



CAMBRIDGE CITY COUNCIL

2002 HOUSING NEEDS SURVEY

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1. INTRODUCTION

1.1 Nature of this report

This report contains the second comprehensive survey of housing need carried out on behalf of Cambridge City Council by *Fordham Research*. The survey closely follows guidance set out by the *Department of Transport, Local Government and Regions* in '*Local Housing Needs Assessment: A Guide to Good Practice*' (July 2000). It should be noted that although the present Government Department responsible for issues relating to housing is the Office of the Deputy Prime Minister (ODPM), throughout this report reference is made to the DTLR Guidance (as it was at time of publication).

In following DTLR Guidance this survey provides key estimates on the numbers and types of households in housing need and how needs levels are likely to change in the future. This information is coupled with an analysis of the supply of affordable housing to estimate the requirement for additional affordable housing. The survey also provides detail on certain crucial matters, such as the types of affordable housing which can meet housing need and suggested affordable housing policy responses (such as target and threshold levels).

1.2 Why do a Housing Needs Survey?

The reasons for carrying out Housing Needs Surveys are well documented in DTLR advice. The following is taken from *Local Housing Needs Assessment: A Guide to Good Practice – (DTLR 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 DTLR 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.....'

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 – DTLR Housing, July 2000*). Since the Guide should from now on provide 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). A great deal of planning inquiry and officer time has been wasted due to this omission, and it is good to see the gap filled.

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.

DTLR guidance [Appendix 2 (page 116)]

‘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.’

‘Unsuitable housing’ is a term coined by *Fordham Research* when we started undertaking needs surveys in 1993. The term 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) Groups included in the housing need definition

The main output from the DTLR Guide approach is an assessment of the requirement for additional affordable housing. This is different to the estimate of housing which principally reflects a gross requirement without taking into account the level of affordable supply. In deriving the overall requirement for affordable housing a number of groups of households that are in housing need as defined above are excluded from the requirement estimate. It is therefore important to clarify the groups of households that are included and excluded from the assessment.

To determine housing need every household respondent is assessed in relation to their housing suitability and their ability to afford minimum market priced housing. Those households in DTLR defined need includes all those households that are currently living in unsuitable housing and who are unable to afford minimum market price housing of a suitable size. These households can be owner-occupiers, social renting tenants or living in the private rented sector. They can be households that are identified as a priority need by the Council but can equally be those who are not traditionally eligible for social rented housing (single young person households for example).

However in deriving an estimate of the amount of housing need that requires additional affordable housing a number of groups of households are excluded. These groups are identified below:

- *Households whose unsuitable housing problems can be met in-situ:* These households are excluded because by improving their present home would make their housing suitable and therefore take them out of housing need.
- *Households who have indicated they will move outside the City:* These households are excluded because their need for additional affordable housing will arise in another local authority area. To include these households within the analysis would at a broader regional level result in double counting of households.
- *Households in the social rented sector:* These households are excluded from the overall requirement estimate because any move will release a social rented home for re-letting thus resulting in no net need for additional affordable housing.

In summary, the definition of housing need is applied to all households however in making an assessment of the additional affordable housing required to meet this need a number of key household groups are excluded. Any consideration of the affordable housing requirement figure will therefore exclude these groups of households, but will include all other types of households such as those containing people in key worker occupations for example.

(iv) 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.

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

Element and Stage in Calculation

B: BACKLOG OF EXISTING NEED

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

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

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* DTLR 2000

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

There is a considerable amount of analysis involved in producing output for these stages. Most of the stages were already part of the *Fordham Research* approach and so it has been relatively easy to adapt our approach to fit the Guide's framework. For example one of the most noticeable is that the backlog total of need is divided by 5 to produce a synthetic annual estimate. This can then be added to the annual projected change in need to produce, after various further stages, the annual requirement for new affordable housing. This annualisation of current need backlog does not take any appreciable time to do, and so adapting to that feature of the Guide is straightforward.

(v) Conclusions

The Guide goes a long way towards filling a key gap in affordable housing policy. It provides a coherent definition of housing need, and a great deal of advice on how to implement it. It is comforting from the *Fordham Research* point of view that the Guide has very strong similarities with the methodology previously used by *Fordham Research* before the Guide was published.

The detailed procedure which the Guide sets out also draws heavily from our approach, but differs in a number of details. We have adapted our approach to meet these features. The result is that we are able to conform fully to the Guide. Since Inspectors at Planning Inquiries will no doubt be using this source, it should mean that Affordable Housing Round Tables will be less contentious than before (An Affordable Housing Round Table is a forum in which objectors to a plans affordable housing policy can put their views to the inspector whilst at the same time the Council is able to respond).

Throughout this report key methodological quotes from the guide are highlighted in boxes. This is to help the reader understand and reinforce the reasoning behind the analysis carried out.

1.4 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 DTLR 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. The data involved requires some considerable analysis to be of use, and this report is devoted to that analysis. The Guide's approach is substantially based on the approach previously used by *Fordham Research* although some minor adjustments have had to be made to accommodate the Guide's precise requirements.

2. SURVEY WORK AND VALIDATION

2.1 Introduction

The survey employed a personal interview survey approach covering all tenure groups within the Cambridge City. The sample for the survey was drawn, at random, from the Council Tax Register. This chapter reports on the outcome and validation of the survey results.

2.2 Survey outcome

The survey set out to complete 750 personal interviews over the whole of the Council area, and in total 752 were completed. A sample of this size enables accurate and detailed analysis of needs across the City. Before data was analysed in detail the survey results were weighted for any measurable bias (comparisons with existing sources). The procedure for this is presented below.

2.3 Base figures

There are a number of sources that can be drawn upon in assessing the number of households in the City. In this case we have studied the Council's H.I.P. return for 2002, the Council Tax Register (from which the survey sample was drawn), County Council projections and other documents such as the Local Plan. The aim is to provide an estimate of the number of households at the time of the survey.

Firstly, information presented in the Council's H.I.P. indicated that as of April 2002 there were an estimated 44,275 dwellings of which 466 were vacant, making a total of 43,809 occupied dwellings. The stated number of vacant dwellings appears on the low side, especially when the estimated number of vacants on the Council Tax Register is put at around 3.5% and the number of vacants in the private sector was estimated at around 1,385 units in the recently completed Stock Condition Survey.

At the time of the survey there were 44,490 properties on the Council Tax Register of which an estimated 1,550 were vacant (3.5%). This makes for a total of 42,940 occupied dwellings.

Other sources of information considered included household projections produced by the Cambridgeshire County Council Research Group (1999 base) which estimates around 46,186 households by mid-2002 – significantly above the first two sources. Further, the 1996 Local Plan projected the total number of occupied dwellings to be around 43,610 by mid-2002. As there are differences between these differing sources we have used the estimate from the Council Tax Register to inform our estimate of the total number of households in the City. This is because the survey sample is representative of the Council Tax Register. Thus the total number of occupied dwellings in Cambridge City is estimated to be around 43,000 (rounded).

In deriving an overall estimate of the number of households in Cambridge City however, account is also taken of additional households in multiple occupation. Information from the Stock Condition survey identified 157 bedsit properties that were HMOs (houses in multiple occupation). All of these properties were in the private rented sector and further analysis suggests that these properties contain 1,000 additional households. Taking account of these households the total number of households in Cambridge City is therefore estimated to be around 44,000 households (43,000+1,000).

Analysis of survey responses also indicates a large proportion of student-only households (2,039 grossed-up households equating to 28 survey response). Although the needs of such households should not be completely ignored it does not appear sensible to include such households as part of a general needs survey (certainly such households would be unlikely to be housed in social rented accommodation were they to approach the Council). Therefore the main analysis in this report excludes such households. Removing student-only households from the data, the total number of households used for analysis is 41,961 (i.e. 44,000 – 2,039).

One other consideration made when looking at the profile of households in the City was to look at household size. Cambridgeshire County Council Research Group projections estimate the average household size at mid-1999 to be 2.11 persons per dwellings. The survey appeared to over-represent larger households and hence an additional weight has been applied to the data to bring it in line with these estimates.

In total, taking account of student-only households (which have been removed for the purpose of this analysis) the total number of survey responses is 724 (752-28).

2.4 Data weights

Using all available data sources, it is necessary to weight the data from the Housing Needs Survey to be representative of households in Cambridge City. This has been achieved using estimates of the numbers of households in each tenure group as well as estimates of the numbers of resident households in each of five sub-areas (based on postcodes). Employing this standard statistical procedure ensures that an accurate and representative picture of housing need can be estimated.

The survey data has been weighted to an estimated profile of the housing stock by sub-area and tenure. As there was no requirement for sub-area detail, the original sample was not stratified by sub-area. However as a first step we have weighted the data to a profile of sub-areas based on broad postcode areas covering the City. A total of five broad sub-areas were identified with sub-area 1 corresponding to the postcode area CB1 through to sub-area 5 corresponding to the postcode area CB5. This initial weighting procedure is important to correct for any sub-area bias that may have arisen and which in turn can impact on the tenure estimates. The tables below show the estimated patterns for each of these groups. The number of households in each postcode sub-area are derived from the Council Tax Register applied to the total number of households in the Cambridge City (estimated at 41,961 from above).

Table 2.1 Number of households in each sub-area

<i>Sub-area</i>	<i>Total number of households</i>	<i>% of households</i>	<i>Number of returns</i>	<i>% of returns</i>
<i>Sub-area 1 (CB1)</i>	16,092	38.4%	310	42.8%
<i>Sub-area 2 (CB2)</i>	3,781	9.0%	58	8.0%
<i>Sub-area 3 (CB3)</i>	2,743	6.5%	47	6.5%
<i>Sub-area 4 (CB4)</i>	15,523	37.0%	246	34.0%
<i>Sub-area 5 (CB5)</i>	3,821	9.1%	63	8.7%
TOTAL	41,961	100.0%	724	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Table 2.2 Number of households in each tenure group

<i>Tenure</i>	<i>Total number of households</i>	<i>% of households</i>	<i>Number of returns</i>	<i>% of returns</i>
<i>Owner-occupied (no mortgage)</i>	10,310	24.6%	177	24.4%
<i>Owner-occupied (with mortgage)</i>	14,063	33.5%	212	29.3%
<i>Council</i>	7,999	19.1%	198	27.3%
<i>Housing Association</i>	2,846	6.8%	46	6.4%
<i>Private rented</i>	6,743	16.1%	91	12.6%
TOTAL	41,961	100.0%	724	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

2.5 Other characteristics

Throughout this report many of the housing needs variables (e.g. unsuitable housing, household income) are tabulated along with tenure. In addition to this, comparisons are made with household type and special needs; the two tables below show the numbers of households in each of these groups with accompanying notes.

Table 2.3 Number of households in each household type group

<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>	6,981	16.6%	112	15.5%
<i>2 or more pensioners</i>	3,847	9.2%	67	9.3%
<i>Single non-pensioner</i>	7,369	17.6%	99	13.7%
<i>2 or more adults, no children</i>	15,099	36.0%	251	34.7%
<i>Lone parent</i>	1,527	3.6%	32	4.4%
<i>2+ adults, 1 child</i>	3,404	8.1%	70	9.7%
<i>2+ adults, 2+ children</i>	3,734	8.9%	93	12.8%
TOTAL	41,961	100.0%	724	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

NB A pensioner is taken as a male aged 65 or over or a female aged 60 or over. An adult is taken to be any other person aged 16 or over.

Table 2.4 Number of households with and without special needs

<i>Special needs</i>	<i>Total number of households</i>	<i>% of households</i>	<i>Number of returns</i>	<i>% of returns</i>
<i>Special needs</i>	4,703	11.2%	90	12.4%
<i>No special needs</i>	37,258	88.8%	634	87.6%
TOTAL	41,961	100.0%	724	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

NB Special needs households are defined as having one or more members who fall into one or more of the following categories:

- *Frail elderly*
- *A physical disability*
- *A learning disability*
- *A mental health problem*
- *Vulnerable young people and children leaving care*
- *Severe sensory disability*
- *Other*

2.6 Black and minority ethnic groups

It is usual in a housing needs survey to study the needs of specific Black and minority ethnic groups (BME). However, in the case of Cambridge City the survey found relatively few such households (47 in the survey sample). It is therefore not possible from this level of data to make any conclusions about the needs of such households although figures from these households are included within results for the City as a whole.

2.7 Summary

The survey employed a personal interview approach, achieving 752 interviews. The total number of responses used for the analysis, after excluding student-only households was 724. This is a sufficient amount of data to enable reliable analysis of housing need in accordance with DTLR guidance. The survey data was weighted by tenure and sub-area so as to be representative of all households within the Cambridge City. In total it is estimated that there were 44,000 resident households at the time of the survey, which when removing student-only households is estimated to be around 41,961 households.

3. LOCAL HOUSING MARKET STUDY

3.1 Introduction

This chapter sets out the results of an analysis of housing market prices and rents in Cambridge City. After a brief consideration of the reasons for the study and the nature of housing market analysis we proceed from a wide perspective, looking at Land Registry data for Cambridge and surrounding districts, to a more local one, through a survey of estate agents in the City.

The effect is to provide a context for the property price situation in Cambridge and then a sequence of analysis based on information collected from estate/letting agents. This leads to figures which show the minimum price/rent of housing for a range of dwelling sizes. The latter provides an essential link in the chain of analysis of housing need, since it establishes entry level costs for housing in Cambridge.

Further information on the analysis contained in this Chapter is set out in Appendix A1.

3.2 Reasons for housing market study

The level of market prices and rents is a key factor in this study for two main reasons:

- (i) Market prices and rents indicate the cost of housing in Cambridge City. A major reason for government interest in prices is to address the needs of households which cannot afford this cost. Hence the existence of social rented housing and low cost home ownership options, which represent partial ownership. Thus it is important to establish the entry levels to both ownership and private renting.
- (ii) The price/rent information indicates the contours of the housing market in Cambridge City. This is important for the Council when considering not only the level of subsidy required to produce new social rented and other non-market priced housing, but also the degree to which it should attempt to manage the newbuild market in line with government guidance.

