localised ability to buy within the Borough. Cross-tabulation checking on the actual income capacity of new forming households expressing preference to live in the main sub-areas of the Borough are outlined in Table 7-1 below.
- 7.1.2 Local entry level prices in each area were assessed in December 2004 against the incomes of concealed households expressing preference to live in that specific area (data from the 2001 Survey re-weighted to 2005) to calculate the numbers of households unable to purchase in each location.
- 7.1.3 The locational preferences (up to two) expressed by concealed households forming in each area over the next five years are listed below:-

Table 7-1 Location Demand Analysis

Location	Net New / Concealed Households	Unable to Access Market	
		%	N ^{os} implied
Sittingbourne	1,554	1-bed 60.1	934
		2-bed 78.3	1,217
		3-bed 87.3	1,357
Minster (incl. Queenborough, Minster & Halfway)	581	1-bed 68.7	399
		2-bed 73.4	426
		3-bed 77.4	450
Faversham	625	1-bed 75.5	472
		2-bed 94.0	588
		3-bed 94.6	591
Sheerness	482	1-bed 85.0	410
		2-bed 96.7	466
		3-bed 96.7	466
Faversham Rural	106	1-bed 68.1	72
		2-bed 82.3	87
		3-bed 94.2	100
Sittingbourne Rural	80	1-bed 68.1	54
		2-bed 82.3	66
		3-bed 94.2	75
Isle of Sheppey Rural	28	1-bed 68.1	19
		2-bed 82.3	23
		3-bed 94.2	26
Total	3,456	1-bed 68.3	2,360
		2-bed 83.1	2,873
		3-bed 88.7	3,065

- 7.1.4 Generally, 68% of concealed households are unable to access the owner occupied market in Swale through the cheapest units (1-bed flats), though this ranges from 60% in Sittingbourne to 85% in Sheerness.
- 7.1.5 A significant number of households are excluded from access to 2-bed units, 83% overall, but ranging from 73% to 97% by location.