This chapter is devoted to identifying the first of the above elements: the cost of housing.

3.3 Background to housing market analysis

The analysis of housing markets is addressed in more detail in Appendix A1, but as a preliminary to the present phase of the work it is desirable to draw attention to some key features of housing markets:

- (i) **Housing markets are quite complex.** Housing markets can be defined, at the larger scale, by such features as journey to work areas. In the case of free-standing market towns these may appear as fairly neat circular areas. In most of Britain, however, the high density of population means that housing market areas overlap. In the extreme case of London, its market area extends for some purposes as far away as York, Milton Keynes, Bristol and the South Coast. At the same time there are well defined market areas within London (east v west; north v south of the river).
- (ii) **House prices vary within market areas.** Depending on the attractiveness of the area, property prices may vary considerably within a few miles or even, in large cities, within a few hundred yards. This is due to the history of the area and the nature of the housing stock. These variations are important from the point of view of housing cost analysis, which underpins the study of subsidised forms of housing. It is important to know what the entry level costs of housing are. These can only be established by close study of detailed local price variations.
- (iii) **Newbuild is only a small fraction of the market.** In almost all parts of Britain, newbuild is a small fraction of the total housing market. The majority of all sales and lettings are second hand. The important point to note in this is that second hand housing is normally much cheaper than newbuild. Only at the luxury end of the market is this not true. Thus entry level housing will normally be second hand. This is something about which the Government appears to have been confused, since its guidance refers to some forms of newbuild as 'affordable'. In fact newbuild is never anything like as affordable as existing, second hand, housing.

These features of the housing market are worth bearing in mind when considering the detailed evidence produced in the following subsections of this chapter.

3.4 Government guidance on the study of housing markets

The Guide makes several references to market studies:

DTLR guidance [Section 7.3 (page 94)]

'The relevance of data on private sector housing costs stems primarily from the role of such data in facilitating analyses of affordability, which are central to most local housing needs assessment models. The essential feature of such models is that they measure the extent to which a given group of households can afford to meet their housing needs through the private market. Generally, most attention is focused on the price of properties for sale. However, some models also take account of private sector rent levels.'

DTLR guidance [Section 7.3 (page 95)]

'Typically, local authorities can draw on two or three sources of house price information. These include; direct contacts with local estate agents; county-wide monitoring by county councils; local or regional data available in published or unpublished form from the major national mortgage lenders (particularly Halifax and Nationwide); and data from the Land Registry.'

DTLR guidance [Section 4.3 (page 58)]

'An alternative approach to defining current threshold prices is to derive appropriate figures in consultation with local estate agents. Although it appears more subjective, this latter approach has a number of advantages. Firstly, it enables properties in poor condition to be screened out. Secondly, it is better able to reflect the whole market rather than being limited to the market share of the mortgage lender concerned. Lastly and most importantly, the properties can be specified in terms of size and type, matched to particular household types.'

The last of these three extracts points to the measurement of entry level house prices from the minimum price assessment, which was taken from *Fordham Research* practice, as it is something we have done for many years in such analysis.

These extracts say, in summary:

- (i) Housing market information is essential to the assessment of affordability
- (ii) There are various primary and secondary sources for such information
- (iii) There are some advantages to the primary data route: obtaining information directly from estate agents, since that reflects the true entry cost of housing and is not particular to one mortgage source

The best route to meeting these requirements is a combination of secondary data (the Land Registry, which covers all transactions) and estate agents survey.

The combination we use draws on the relative strengths of each source. Land Registry data is freely available, for any area. However, as is explained more fully in Appendix A1, it cannot replace primary data, collected from estate agents, which shows minimum prices for homes in reasonable condition by bedroom size. Even so it can paint a useful picture of variations in the area, and help to ensure that the primary data collection process is more effectively targeted.

3.5 Assessment of general market price levels

The first step is to assess general price levels. This involves looking at Land Registry data showing property prices in Cambridge City, and for the adjoining council areas.

We obtained data showing how prices compared during the second quarter of 2002. The figure below shows how prices in Cambridge City and the adjoining authorities compare in total, and for the main property types.

Figure 3.1 Property prices in Cambridge City and surrounding Council areas (2nd quarter 2002)

<i>Huntingdonshire</i>			<i>Fenland</i>			<i>East Cambridgeshire</i>		
<i>d</i>	£177,035	55.0%	<i>d</i>	£116,159	36.1%	<i>d</i>	£189,410	58.8%
<i>sd</i>	£103,702	51.4%	<i>sd</i>	£75,831	37.6%	<i>sd</i>	£117,905	58.5%
<i>t</i>	£89,024	49.3%	<i>t</i>	£62,249	34.5%	<i>t</i>	£103,252	57.2%
<i>fm</i>	£69,985	53.8%	<i>fm</i>	£38,259	29.4%	<i>fm</i>	£85,319	65.6%
<i>o</i>		51.6%	<i>o</i>		34.9%	<i>o</i>		59.0%
<i>Mid-Bedfordshire</i>			<i>Cambridge City</i>			<i>St. Edmundsbury</i>		
<i>d</i>	£226,315	70.3%	<i>d</i>	£321,949	100.0%	<i>d</i>	£189,035	58.7%
<i>sd</i>	£131,745	65.3%	<i>sd</i>	£201,699	100.0%	<i>sd</i>	£114,854	56.9%
<i>t</i>	£104,237	57.7%	<i>t</i>	£180,567	100.0%	<i>t</i>	£98,331	54.5%
<i>fm</i>	£81,204	62.4%	<i>fm</i>	£130,092	100.0%	<i>fm</i>	£80,801	62.1%
<i>o</i>		62.9%	<i>o</i>		100.0%	<i>o</i>		57.0%
<i>North Hertfordshire</i>			<i>South Cambridgeshire</i>			<i>Uttlesford</i>		
<i>d</i>	£289,175	89.8%	<i>d</i>	£256,488	79.7%	<i>d</i>	£294,518	91.5%
<i>sd</i>	£166,476	82.5%	<i>sd</i>	£149,715	74.2%	<i>sd</i>	£181,036	89.8%
<i>t</i>	£124,392	68.9%	<i>t</i>	£124,269	68.8%	<i>t</i>	£137,369	76.1%
<i>fm</i>	£86,676	66.6%	<i>fm</i>	£79,668	61.2%	<i>fm</i>	£96,806	74.4%
<i>o</i>		76.4%	<i>o</i>		71.4%	<i>o</i>		82.6%

Key: **d** refers to detached properties, **sd** to semi-detached, **t** to terraced, **fm** to flats/maisonettes, **o** to overall properties
 First columns indicate prices per property type while second column shows relative property prices in areas adjoining Cambridge, weighted by Cambridge sales. The overall % figure (in bold) in the second column indicates the Cambridge-sales weighted average of all property prices in each area relative to that in Cambridge.

Source: HM Land Registry, Property Price Data, 2002

For analytical purposes the overall average prices have to be standardised by weighting to reflect the distribution of sales in Cambridge. The weighted and unweighted patterns of price can be quite different, as demonstrated in the more detailed analysis set out in Appendix A1.

The overall average price information clearly suggests that Cambridge City is significantly higher priced than any of the surrounding areas, however it is worth noting that the areas to the north, north west and east are considerably less expensive than the areas to the South and West of Cambridge City.

We will now move into closer focus, using primary data gathered from estate agents in Cambridge. This is the best way to get local information, since the prices can be taken to represent the true costs of housing, taking repairs costs into account.

3.6 Estate Agents information

(i) General

We carried out a detailed survey of estate agents in Cambridge. The methodology and approach used to carry out this survey are discussed in more detail in Appendix A1. A total of eleven estate and letting agencies gave information about the local housing market. Of these agents four provided lettings information .

Cambridge City itself contains within its boundaries many different housing areas. It is therefore important to gain an understanding of price variations within the City. The agencies were therefore carefully chosen to give the widest possible coverage across the urban area; each was able to provide specific information about the market in their part of the City.

The clear view from the agents was that the property market in Cambridge remains buoyant. Prices inside the Council boundary are still rising (though some agents reported that the rate of increase was slowing after a short period of significant rises). There was common agreement that there was a shortage of supply in particular for first time buyers (1 and 2 bedroom homes) and that generally demand for housing outweighed the supply. These views emerged almost universally, and there seemed to be no significant variation depending on where the agents were located.

Appendix A1 provides further analysis of Land Registry data on price movements in Cambridge City over the last five quarters. This is consistent with the above findings, suggesting that following sharp increases at the beginning of the year, prices have continued to rise but at a slower rate. Overall prices have risen during the past year.

(ii) Detailed estate agents survey results: second-hand

The average property price results for all areas of the City from the individual agents contacted are presented in the table below.

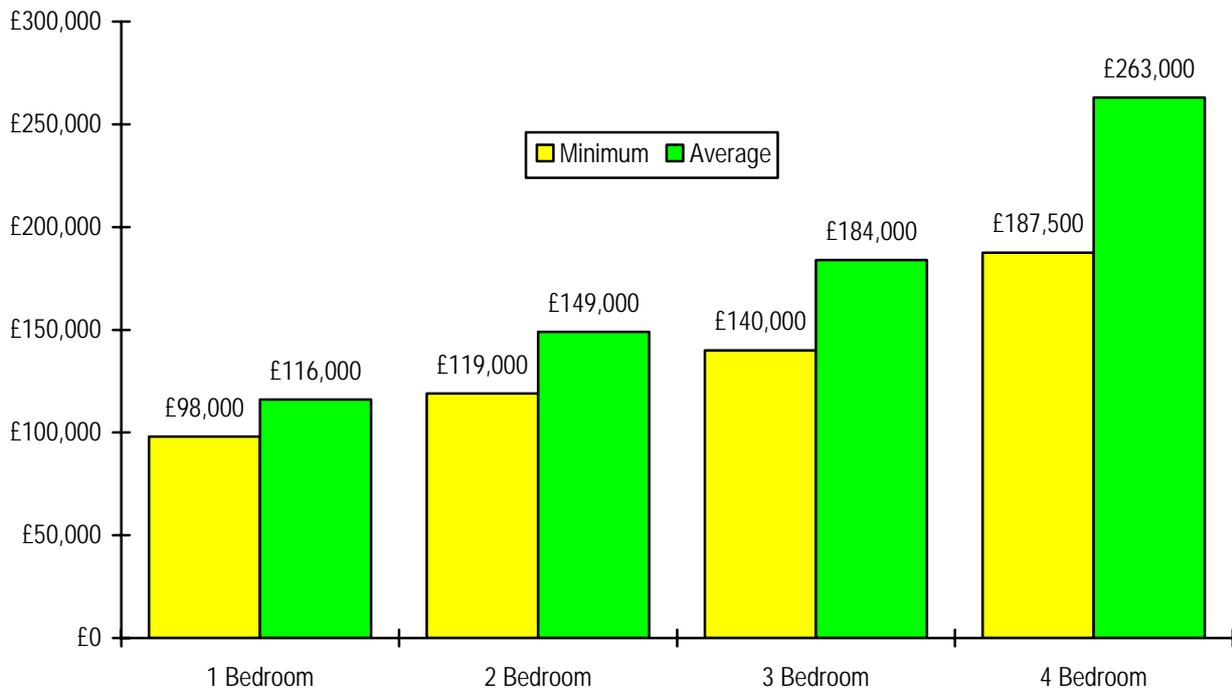
Table 3.1 Minimum and average property prices/rents in Cambridge City (as of October 2002)

Property size	Minimum price	Average price
1 bedroom	£98,000	£116,000
2 bedrooms	£119,000	£149,000
3 bedrooms	£140,000	£184,000
4 bedrooms	£187,500	£263,000
Property size	Minimum rent (£, pcm)	Average rent (£, pcm)
1 bedroom	£510	£550
2 bedrooms	£620	£680
3 bedrooms	£710	£800
4 bedrooms	£790	£900

Source: Fordham Research Survey of Estate Agents 2002

The figure below shows how minimum prices compare to average prices in the City.

Figure 3.2 Minimum & average property prices in Cambridge City (as of October 2002)



Source: Fordham Research Survey of Estate Agents 2002

(iii) Newbuild prices

Price data was also collected in respect of newbuild prices, where such information was available. We obtained information on selling prices from eight different agents dealing with developments throughout the City.

Table 3.2 Newbuild prices in Cambridge City

<i>Property size</i>	<i>Newbuild prices</i>
<i>1 bedroom</i>	£165,000
<i>2 bedrooms</i>	£218,000
<i>3 bedrooms</i>	£269,000
<i>4 bedrooms</i>	£369,000

Source: Fordham Research Survey of Estate Agents 2002

(iv) Second hand price variations within the Cambridge City

The results of the survey showed that the degree of variation within Cambridge was, relatively speaking, slight, with all agents reporting broadly similar figures for minimum prices in Cambridge as a whole, though the North of the city was named by some agents as being less expensive and there were pockets in the South, South West of very expensive properties.

3.7 Appropriate price level for the affordability test

The previous section showed the results obtained by averaging the figures from estate agents for minimum and average prices in each of the four size categories.

However it is necessary to consider what price level is the most appropriate to use for assessing whether or not a household is able to access the housing market – both in dealing with any price variations within the area, and also determining the appropriate price measure (i.e. minimum or average prices/costs).

Firstly, we use the minimum prices, as these will represent the ‘entry level’ into the housing market. For consistency we will also use minimum private rental costs as part of the affordability test.

DTLR guidance [Section 4.3 (page 57)]

'The most commonly used affordability test involves comparing estimated incomes of unsuitably housed households against 'entry level' house prices'.

DTLR guidance [Section 4.3 (page 57)]

'approaches which compare maximum prices payable against average house prices are certainly questionable'.

Analysis of the minimum and average property prices in the City showed no systematic differences between the figures from agents based throughout Cambridge and therefore, a single price/rent regime has been applied throughout the City to assess affordability in our needs survey. The average of the prices and rent obtained in Cambridge have been applied to households throughout the area and therefore the minimum prices and rents used are those shown in Table 3.1.

3.8 Summary

We considered property price and rent variations within Cambridge City and the surrounding districts. This was done in order to establish benchmarks for entry level (always second hand housing), average second hand, and newbuild costs of housing. Cambridge City emerged as being significantly more expensive in comparison to the surrounding districts.

Within Cambridge City, there were no significant variations in the prices and therefore all prices collected were used in the calculation of the entry level costs of housing. We found that the minimum cost of housing to buy varied from £98,000 to £187,500 depending on size.

4. FINANCIAL INFORMATION

4.1 Introduction

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

DTLR guidance [Section 3.6 (page 39)]

'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'.

4.2 Household income

Survey results for average household income for Cambridge City 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>95% confidence interval (\pm)</i>	<i>Median household income</i>
<i>Annual <u>gross</u> household income (excluding all benefits)</i>	£22,148	£1,680	£16,900
<i>Weekly <u>net</u> household income (including non-housing benefits)</i>	£374	£22	£292

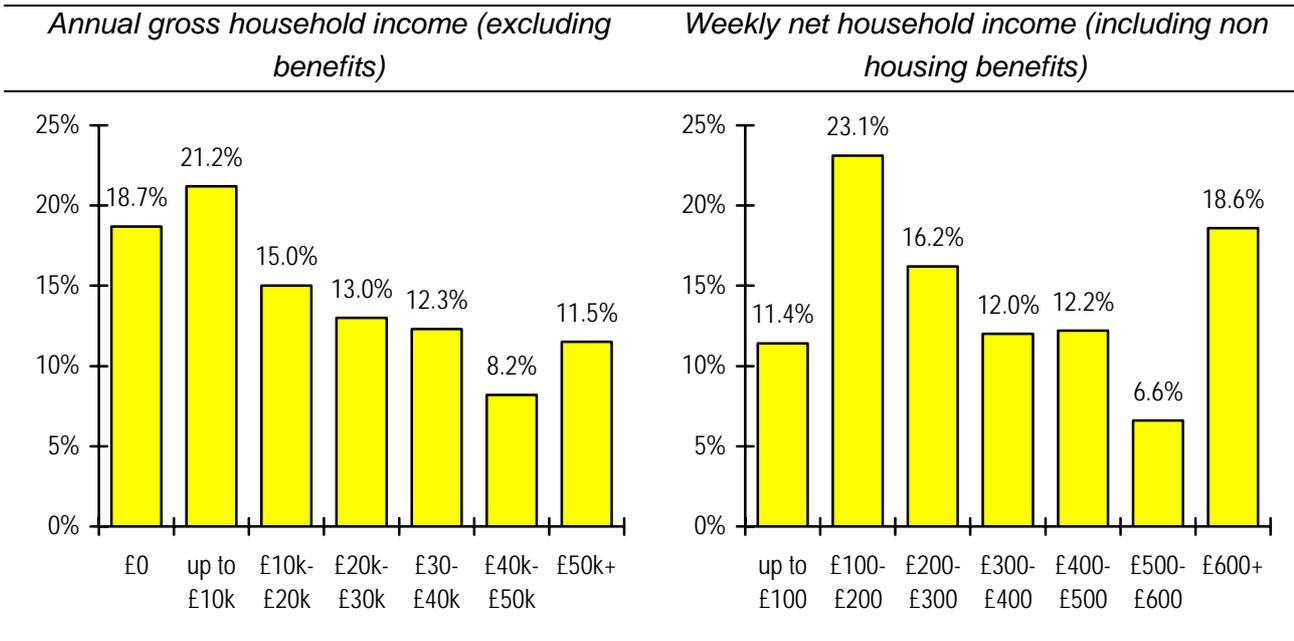
Source: Cambridge City Council Housing Needs Survey 2002

Gross income: Is that received by the head of household and spouse/partner from employment (wages and salaries) and investments (including interest and dividends from investments and private pensions) before any deductions for income tax and National Insurance are made.

Net income: Is gross income minus National Insurance contributions and tax at the appropriate rate. The main tax allowances were applied.

From *Family Spending (1998-99)* updated to the present, we estimate that average gross earned household income in England is around £23,000. There is however no reason why average income data for Cambridge City should correspond with the above figure which is included for illustrative purposes only.

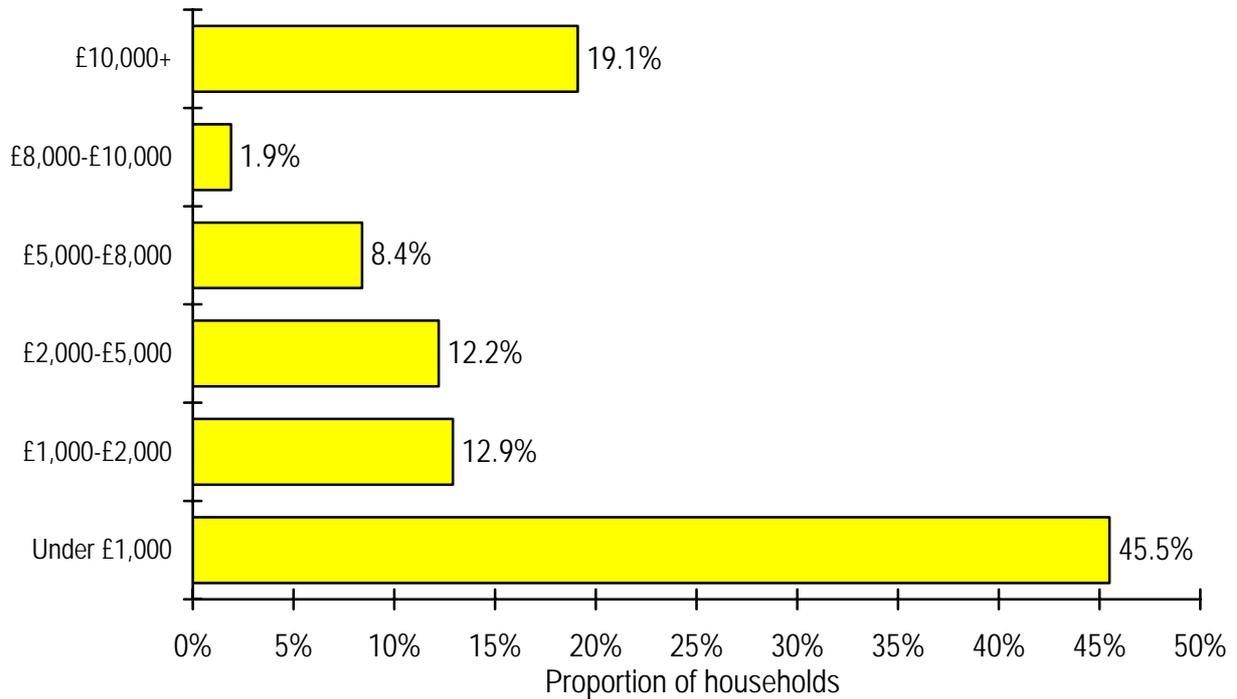
Figure 4.1 Distribution of annual gross household income (excluding benefits) and weekly net household income (including benefits)



Source: Cambridge City Council Housing Needs Survey 2002

4.3 Household savings

The distribution of savings is shown in the figure below. Some 41.7% of households indicated they had less than £1,000 in savings. Another noticeable feature from the figure below is that 29.4% of households have savings over £10,000. The average household has £4,770 in savings (it should be noted that this figure might be much higher – the last ‘band’ in the savings question was ‘over £10,000 – households in the highest band have had their savings level assumed to be £12,000).

Figure 4.2 Household savings

Source: Cambridge City Council Housing Needs Survey 2002

4.4 Household characteristics and income

The tables below show average household income (with and without benefits) and savings by tenure, household type and special needs.

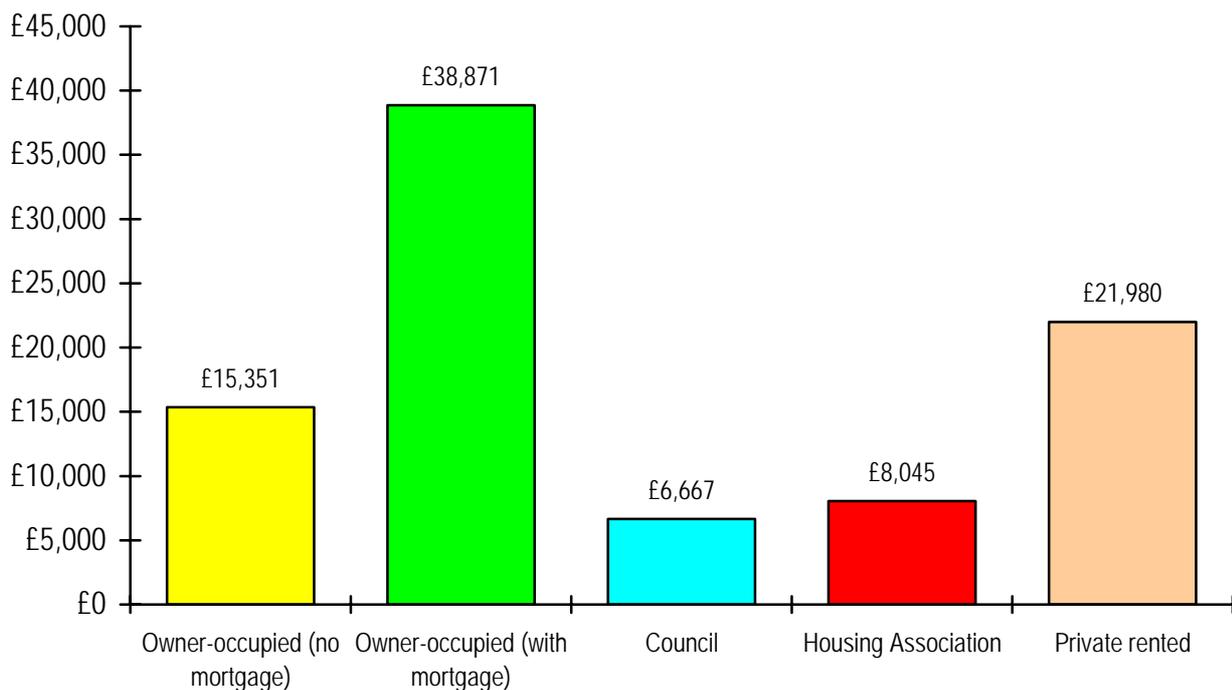
As might be expected, the households with the lowest average incomes are those who rent from the Council or a Housing Association. Whilst owner-occupiers with no mortgage have an average household income considerably lower than those with a mortgage, this group contains many older people who have redeemed their mortgages. Pensioner and lone parent households show average incomes considerably below the City average. All non-pensioner household groups with two or more adults show average incomes above the City average. Finally, it can be seen that special needs households have a much lower average gross income at £6,802 compared to £24,085 for non-special needs households.

Table 4.2 Household income by tenure

Tenure	Average gross annual household income (excluding benefits)		Average net weekly household income (including non housing benefits)		Average amount of savings
	Mean	Median	Mean	Median	
Owner-occupied (no mortgage)	£15,351	£6,500	£311	£200	£8,350
Owner-occupied (with mortgage)	£38,871	£31,200	£578	£483	£5,417
Council	£6,667	£1,300	£182	£125	£1,218
Housing Association	£8,045	£1,300	£195	£153	£1,914
Private rented	£21,980	£20,800	£349	£344	£3,364
ALL HOUSEHOLDS	£22,148	£16,900	£374	£292	£4,770

Source: Cambridge City Council Housing Needs Survey 2002

Figure 4.3 Average annual gross household income (excluding benefits) by tenure



Source: Cambridge City Council Housing Needs Survey 2002

Table 4.3 Household income by household type

Household type	Average gross annual household income (excluding benefits)		Average net weekly household income (including non housing benefits)		Average amount of savings
	Mean	Median	Mean	Median	
Single pensioner	£3,878	£1,300	£146	£100	£5,347
2 or more pensioners	£4,735	£1,300	£219	£200	£6,762
Single non-pensioner	£18,676	£19,500	£295	£292	£3,832
2 or more adults, no children	£31,436	£28,600	£490	£449	£4,862
Lone parent	£6,445	£1,300	£181	£153	£1,197
2+ adults, 1 child	£33,034	£24,700	£508	£371	£3,903
2+ adults, 2+ children	£40,043	£35,100	£608	£532	£5,368
ALL HOUSEHOLDS	£22,148	£16,900	£374	£292	£4,770

Source: Cambridge City Council Housing Needs Survey 2002

Table 4.4 Household income by special needs

Special needs	Average gross annual household income (excluding benefits)		Average net weekly household income (including non housing benefits)		Average amount of savings
	Mean	Median	Mean	Median	
Special needs	£6,802	£1,300	£216	£175	£3,942
No special needs	£24,085	£19,500	£394	£344	£4,874
ALL HOUSEHOLDS	£22,148	£16,900	£374	£292	£4,770

Source: Cambridge City Council Housing Needs Survey 2002

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 (excluding benefits) in the City is £22,148 pa; this compares with a national average of around £23,000. The average conceals wide variations among tenure, household type and special needs.

5. AFFORDABILITY

5.1 Introduction

The previous two chapters studied the local housing market and the financial situation of households. The results from these two chapters are brought together to make an assessment of affordability for each individual household. This chapter concentrates on the assessment of affordability for existing households but also considers the slightly different methods used when assessing the needs of potential households (i.e. household formation). The affordability assessment is the second of the two tests to determine levels of housing need as defined by the DTLR. It is therefore crucial in assessing both backlog and newly arising needs in the City, which are themselves preliminary stages in the assessment of the overall requirement for additional affordable housing.

5.2 Mortgage affordability

Each household respondent is assessed to establish their ability to afford a mortgage for a property of a suitable size within the City. Depending on the individual circumstances of the households mortgage lenders can use a number of methods to determine the capacity of the household to support a mortgage. We have conducted five separate mortgage affordability tests, the most lenient of which is shown below:

Mortgage affordability: A household is not eligible for a mortgage if it has a gross household income less than one third its mortgage requirement.

The mortgage requirement is based on taking the level of savings away from the estimated property price and then checking the income level of the household in relation to the likely amount of mortgage remaining. A worked example of the mortgage affordability test is shown below:

A household containing a couple with one child would require, at minimum, a two bedroom property. The minimum cost of such a property in Cambridge City is estimated to be £119,000. If the couple have £8,000 in savings then they would require a gross household income of £37,000 (one third of (£119,000-£8,000)).

DTLR guidance [Section 4.3 (page 57)]

'The first step in this approach [mortgage affordability] involves converting a household's income into an estimated mortgage capacity. This is the calculation of the size of mortgage which could be supported on the basis of a household's recorded income. The standard multiple usually applied is three times the gross annual household income'.

DTLR guidance [Section 4.3 (page 57)]

'Ideally, levels of savings can also be taken into account in relation to the payment of a deposit and the consequent reduction of mortgage required. Under current conditions, 100% mortgages are commonly available and it may no longer be appropriate to apply separate affordability 'hurdles' based on savings and deposit requirements. A single lending multiplier related to the full purchase price may be appropriate'.

It is also possible to consider whether the household is able to afford a mortgage using alternative mortgage affordability tests. Four further income tests have been identified that are commonly used by mortgage lenders to assess the mortgage capacity of a household. These are summarised below:

- 1) 3¼ x Head of household income
- 2) 3¼ x Partner (if applicable) income
- 3) 3 x Head of household income + 1 x partner income
- 4) 3 x Partner income + 1 x head of household income

As with the standard mortgage affordability test above, the mortgage requirement is based on taking the level of savings away from the estimated property price and then checking the income level of the household in relation to the likely amount of mortgage remaining.

The application of these additional mortgage affordability tests seek to take account of the more generous lending practices of mortgage lenders in recent years. Under the standard affordability test of three times joint household income, a single person household is assumed to be able to afford three times their income. Most mortgage lenders today offer 3¼ times gross income, potentially enabling more single person households on higher incomes to be able to afford. The remaining affordability tests apply where the head of household also has a partner. For example where the head of household has no earned income the second mortgage affordability test assumes a mortgage capacity of 3¼ times the gross income of the partner, rather than the standard three times. The remaining two tests are common variants where both head of household and partner are earning. The mortgage capacity is assessed on the basis of three times the head or partner income (whichever is the greater) plus the income of the other earner.

In terms of the overall mortgage affordability assessment, only households failing all five of the tests (the four noted above together with the standard mortgage affordability test) are assessed not to be able to afford a property of a suitable size in the Cambridge City Council area. The effect of this is to identify those households that can't afford a mortgage using the standard mortgage affordability test but who could using one of the alternative methods.

5.3 Private rental affordability

The private rented sector offers an alternative route into the market. The ability of households to afford private rented accommodation is an important consideration especially as in contrast to the owner-occupied market, the requirement for a significant deposit (usually paid through savings) is substantially less. Although the mortgage affordability tests above do not exclude a household with no savings from gaining access to the owner-occupied sector, in reality the lack of a deposit (at least 5%) will prevent some households from securing a loan for a mortgage. However, there will be a small proportion of households that although do not have savings for a deposit, do have a sufficient income to afford the private rented market. It is therefore important to consider affordability of the private rented market when making a judgement about the overall affordability of the market within the City.

The assessment of private rented affordability involves comparing rental costs with net household income to establish a rent:income ratio. The estate agent survey (commented on in detail in Chapter 3) collected information on the minimum market price rents for one to four bedroom property. The survey collects detailed information on household income, which for the rental affordability test is net household income (i.e. gross income minus tax, national insurance, and other compulsory deductions from pay) together with any other income from non-housing benefits. It should be noted that for the purpose of the rental affordability test housing benefit is not included in the net income assessment. Inclusion of such benefit would make the affordability assessment valueless because any rent up to the threshold for benefit will be affordable.

Thus the definition of private rental affordability is shown below:

<p>Private rental affordability: A household is unable to afford private rented housing if renting privately would take up more than 30% of its <u>net</u> household income.</p>

This means that any household that has to spend more than 30% of its net household income (including non-housing benefits) on housing is assumed to be unable to afford. The use of a 30% limit on the proportion of household income spent on housing is arbitrary, but reflects common usage.

DTLR guidance [Section 4.3 (page 58)]

'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'.

In adopting such an approach it is important to take account of residual income – that is the amount of income a household has to live on after housing costs have been deducted. Clearly a single person household earning £30,000 is more likely to be able to afford 30% of net income than a four person household containing two children and earning £15,000. It is clear therefore that household size and composition will have an effect on residual income levels and account is taken of this.

DTLR guidance [Section 4.3 (page 58)]

'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'.

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 5.1 Net income adjustment values using the McClements equivalence scale

<i>Type of household member</i>	<i>Equivalence value</i>
a. Married head of household	
<i>i.e. a married couple of 2 adults</i>	1.00
<i>1st additional adult</i>	0.42
<i>2nd (or more) additional adult</i>	0.36 (per adult)
b. Single head of household	
<i>i.e. 1 adult</i>	0.61
<i>1st additional adult</i>	0.46
<i>2nd additional adult</i>	0.42
<i>3rd (or more) additional adult</i>	0.36 (per adult)
c. Child aged:	
<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

Some worked examples of the use of equivalence values and the rental affordability test are 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 households equivalised net weekly disposable income is £213 ($=£300/1.41$).

This household will require at minimum a two bedroom property, the minimum cost of which in the Cambridge City is £143 per week. Thus in this example the household is unable to afford private rented property of a suitable size. A cost of £143 represents 67.1% of the households equivalised net weekly disposable income, well above the 30% threshold which is considered to be affordable.

A household containing a married couple and one child; aged sixteen with a net household income of £675 per week. The total equivalence value for this household is $1.0+0.36 = 1.36$. Consequently the households equivalised net weekly disposable income is £496 ($=£675/1.36$).

This household will require a two bedroom property, the minimum cost of which in the Cambridge City is £143 per week. Thus in this example the household is able to afford private rented property of a suitable size. A cost of £143 represents 28.8% of the households equivalised net weekly disposable income, below the 30% threshold which is considered to be affordable.

It should also be noted that the mortgage affordability assumptions are based on gross income whilst the rental affordability is based on net income.

DTLR guidance [Section 4.3 (page 59)]

'One point worth remembering is the fact that the two main approaches to calculating affordability discussed above use different income measures. Where the focus is on a household's mortgage capacity and its maximum price payable, the appropriate measure is gross household income. For models based on housing costs as a proportion of household incomes, the starting point is net household income'.

5.4 Combined affordability

The analyses of mortgage and private rental affordability establish whether or not a household can afford each of those types of housing. It is however, important to assess the numbers who cannot afford either option. This is the measure of combined affordability, which is defined below:

Combined affordability:

A household is unable to afford private sector housing if:

It has a gross household income insufficient to meet its mortgage requirement using all five mortgage affordability tests

AND

Renting privately would take up more than 30% of its net equivalised disposable household income.

5.5 Equity and affordability

Using the above methodology a survey will normally find a number of owner-occupiers who appear unable to afford market housing; for example older persons households owning outright whose income is insufficient to afford to buy or rent. It is important to consider whether or not these households might be able to use their existing equity to solve their housing problems. There are a number of problems when looking at the scope of equity to solve housing needs. These are discussed below.

The initial problem with the measurement of equity is that many households simply do not know how much equity they have available. Even where we can be fairly confident that such information is accurate there are further problems relating to types (sizes) of housing required and other costs of moving home. In many cases the use of equity might not be appropriate (certainly trading down may not be an option). It is also worth noting that over the early part of a mortgage (say the first 15 years of 25) the vast majority of payments are interest and little capital is actually repaid. The equity of rising property prices is only of use if a household moves to an area of lower prices. Finally, to move home there are a number of other costs that must be considered, some of which may be 'up-front' costs. These will include estate agent fees, solicitors fees, removal costs and in most cases stamp duty.

To overcome these problems all owner-occupiers were asked *'If you had to move to a different home, could you afford a home of a suitable size in the Cambridge City Council area?'* Where an owner-occupier has said that they could afford (even though they have failed the main affordability test) they are assumed to be able to afford market housing.

5.6 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.

'In your opinion, will they be able to afford suitable private sector housing in the Cambridge City (this can either be rented (excluding the use of housing benefit) or bought)?'

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

DTLR guidance [Section 4.4 (page 62)]

'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.'

DTLR guidance [Section 4.4 (page 60)]

'One way around this problem is to substitute a subjective judgement about future housing prospects in place of a formal affordability test'.

The DTLR 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 DTLR.

DTLR guidance [Section 2.4 (page 25)]

'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, although even here care is needed. Some potential households may not have been able to form owing to [a] lack of suitable, affordable housing'.

5.7 Summary

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 City. For existing households a combined affordability test is used to assess whether they can afford either a mortgage or rent for a property of a suitable size. Only if a household cannot afford either will they be considered to be unable to afford. The equity available to owner-occupiers 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 DTLR Guidance.

6. BACKLOG OF EXISTING NEED

6.1 Introduction

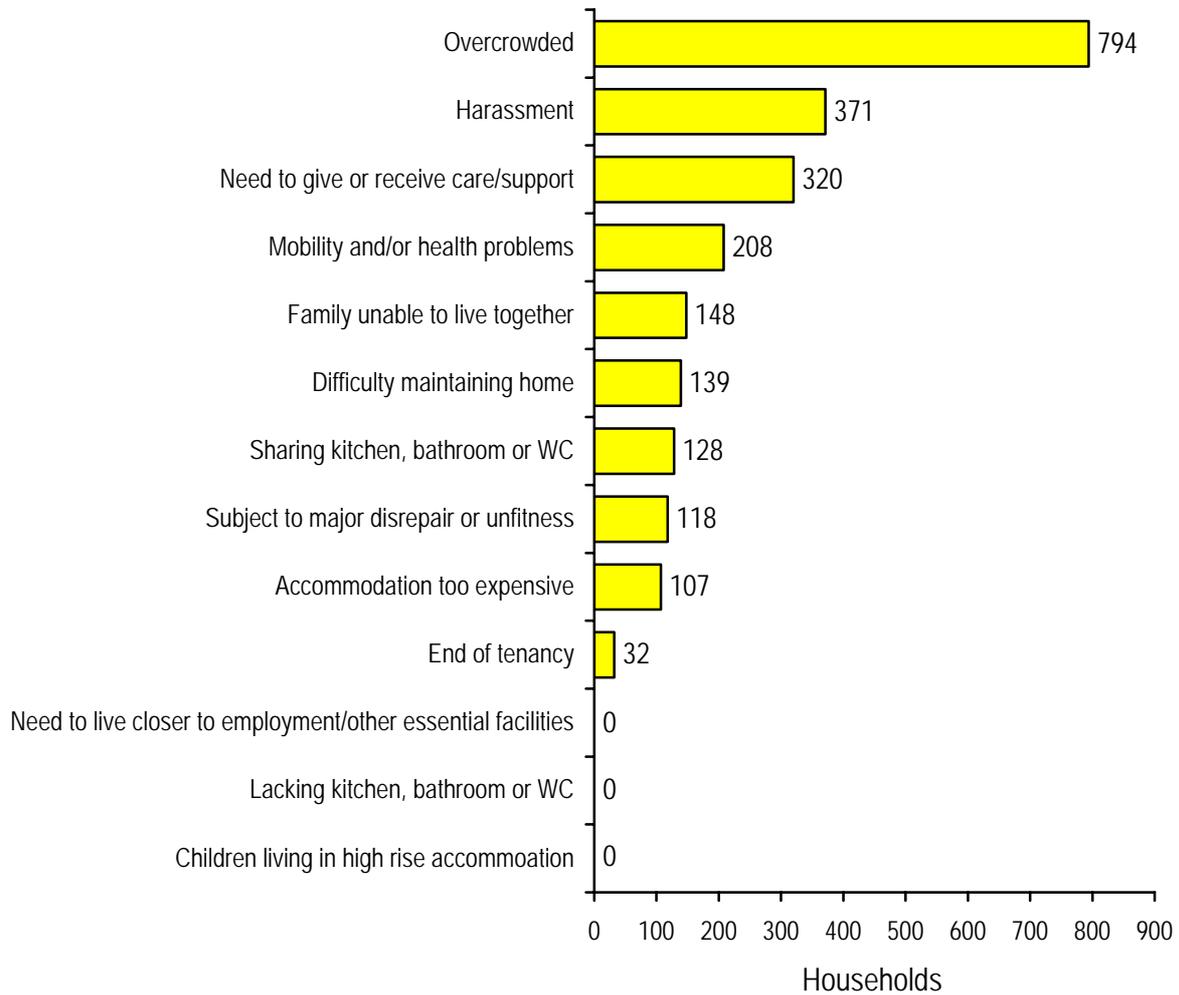
This chapter of the report assesses the first part of the 'Basic Needs Assessment Model' – Backlog of Existing Need. It begins with an assessment of housing suitability and affordability and also considers backlog non-households (potential and homeless households) before arriving at a total backlog need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

6.2 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 2,091 households are living in unsuitable housing. This represents 5.0% of all households in the City.

The figure below shows a summary of the numbers of households living in unsuitable housing for each of the factors discussed further in Appendix A3 (ordered by the number of households in each category). The main reason for unsuitable housing is overcrowding.

Figure 6.1 Summary of unsuitable housing categories



Source: Cambridge City Council Housing Needs Survey 2002

The figure above shows the number of households in each of the unsuitable housing categories. However, it is not possible to add up these categories to arrive at the number of households in unsuitable housing. This is because it is possible for a household to fall into more than one of the categories listed. This allows us not only to consider the numbers unsuitably housed but also the number of factors that have lead to the unsuitability. This is shown in the table below.

Table 6.1 Number of unsuitability problems

<i>Number of problems</i>	<i>Number of households</i>	<i>% of all households</i>	<i>% of households in unsuitable housing</i>
<i>None</i>	39,870	95.0%	-
<i>One</i>	1,842	4.4%	88.1%
<i>Two</i>	223	0.5%	10.7%
<i>Three or more</i>	25	0.1%	1.2%
TOTAL	41,961	100.0%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

The vast majority of these households (88.1%) only fall into one of the unsuitable housing problem categories.

6.3 Characteristics of households in unsuitable housing

The tables and figure below show unsuitable housing by tenure, household type, and special needs. Patterns emerging show that households who rent accommodation are most likely to be in unsuitable housing. In particular 8.8% of all households in the private rented sector are living in unsuitable housing compared with 5.0% of all households. Results also indicate that lone parent households and other households with children are more likely to be living in unsuitable housing, with 9.9% of all lone parents assessed to be living in unsuitable housing. In terms of special needs households analysis suggests that special needs households are more likely to be living in unsuitable housing than non special needs households.

Table 6.2 Unsuitable housing and tenure

Tenure	Unsuitable housing				
	In unsuitable housing	Not in unsuitable housing	Number of h'holds in City	% of total h'holds in unsuitable housing	% of those in unsuitable housing
Owner-occupied (no mortgage)	440	9,870	10,310	4.3%	21.0%
Owner-occupied (with mortgage)	424	13,639	14,063	3.0%	20.3%
Council	520	7,479	7,999	6.5%	24.9%
Housing Association	114	2,732	2,846	4.0%	5.5%
Private rented	593	6,150	6,743	8.8%	28.4%
TOTAL	2,091	39,870	41,961	5.0%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Table 6.3 Unsuitable housing and household type

Household type	Unsuitable housing				
	In unsuitable housing	Not in unsuitable housing	Number of h'holds in City	% of total h'holds in unsuitable housing	% of those in unsuitable housing
Single pensioner	386	6,595	6,981	5.5%	18.5%
2 or more pensioners	103	3,744	3,847	2.7%	4.9%
Single non-pensioner	235	7,134	7,369	3.2%	11.2%
2 or more adults, no children	596	14,503	15,099	3.9%	28.5%
Lone parent	151	1,376	1,527	9.9%	7.2%
2+ adults, 1 child	291	3,113	3,404	8.5%	13.9%
2+ adults, 2+ children	328	3,406	3,734	8.8%	15.7%
TOTAL	2,091	39,870	41,961	5.0%	100.0%

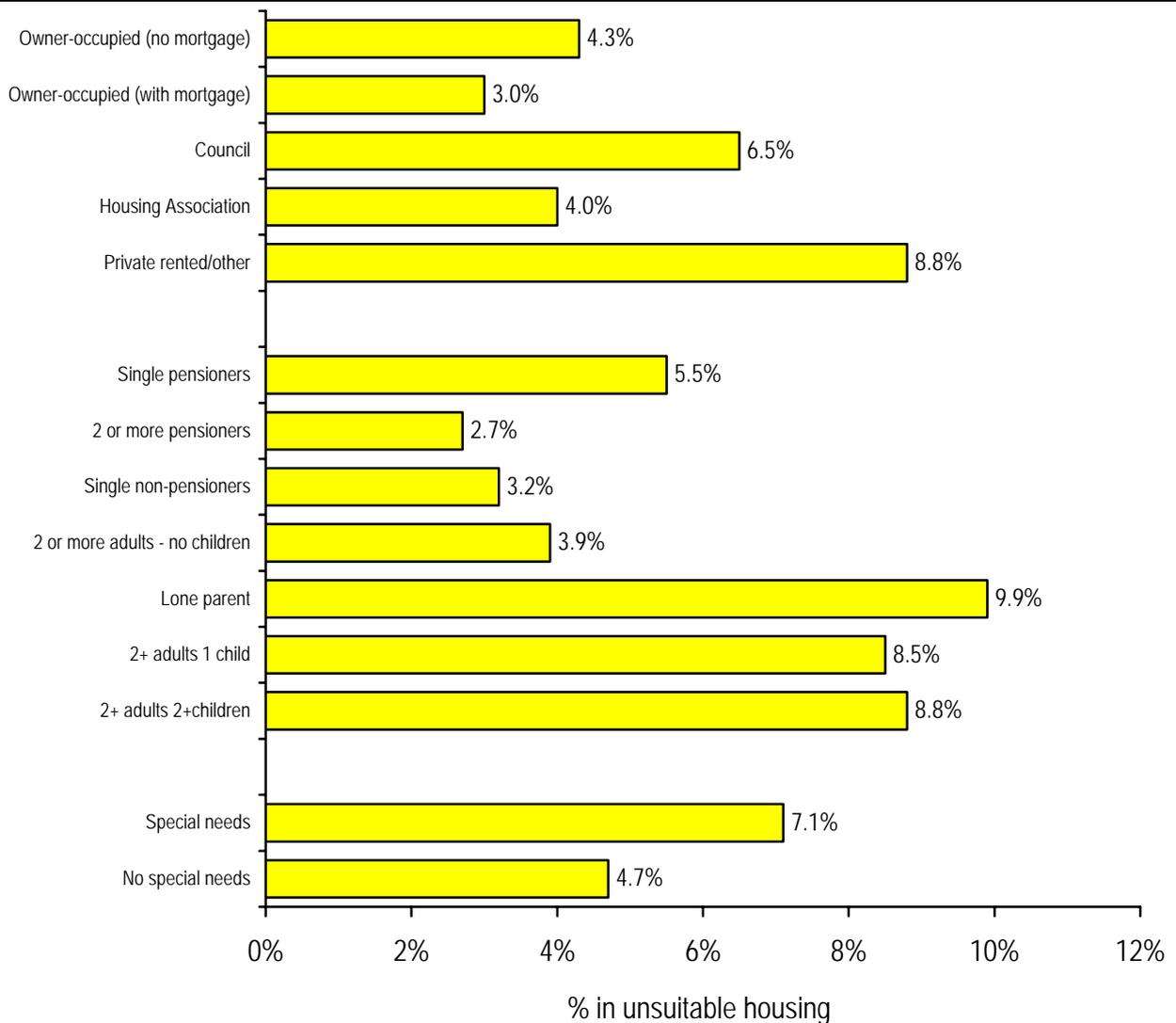
Source: Cambridge City Council Housing Needs Survey 2002

Table 6.4 Unsuitable housing and special needs

Special needs	Unsuitable housing				
	In unsuitable housing	Not in unsuitable housing	Number of h'holds in City	% of total h'holds in unsuitable housing	% of those in unsuitable housing
Special needs	333	4,370	4,703	7.1%	15.9%
No special needs	1,758	35,500	37,258	4.7%	84.1%
TOTAL	2,091	39,870	41,961	5.0%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Figure 6.2 Summary of characteristics of households in unsuitable housing



Source: Cambridge City Council Housing Needs Survey 2002

6.4 Migration and ‘in-situ’ solutions

The survey has highlighted that 2,091 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 City in order to resolve their housing problems.

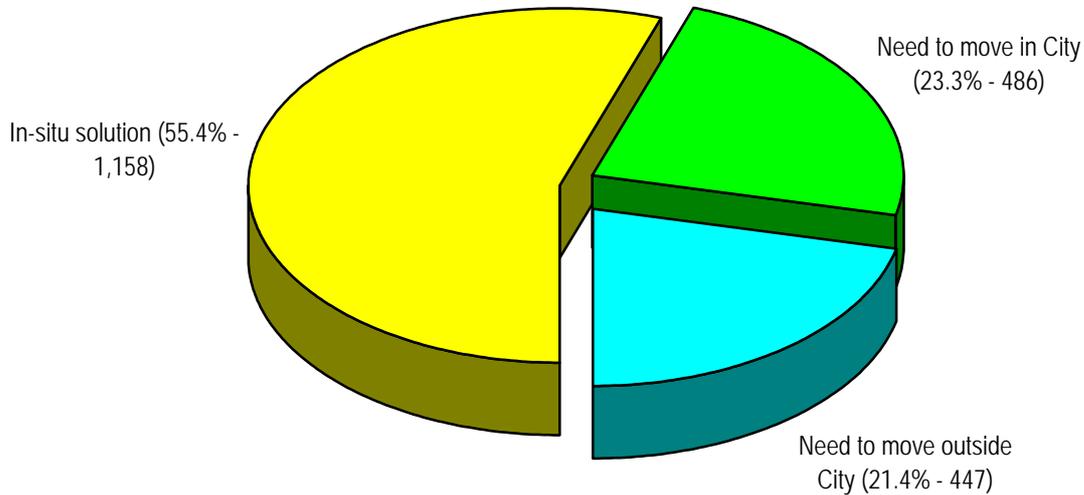
The extent to which ‘in-situ’ solutions might be appropriate are assessed by looking at any moving intention of the unsuitably housed household. The Housing Needs Survey asked households whether they need or are likely to move to a different home within the next five years. Any household in unsuitable housing who stated that they need/are likely to move 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.

DTLR guidance [Section 4.3 (page 56)]

‘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’.

The survey data estimates that of the 2,091 households in unsuitable housing 933 (or 44.6%) would need to move to resolve their housing problems. This means an estimated 1,158 (55.4%) may be best helped with an ‘in-situ’ solution.

Of the 933 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 City are then excluded from further analysis. In total 52.1% would be looking to remain in the City (486 households) and 47.9% (447 households) would be looking to move out of the City.

Figure 6.3 Households in unsuitable housing and in-situ requirements

Source: Cambridge City Council Housing Needs Survey 2002

6.5 Affordability

Using the affordability methodology set out in Chapter 5 it is estimated that there are 303 existing households that cannot afford market housing and are living in unsuitable housing (and require a move to different accommodation within the City). This represents around 0.7% of all existing households in the City. The results reveal that 62.3% of households living in unsuitable housing (and needing to move within the City) cannot afford market housing (303/486).

The tables and figure below focus on characteristics of the 303 households who are estimated to currently be in housing need. The results show that households in Council rented accommodation are most likely to be in housing need; 2.5% of Council tenants are assessed to be in need. This compares with no owner-occupiers who are assessed to be in need. Results also show that lone parent households are noticeably more likely to be in need than other households; 7.7% of all lone parent households were assessed to be in need compared to 0.7% of all households across the City. Special needs households show levels of housing need close to the City average.

Table 6.5 Housing need and tenure

Tenure	Housing need				
	In need	Not in need	Number of h'holds in City	% of total h'holds in need	% of those in need
Owner-occupied (no mortgage)	0	10,310	10,310	0.0%	0.0%
Owner-occupied (with mortgage)	0	14,063	14,063	0.0%	0.0%
Council	203	7,796	7,999	2.5%	67.0%
Housing Association	53	2,793	2,846	1.9%	17.5%
Private rented	47	6,696	6,743	0.7%	15.5%
TOTAL	303	41,658	41,961	0.7%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Table 6.6 Housing need and household type

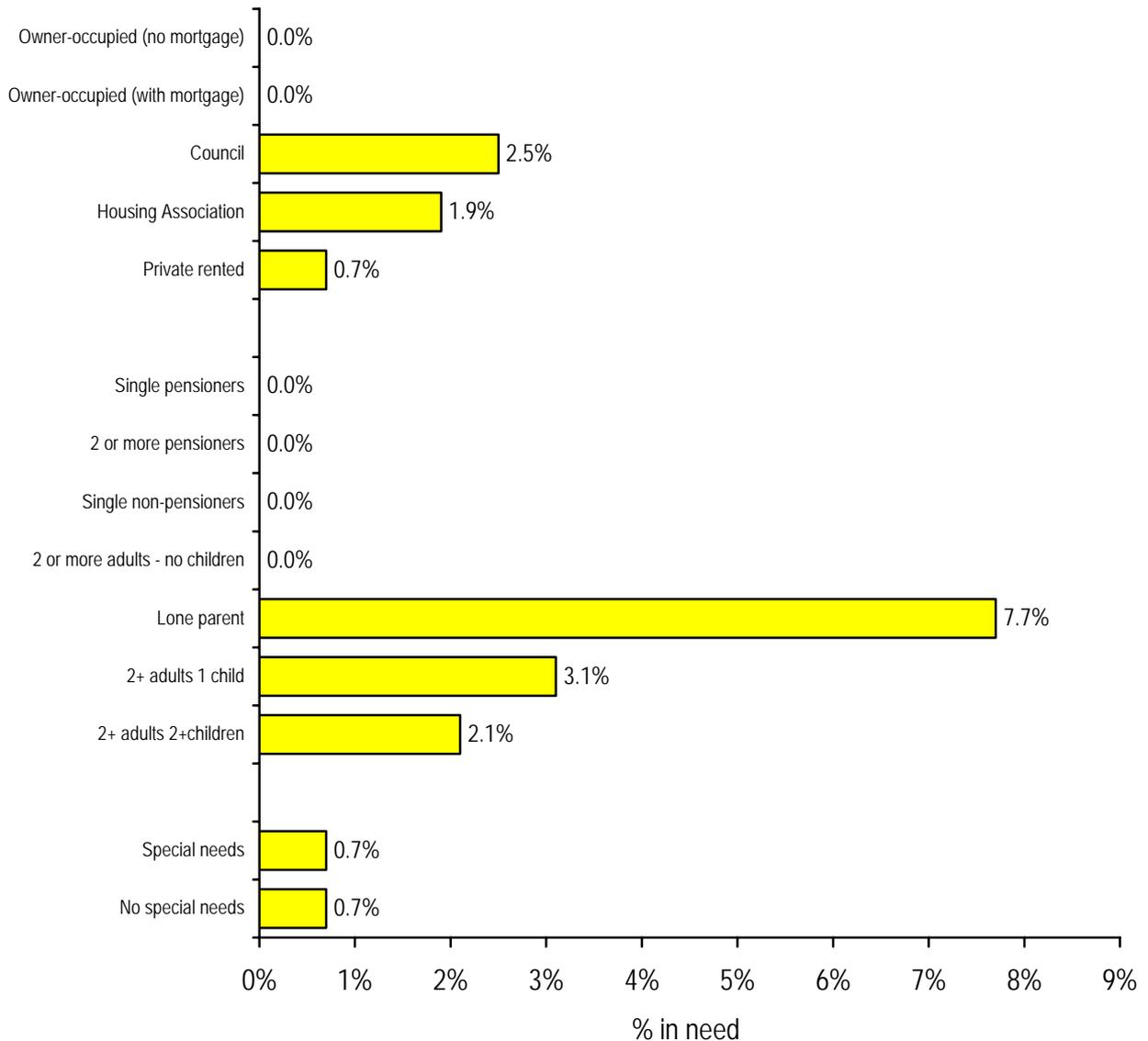
Household type	Housing need				
	In need	Not in need	Number of h'holds in City	% of total h'holds in need	% of those in need
Single pensioner	0	6,981	6,981	0.0%	0.0%
2 or more pensioners	0	3,847	3,847	0.0%	0.0%
Single non-pensioner	0	7,369	7,369	0.0%	0.0%
2 or more adults, no children	0	15,099	15,099	0.0%	0.0%
Lone parent	118	1,409	1,527	7.7%	39.1%
2+ adults, 1 child	105	3,299	3,404	3.1%	34.8%
2+ adults, 2+ children	79	3,655	3,734	2.1%	26.2%
TOTAL	303	41,658	41,961	0.7%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Table 6.7 Housing need and special needs

Special needs	Housing need				
	In need	Not in need	Number of h'holds in City	% of total h'holds in need	% of those in need
Special needs	35	4,668	4,703	0.7%	11.6%
No special needs	267	36,990	37,258	0.7%	88.4%
TOTAL	303	41,658	41,961	0.7%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Figure 6.4 Summary of characteristics of households in housing need

Source: Cambridge City Council Housing Needs Survey 2002

6.6 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 256 households to 47. A discussion of size mis-match in the social rented sector can be found in Chapter 9.

6.7 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 or are likely to move to independent accommodation and are unable to afford to do so. The homeless households in need are that element of homelessness which 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 City. Projecting the need from potential households can be found in Chapter 7.

DTLR guidance [Section 4.4 (page 60)]

'Determining... potential households can be achieved by asking the main household respondent for their opinion as to whether the people concerned need separate accommodation...'

DTLR guidance [Section 4.4 (page 60)]

'It is not recommended that respondents are asked to anticipate the situation more than 1-2 years ahead...Forward requirements...should be derived by first estimating likely annual rates of new household formation.'

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.

DTLR guidance [Section 4.4 (page 60)]

'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.'

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

Table 6.8 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 City</i>	4,953	4,953
<i>Minus those not needing/likely to move now</i>	-4,597	356
<i>Minus those joining up with other persons</i>	-48	308
<i>Minus those moving out of the City</i>	-87	221
TOTAL POTENTIAL HOUSEHOLDS		221

Source: Cambridge City Council Housing Needs Survey 2002

The survey estimates that there are 4,953 potential households in the City, of these 356 need or are likely to move now. When taking account of those joining up with other persons this figure is reduced to 308, of which 221 would like or expect to remain in the City.

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 6.9 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>	16	7.1%
<i>No – cannot afford either</i>	205	92.9%
TOTAL	221	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

It is estimated that of the 221 potential households who need or are likely to move now (within the City), 92.9% cannot afford local private sector housing (205 households).

(ii) Additional homeless households in need

The Housing Needs Survey is a 'snapshot' survey which 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 year to March 2002 is shown in the table below.

Table 6.10 Homeless households accommodated by authority at the end of quarter (Section E6, P1(E) form)

<i>Category</i>	<i>Homeless households accommodated by authority on 31st March 2002</i>
Directly with a private sector landlord	0
Private sector accommodation leased by authority	0
Private sector accommodation leased by RSLs	40
Within Council's own stock	32
RSL stock on assured shorthold tenancies	0
Any other types of accommodation	4
<u>Hostel</u>	<u>26</u>
<u>Women's refuges</u>	<u>4</u>
<u>Bed and breakfast</u>	<u>15</u>
<u>Other</u>	<u>0</u>
Homeless at home	6
TOTAL	127

Source: Cambridge City Council, P1(E) forms for year ending 31st March 2002

Not all of the households in the above table should be considered to be an additional need to be added to our assessment of existing and potential households in need. This is because, in theory, they would have been part of our 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 file from which the sample was drawn. Also those *homeless at home* are likely, in the main, to be existing or potential households who need to move home now and hence would have already been counted.

Households housed in the Council and RSL stock should also already be included and therefore it seems sensible to exclude this element from this part of the backlog of housing need.

After considering the various categories, we have decided there are four which should be included as part of the extra homeless element. These have been underlined in the table above. The data therefore shows that of 127 homeless households accommodated by the local authority, 45 should be included within the assessment. This number of homeless households is used as our estimate of the homeless element.

45 extra households in need

6.8 Total backlog need

Having been through a number of detailed stages in order to assess the backlog of need in Cambridge City 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 DTLR. 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 DTLR. The data shows that there is an estimated backlog of 297 households in need (see stage 5). The final stage is to include a quota to progressively reduce this backlog. This is a somewhat novel concept introduced by the DTLR guidance. A reduction in the backlog of need of 20% per year has been assumed in Cambridge City. The table therefore shows that the annual need to reduce backlog is 59 dwellings per annum.

DTLR guidance [Section 2.4 (page 25)]

'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'.

Table 6.11 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	2,091
2. <i>minus</i> cases where in-situ solution most appropriate	In situ (or outside City) solution most appropriate for 1,605 households	Leaves 486
3. <i>times</i> proportion unable to afford to buy or rent in market	62.3% = 303 – also remove 256 social renting tenants	47
4. <i>plus</i> Backlog (non-households)	Potential = 205 Homeless = 45	250
5. <i>equals</i> total Backlog need		297
6. <i>times</i> quota to progressively reduce backlog	Suggest 20% as in DTLR report	20%
7. <i>equals</i> annual need to reduce Backlog		59

Source: Cambridge City Council Housing Needs Survey 2002

6.9 Summary

This chapter reported on the components contributing to the backlog need element of the needs assessment model. In total it is estimated that 2,091 households are currently living in unsuitable housing (5.0% of all households). Further analysis indicates that private rented households, lone parent households and those with special needs are more likely to be living in unsuitable housing. Of those in unsuitable housing 44.6% needed to move to different accommodation to solve the problem, representing 933 households. Of these 486 would be looking to remain living in the City.

Of the 486 households living in unsuitable housing (and requiring a move within the City) an assessment of affordability was made involving the consideration of local property prices, size requirement and their financial situation. It is estimated that 62.3% could not afford local market housing of a suitable size making for an estimated 303 existing households in housing need (0.7% of all households). 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 47.

The final element of backlog need considered the needs arising from potential and homeless households. Survey results identified a further 205 potential households in housing need (i.e. unable to afford market housing and need/likely to move now within the City). Using data available from the Council it has been estimated that there are 45 homeless households who should be included as an additional element of the backlog of housing need. These two elements together make for 250 additional households in need.

Bringing together all the factors of the backlog of housing need (as defined by the DTLR and followed by *Fordham Research*) it is estimated that there is an overall backlog of need of 297 affordable homes. Annualised, assuming a 20% reduction per year suggests an annual need to reduce the backlog of 59 dwellings.

7. NEWLY ARISING NEED

7.1 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 DTLR 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.

7.2 New household formation

This is based on potential households who have stated that they need or are likely to move over the next three years (within the City) and who cannot afford to access the private sector housing market (the data excludes those households stating that they need/are likely to move now). The table below shows details of the derivation of new household formation.

DTLR guidance [Section 4.4 (page 62)]

'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'.

Table 7.1 Derivation of the number of newly forming households

<i>Aspect of calculation</i>	<i>Number</i>	<i>Sub-total</i>
<i>Number of potential households in the City</i>	4,953	4,953
<i>Minus those needing to move now or in more than 3 years</i>	-1,772	3,181
<i>Minus those joining up with other persons</i>	-444	2,737
<i>Minus those moving out of the City</i>	-1,006	1,731
TOTAL NEWLY FORMING HOUSEHOLDS		1,731
ANNUAL ESTIMATE OF NEWLY FORMING HOUSEHOLDS		577

Source: Cambridge City Council Housing Needs Survey 2002

The survey estimates that there are 3,181 potential households who need or are likely to move within the next three years (excluding those stating a need to move now), this figure becomes 2,737 when allowance is made for households joining up with other persons. Further reducing this figure to represent those who would be looking to remain in the City we are left with a total of 1,731 households (577 per annum).

It is of interest to compare this estimate both with other information collected from the survey and demographic estimates of gross household formation rates. It is possible to consider survey estimates of past household formation rates from those households that were previously living with parents, relatives or friends. The survey estimates that around 441 households moving within the last year were previously living with parents, relatives or friends. This estimate is slightly below the estimate of 577 noted above but is to be expected. Past trends are more likely to understate household formation rates because newly forming households have a greater tendency to move several times in quick succession following formation. The survey identifies only those households whose previous accommodation was living with others, concealing those newly forming households who in the last three years have moved more than once. Further some respondents may have indicated their previous tenure to be private rented when in fact they were sharing accommodation with friends or relatives.

It is also possible to consider our estimate against demographic sources of household formation rates. The DTLR Guide states:

DTLR guidance [Section 7.2 (page 94)]

'Gross household formation is the number of household heads moving from a previous address of 'living with others'. For example, the 1996 Survey of English Housing estimated that there were 448,000 such moves in England, representing 2.22% of all households.'

Applying this estimate of gross household formation (which excludes a migration element) to the total number of households in the Cambridge City (41,961 households) would suggest 931 newly forming households per annum. This compares to 912 per annum from the above estimates when migration is excluded. Thus there is good correspondence between the estimated rate of new household formation derived from the survey and estimates based on other sources.

Having identified estimates of new household formation rates it is now important to consider their affordability. The table below shows these households and their stated affordability. Chapter 5 gives more information about the assessment of potential households' affordability.

Table 7.2 Numbers and affordability of potential households (per annum)

<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>	81	14.0%
<i>No – cannot afford either</i>	496	86.0%
TOTAL	577	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Of the 577 households, an estimated 496 (86.0%) are unable to afford to access the private sector housing market (based on a question relating to the main householders view about the potential households ability to afford market housing without the use of housing benefit). This is an approach advocated by the Guide and commented on further in Chapter 5 of this report.

7.3 Ex-institutional population moving into the community

This is quite a difficult group to analyse. The DTLR guidance suggests information from Community Care Plans could be used for this element of newly arising need. However it is most probable that all of this element would be picked up in each of the next two stages of the projection. In addition the numbers in this group are most likely very small in comparison with other elements of housing need. Therefore to avoid any possible double-counting and because this group is relatively small, it has been decided in the case of Cambridge City to give this element of newly arising need a value of zero.

7.4 Existing households falling into need

This is an estimate of the number of existing households currently living in Cambridge City 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 City 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).

DTLR guidance [Section 4.4 (page 63)]

'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).'

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 (size mis-match in the social rented sector is discussed in Chapter 9). 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 7.3 Derivation of newly arising need from households currently living in the City

<i>Aspect of calculation</i>	<i>Number</i>	<i>Sub-total</i>
<i>Number of households moving in past three years</i>		12,640
<i>Minus moves from outside City</i>	-4,597	8,043
<i>Minus households forming in previous move</i>	-430	7,613
<i>Minus households moving to owner-occupation</i>	-3,638	3,975
<i>Minus households transferring within social rented housing</i>	-1,416	2,559
<i>Minus households whose move could be avoided</i>	-0	2,559
TOTAL APPLICABLE MOVES		2,559
<i>Times proportion unable to afford</i>		67.9%
TOTAL IN NEED (3 years)		1,739
ANNUAL ESTIMATE OF NEWLY ARISING NEED		580

Source: Cambridge City Council Housing Needs Survey 2002

The table above shows that a total of 2,559 household moves are considered as potentially in need. Using the standard affordability test for existing households it is estimated that 67.9% 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 City excluding transfers is 1,739 households ($2,559 \times 0.679$) over the three year period. Annualised this is 580 households per annum.

7.5 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 City who are expected to move into the City 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 City 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 Cambridge City's stock 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 City.

DTLR guidance [Section 4.4 (page 63)]

'Households moving into the district and requiring affordable housing can be identified by HN surveys, again using data on recent movers'.

The table below shows the derivation of the in-migrant element of newly arising need.

Table 7.4 Derivation of Newly Arising Need from households currently living outside the City

<i>Aspect of calculation</i>	<i>Number</i>	<i>Sub-total</i>
<i>Number of households moving in past three years</i>		12,640
<i>Minus moves from within City</i>	-8,043	4,597
<i>Minus households moving to owner-occupation</i>	-1,431	3,166
<i>Minus households whose move could be avoided</i>	-141	3,025
TOTAL APPLICABLE MOVES		3,025
<i>Times proportion unable to afford</i>		48.4%
TOTAL IN NEED (3 years)		1,464
ANNUAL ESTIMATE OF NEWLY ARISING NEED		488

Source: Cambridge City Council Housing Needs Survey 2002

In total the table above shows that 3,025 'potentially in need' moves took place in the past three years from outside the City. The survey data also shows us that 48.4% 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 City is 1,464 households ($3,025 \times 0.484$) over the three year period. Annualised this is 488 households per annum.

7.6 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 1,564 households per annum.

Table 7.5 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.)		577
9. <i>Times</i> proportion unable to buy or rent in market	86.0% cannot afford market housing	Leaves 496
10. <i>plus</i> ex-institutional population moving into community		0
11. <i>plus</i> existing households falling into need		580
12. <i>plus</i> in-migrant households unable to afford market housing		488
13. <i>equals</i> Newly arising need	9+10+11+12	1,564

Source: Cambridge City Council Housing Needs Survey 2002

8. SUPPLY OF AFFORDABLE HOUSING

8.1 Introduction

This chapter looks at the supply of affordable housing in Cambridge City from the Council and RSLs. 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.

DTLR guidance [Section 2.4 (page 26)]

'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.'

8.2 The Social Rented stock

We have studied information from the Councils Housing Investment Programme for three years (from 2000 to 2002 inclusive). The table and figure below show the changing levels of stock for the Council and RSLs within the City.

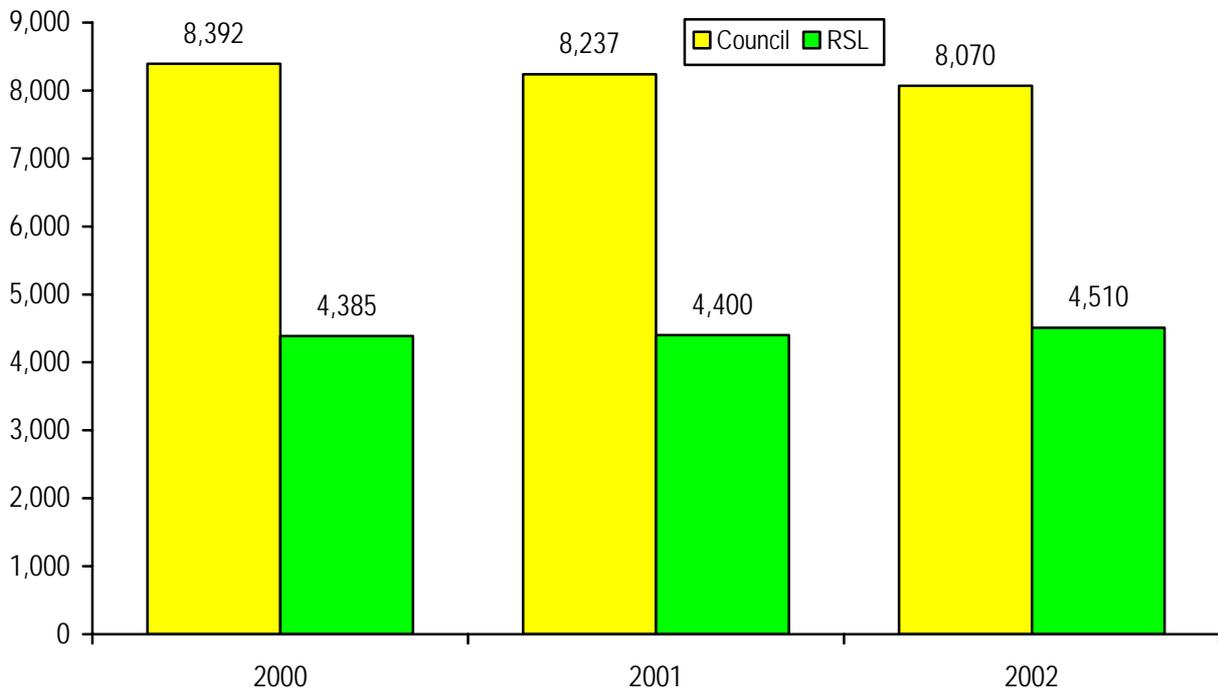
Table 8.1 Council and RSL stock numbers in Cambridge City (2000 – 2002)

Year	Council stock	RSL stock
2000	8,392	2,758
2001	8,237	2,781
2002	8,070	2,881
CHANGE	-322	+123

Source: Cambridge City Council H.I.P. 2000 - 2002

The table shows that the Council stock is decreasing (322 less units in 2002 than in 2000) presumably mainly due to right-to-buy, whilst the RSLs stock has increased by a lesser amount. This would suggest that over time there has been a decrease in the overall availability of affordable housing – although there may now be more or less of certain types of dwellings (e.g. less larger properties). However for the overall assessment of supply this is not a major issue.

Figure 8.1 Council and RSL stock numbers in Cambridge City (2000-2002)



Source: Cambridge City Council H.I.P. 2000 - 2002

8.3 The supply of affordable housing

Presented below is a table summarising the key components contributing to the supply of social relets for Cambridge City Council. Information is presented for the last three years together with an average for this period. The information in this table is collected from the Council's H.I.P. form for the last three years.

Table 8.2 Analysis of past housing supply – Average for three years

Source of supply	1999/00	2000/01	2001/02	Average 1999-02
<i>Local Authority</i>				
<i>LA lettings through mobility arrangements</i>	26	12	14	17
<i>LA lettings to new secure tenants</i>	473	463	482	473
<i>LA lettings to new tenants on an introductory tenancy</i>	0	0	0	0
<i>LA lettings to new tenants on other tenancies</i>	120	124	117	120
← LA Sub-total excluding RSL transfers to LA*	574	554	568	565
<i>Registered Social Landlords</i>				
<i>RSL lettings from LA nominations excluding transfers</i>	88	127	106	107
<i>RSL lettings from other nominations</i>	369	169	261	266
↑ RSL Sub-total excluding LA transfers**	457	296	367	374
<i>Other lettings</i>				
<i>LA nominations to non-RSL dwellings</i>	0	0	0	0
<i>Lettings to other non-LA permanent accommodation</i>	0	0	0	0
→ Other Sub-total	0	0	0	0
TOTAL (←+ ↑+ →)	1,031	850	935	939

Source: Cambridge City Council H.I.P. 2000 - 2002

- Notes:**
- * The LA sub-total excludes RSL transfers to LA. Information from 1999/00 indicates 45 RSL transfers to LA. Subsequent HIP forms do not collect this information and hence continuance of the same number of transfers in future years is assumed.
 - ** Information on RSL lettings to LA transfers is no longer collected on 2002 HIP, an estimate has been derived on the basis of the previous two years identifying the proportion of LA nominations to RSLs (excluding those to homeless) that are LA transfers

The table above shows the trends in supply for the past three years. The data in the tables is for RSLs (plus a small other group included on the H.I.P. form). The figures show a decline in the supply of relets between 2000-01 but a slight rise between 2001-02 although still below the level of relets in 1999-00. Overall the supply of relets for the last three years indicates an average of 939 per year.

8.4 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 DTLR guidance.

DTLR guidance [Section 2.4 (page 26)]

'...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'.

Table 8.3 Analysis of past provision of new affordable housing – Average for three years

<i>New affordable housing</i>	<i>1999/00 outturn</i>	<i>2000/01 outturn</i>	<i>2001/02 outturn</i>	<i>Average 1999-02</i>
<i>Number of additional Local Authority dwellings</i>	0	0	0	0
<i>Number of additional RSL rented dwellings</i>	19	34	104	52

Source: Cambridge City Council H.I.P. 2002

The table above summarises information contained in the H.I.P. return for 2002 (Section N) and indicates an average of 52 new RSL completions per year between 1999-00 and 2001-02. Therefore our estimated supply of affordable housing is 887 per year (939-52).

8.5 Vacant dwellings

As of April 2002, there were 106 vacant dwellings in the social rented stock this represents around 1.0% of all social rented stock in the City. This is considered to be a low frictional vacancy rate as is suggested by DTLR Guidance and hence no adjustment needs to be made to the figures to take account of this.

DTLR guidance [Section 2.5 (page 28)]

'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'.

8.6 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.

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').

In the case of stage 15 we look at the number of dwellings lost –this amounts to 322 between 2000 and 2002 (or 161 per annum). Given an average turnover of around 11.4% (based on the number of lettings and the number of social rented dwellings) this would equate to a loss of around 18 letting opportunities per annum. In the case of Stage 16 information from Section N of the 2002 H.I.P. return suggests an average of 176 affordable dwellings are planned or proposed to be built per year over the next two years. Again given an average turnover rate of around 11.4% this would equate to a gain in letting opportunities of around 20 dwellings per annum.

Hence, on the basis of this information it is estimated that average future supply of affordable housing will be 889 units per annum (887+20-18).

8.7 Summary

Relets of existing social housing are the most important source of supply and information provided by the Council for the past three years has been used to assess the position in the Cambridge City.

The table below details the stages in arriving at an estimate of the 889 new lets from the current stock per annum. Analysis of H.I.P. excluding transfers within the social rented stock for the last three years indicates an average supply of relets of 939 per year. Taking account of lettings made to new dwellings the supply estimate is reduced by 52 units per annum. In total therefore it is estimated that the annual supply of affordable housing from the current stock would amount to 887 units per year. It is assumed that increased vacancies and units taken out of management and committed units of new affordable supply will net to an additional 2 relets per annum. The second table shows how this fits into the Basic Needs Assessment model.

Table 8.4 Estimated future supply of affordable housing (per annum)

<i>Element of supply</i>	<i>Number of units</i>
<i>Average relets per annum (excluding all transfers)</i>	939
<i>Lettings in new housing</i>	-52
<i>Additional lettings in vacant stock</i>	0
<i>Letting opportunities lost through units taken out of management (Stage 15)</i>	-18
<i>Letting opportunities gained through additional stock (Stage 16)</i>	20
ESTIMATED SUPPLY OF AFFORDABLE HOUSING (PER ANNUM)	889

Source: Cambridge City Council Housing Needs Survey 2002

Table 8.5 Basic Needs Assessment Model – Stages 14 to 17

S: SUPPLY OF AFFORDABLE UNITS		
<i>Element</i>	<i>Notes</i>	<i>Final number</i>
14. Supply of social relets p.a.	Excludes transfers within social rented stock	887
15. <i>minus</i> increased vacancies & units taken out of management	Letting opportunities lost	-18
16. <i>plus</i> committed units of new affordable supply p.a.	Letting opportunities gained	+20
17. <i>equals</i> affordable supply	14-15+16	889

Source: Cambridge City Council Housing Needs Survey 2002

9. BASIC NEEDS ASSESSMENT MODEL

9.1 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 City.

9.2 Total housing need

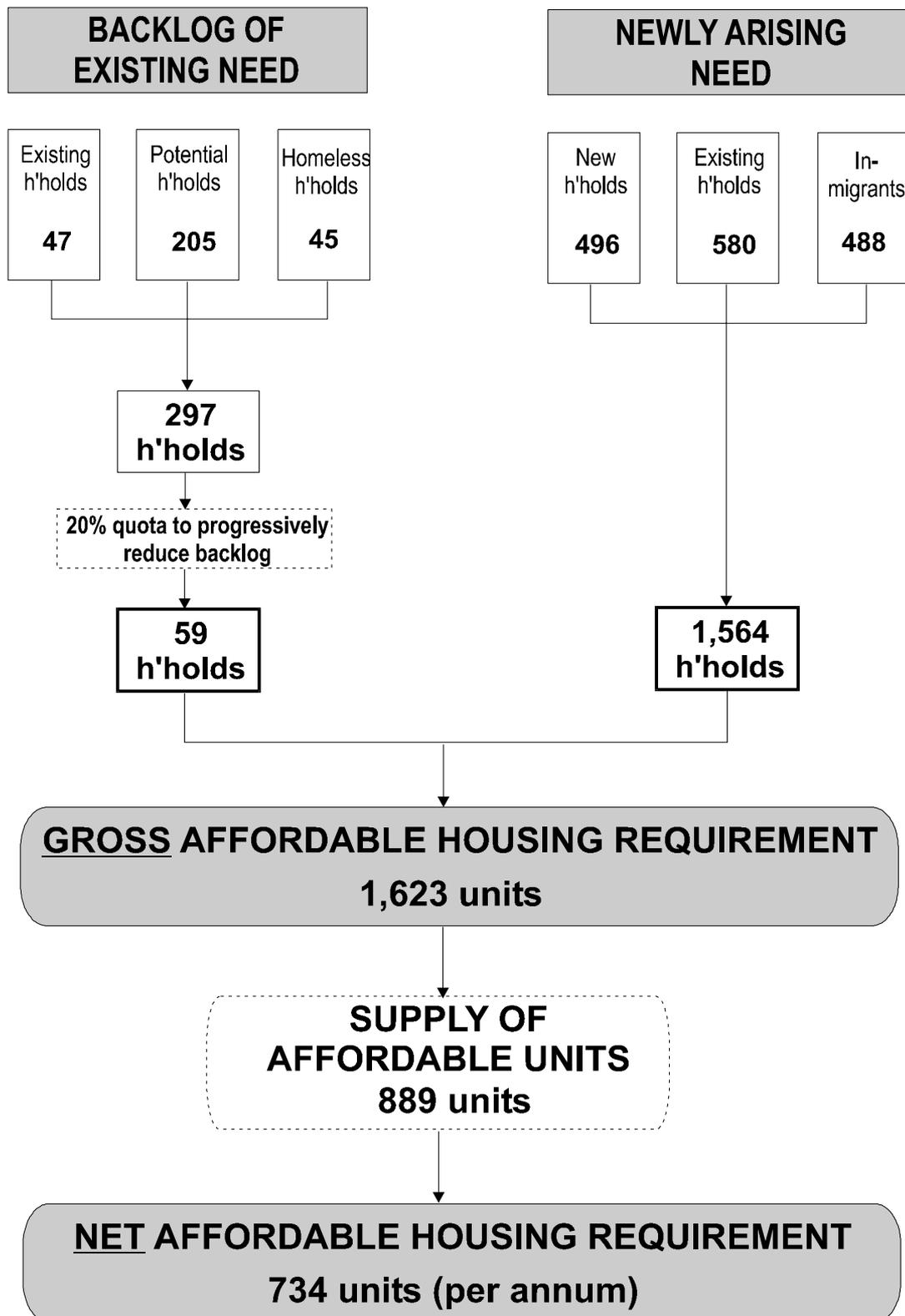
The backlog of existing need suggests a requirement for 59 units per year and the newly arising need a requirement for 1,564 units per annum. These two figures together total 1,623 units per annum. The total estimated supply to meet this need is 889 units per year. This therefore leaves a shortfall of 734 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 734 represents 1.7% of the total number of households in the City (41,961).

Table 9.1 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	2,091
2. <i>minus</i> cases where in-situ solution most appropriate	In situ (or outside City) solution most appropriate for 1,605 households	Leaves 486
3. <i>times</i> proportion unable to afford to buy or rent in market	62.3% = 303 – also remove 256 social renting tenants	47
4. <i>plus</i> Backlog (non-households)	Potential = 205 Homeless = 45	250
5. <i>equals</i> total Backlog need		297
6. <i>times</i> quota to progressively reduce backlog	Suggest 20% as in DTLR report	20%
7. <i>equals</i> annual need to reduce Backlog		59
<i>N: NEWLY ARISING NEED</i>		
8. New household formation (gross, p.a.)		577
9. <i>times</i> proportion unable to buy or rent in market	86.0% cannot afford market housing	Leaves 496
10. <i>plus</i> ex-institutional population moving into community		0
11. <i>plus</i> existing households falling into need		580
12. <i>plus</i> in-migrant households unable to afford market housing		488
13. <i>equals</i> Newly arising need	9+10+11+12	1,564
<i>S: SUPPLY OF AFFORDABLE UNITS</i>		
14. Supply of social relets p.a.	Excludes transfers within social rented stock	887
15. <i>minus</i> increased vacancies & units taken out of management	Letting opportunities lost	-18
16. <i>plus</i> committed units of new affordable supply p.a.	Letting opportunities gained	+20
17. <i>equals</i> affordable supply	14-15+16	889
18. Overall shortfall/surplus	7+13-17 (per annum)	734

Source: Cambridge City Council Housing Needs Survey 2002

Figure 9.1 Basic Needs Assessment Model – summary



Source: Cambridge City Council Housing Needs Survey 2002

9.3 Size requirement of affordable housing

(i) Basic need assessment model

The table below shows an estimate of the size requirement of households in housing need along with estimates of the likely future supply of housing for each of four property sizes (1 to 4+ bedrooms).

Table 9.2 Net shortfall/(surplus) of all housing need (per annum for five years to 2007)

Size requirement	Housing need			Supply	Shortfall/ (surplus)
	Backlog need	Newly arising need	Total need		
1 bedroom	12	621	633	485	148
2 bedrooms	14	541	555	236	319
3 bedrooms	9	240	249	157	92
4+ bedrooms	24	162	186	11	175
TOTAL	59	1,564	1,623	889	734

Source: Cambridge City Council Housing Needs Survey 2002

The table above shows a shortfall of affordable housing for all sizes of accommodation. The main shortfall is for two bedroom accommodation (319 per annum) although the shortfall relative to the supply is greatest for four bedroom accommodation, where the shortfall means that only 5.9% of households needing this size would be able to secure suitable affordable housing.

(ii) The social rented sector

In Chapter 6 of the report we highlighted that there were 256 households in need in the social rented sector. Further analysis shows that 457 households are expected to fall into need in the social rented sector per annum. Although there is no need for additional affordable dwellings to be built as a result of these needs (as a move will create a void in the social rented stock) it is quite likely that a requirement for additional dwellings will arise due to the mismatch between sizes required and those released by these households. The table below shows the estimated annual need by size for the social rented sector (as with other households the backlog figure of 256 is divided by 5, this produces an annual estimate of 51). A total of 508 households in need per annum are therefore estimated to come from the social rented sector (51+457).

Table 9.3 Size requirement for households in social rented housing

<i>Dwelling size</i>	<i>Size required</i>	<i>Size released</i>	<i>Shortfall/(surplus)</i>
<i>1 bedroom</i>	266	177	89
<i>2 bedrooms</i>	127	141	(14)
<i>3 bedrooms</i>	70	190	(120)
<i>4+ bedrooms</i>	45	0	45
TOTAL	508	508	0

Source: Cambridge City Council Housing Needs Survey 2002

The data shows a shortage of one and four bedroom accommodation and a surplus of two and three bedroom homes. The shortage of one bedroom accommodation shown is considerably smaller than those shown in the previous analysis.

(iii) Size requirement and potential demand

The above analysis suggests the largest shortfalls are for one bedroom accommodation whilst there are surpluses of two and three bedroom property (in the social rented sector). These are the facts from the survey taking into account the minimum size requirements of each household in the survey. However, it is also worth looking at what the situation might be if the analysis were carried out based on what sizes of accommodation households might demand (rather than the strict requirement criteria used in the report). To do this we have looked at the gross need in each size group and compared this to the demands of households stating that they need or are likely to move (for each of the backlog and newly arising needs groups for which we have information). For example of all households requiring a minimum of one bedroom some 27.0% have actually said that they need two bedroom property.

The table below shows our estimate of affordable requirements by size based on expressed demands (in this case the supply is the supply added to the dwellings released by social tenants on transferring).

Table 9.4 Size requirements based on expressed demand (per annum)

<i>Dwelling size</i>	<i>Size demanded</i>	<i>Supply</i>	<i>Shortfall/(surplus)</i>
<i>1 bedroom</i>	660	662	(2)
<i>2 bedrooms</i>	923	377	546
<i>3 bedrooms</i>	363	347	16
<i>4+ bedrooms</i>	185	11	174
TOTAL	2,131	1,397	734

Source: Cambridge City Council Housing Needs Survey 2002

The table above shows a small surplus of one bedroom dwellings and larger shortfalls of two and three bedroom homes.

(iv) Overall size requirements

It is difficult to suggest whether or not the Council would wish to meet households demands or purely their immediate needs. In truth, the Council would probably be looking to meet both needs and also households aspirations and hence we produce a final table which shows the mid-point requirement somewhere between the minimum needs and households expectations. In the case of three bedroom property the results show a small surplus. The table below shows the results of this analysis and assumes that the surplus of three bedroom accommodation can be used to meet some of the shortage of two bedroom accommodation.

Table 9.5 Overall size requirements based on mid-point between minimum needs and expressed demand (per annum)

<i>Dwelling size</i>	<i>Sizes needed</i>	<i>Sizes demanded</i>	Shortfall/(surplus)
<i>1 bedroom</i>	237	(2)	117
<i>2 bedrooms</i>	305	546	420
<i>3 bedrooms</i>	(28)	16	0
<i>4+ bedrooms</i>	220	174	197
TOTAL	734	734	734

Source: Cambridge City Council Housing Needs Survey 2002

This table shows shortfalls of affordable housing across all dwelling sizes. The main shortfall is for two bedroom accommodation. We would recommend this pattern of new affordable housing as being the most appropriate if the Council wishes to meet both the needs and demands of households requiring affordable housing in the future.

9.4 Summary

The Housing Needs Survey in Cambridge City followed closely guidance from The DTLR 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 Cambridge City. Using this model it is estimated that for the next five years there is a shortfall of affordable housing in the City of around 734 affordable homes per year.

10. MARKET HOUSING REQUIREMENTS

10.1 Introduction

This chapter addresses issues related to the housing market. Clearly the focus of the study is on those aspects of the wider housing market which required most attention from the local authority point of view. The main focus of local authority attention is of course on the social rented element but also to certain aspects of the private rented sector (benefit landlords; houses in multiple occupation) and the various initiatives under the heading of low-cost home ownership (LCHO).

However the 2001 H.I.P. Guidance is quite clear that the local authority should consider the whole market:

DTLR 2001 H.I.P. Guidance para 8

'The Housing Policy Statement 'The Way Forward for Housing' which was issued in December stressed the importance of authorities' strategic housing role. A proactive strategic approach is essential if housing problems are to be tackled in a co-ordinated and sustainable way and housing is to make its contribution to the achievement of wider cross-cutting objectives. This needs to be underpinned by a good understanding of the operation of housing markets in the area, across all tenures, and robust data on housing needs and stock condition. It also requires meaningful and effective involvement of council tenants and other residents'. [Our emphasis]

The three elements emphasised in the above paragraph include two that are subject to detailed government guidance and one that is not:

- (i) Operation of the housing markets in an area across all tenures (no guide)
- (ii) Robust data on housing needs [DTLR Guide July 2000]
- (iii) [Robust data on] stock condition [DTLR Guide August 2000]

There is no specific government guidance on housing markets, although there are some comments in the housing need DTLR Guide, discussed below.

10.2 The study of housing market areas

The normally assumed framework for studying the housing market are housing market areas (HMAs). However the meaning of a housing market area is not always very clear. The topic has not been very well served in existing studies. For example the promising sounding 'Understanding local housing markets' (Bob Blackaby for the Chartered Institute of Housing and the Council of Mortgage Lenders, 2000) does not say much of practical use. Given the sponsors of the research it stresses the importance of covering the 'whole market', but does not provide a coherent framework for analysis or any practical methodology.

At the other extreme, a technical report for the Glasgow and Clyde Valley Structure Plan (dated September 1999) sets out a very detailed method of assessing 'self containment' of market areas through the study of property sales. This involves amalgamating settlements which have low levels of self containment with the aim of producing a set of the most self contained market areas. This method is only feasible if a large sample of individual sales is available, and is not very practical for large scale use away from the particular data situation in Scotland.

The DTLR Guide to Housing Needs Assessment contains a small section on housing market areas, which provides some useful comments.

DTLR guidance [Section 7.5 (all on page 98)]

(i) 'Although local housing needs assessments are generally carried out within the confines of existing district boundaries, it is increasingly recognised that districts as areal units are often imperfect representation of housing market areas'.

(ii) 'A functional housing market area may be defined as '.. the geographical area in which a substantial majority of the employed population both live and work and where those moving housing without changing employment choose to stay''

(iii) 'Because local authority districts are commonly more tightly bounded than HMAs, housing needs assessments based on the former are often problematic because of the volume of migration into and out of the study area'

[It appears from the surrounding text that 'problematic' refers to the possibility, in a conurbation, of the housing needs situation in neighbouring districts (e.g. 'low demand' having an interaction with the district under study]

(iv) '...it might be that two or three neighbouring authorities would, as a group, approximate better to a housing market area than a single district. ...carrying out a cross-boundary needs assessment could give rise to administrative and funding difficulties'.

(v) '[The] HMA for potential social housing clients may be narrower than that for higher income owner occupiers'

The points made in the DTLR extracts may be summarised as saying:

- (i) HMAs are, typically, larger than local authority areas
- (ii) HMAs for social housing are smaller than normal HMAs (and, therefore, may be more contiguous with local authority areas)

In relation to housing needs analysis it is difficult to see what relevance HMAs have. The material question is local property price variations, which typically show wide variation within each local authority area. Moreover, given the much lower incomes of those in housing need, their HMA will be smaller, and may well fall within the scale of a district. The final point on the housing needs aspect is that local authorities are the determinants of strategy for both affordable housing and investment in existing affordable housing, and so from that point of view the local authority boundary is of fundamental importance.

10.3 Nature of housing markets

We will first sketch some of the characteristics of housing markets, since these are important background to considering the situation in Cambridge City.

(i) Supply and demand

Housing markets depend upon the presence of willing sellers and buyers, the principle of the operation of such markets is not difficult to understand. Less obviously there are quasi-markets which have many of the same aspects as ordinary ones, as when people put their names on registers to queue for social rented housing. Even when they are made an offer of housing, there is often a keen awareness in the social rented sector of which areas of a town are worth going to and which are not, and which social rented estates are good and bad. This leads to quasi-market behaviour by would be tenants. It also leads to responses by councils to moderate the quasi-market pressures that result from some areas being in demand and others not. For example some councils insist that applicants for social housing put their names down for every area of the council and not just for a few, in order to prevent overheating of the social rented market.

(ii) Market areas and sub-markets

Whether for reasons of geography or type of housing or attractiveness of the general context of an area (including its landscape value and its social character) there can be very widely varying prices within even quite small distances. As a result there are different price and rent levels. There is always some degree of variation of property prices within even the smallest area, due the variations in the type of the buildings, the levels of maintenance of them, and the attractiveness of their siting and decoration.

This is reflected in the types of estate agents and other organisations which act as middlemen in the sale and purchase and rent of dwellings. There may be as many as three or more tiers of estate agents in an area, selling more and less expensive dwellings. Depending on the numbers of dwellings coming up for sale or rent, the agents will have a larger or smaller catchment. Each dwelling is unique in its location, and so will attract a slightly different price or rent from its neighbours. This is also the case, in a rather different way, in the social rented sector, where dwellings of different age and type may attract quite different rents even if they are next door to one another.

In order to provide a useful picture of the market in an area it is necessary to generalise a bit from the individual dwellings, and establish broad levels of price and rent.

(iii) Housing cycles

For at least 200 years and probably longer, in countries such as Britain, there have been cycles in property prices and rents. This is due to various reasons, including the state of the national economy, but substantially to the fact that, in an unregulated market, the demand for housing can run ahead of the supply, producing a property price inflation. This encourages the production of more housing in a cycle that ends in a price collapse when the ability of buyers to fund the rate of growth of both property prices and volumes of sales is exceeded. The most recent of this 'boom and bust' cycles was in the late 1980's, and is thus within the memory of most people. It was not until the mid 1990's that the market returned to a reasonably even keel. The memory of those events is still sufficiently alive for scare stories of 'house price collapse' to feature regularly in the newspapers particularly as over the past two years property prices in the area have risen substantially.

The reasons for earlier price collapses lay more with the rates of newbuild in a growing stock. The overall stock in Britain is not now rapidly growing, and so the reasons for price collapse lie more in the general inflation of prices and incomes and in the lending practices of mortgage lenders. The Government issued dire warnings of a properly price collapse during the late 1980's, when mortgage sources escalated the multiple of income used for mortgages from the normal $\times 3$ to $\times 4$ and even $\times 5$. This was one of the key reasons for the instability which duly led to a collapse.

The present situation, although it follows a long period of price rises, is not the same as the late 1980's. Even in the most overheated parts of the country the mortgage multiple has not risen above $\times 3.5$. Thus it does not appear that a price collapse of the 1980's kind is at all imminent. National economic changes could change this position, but there is no imminent prospect of that either.

(iv) The role of newbuild housing

The newbuild market attracts a significant amount of attention, but is actually very small by comparison with the existing second-hand market. Only in exceptional places like new towns and particular villages does the newbuild market provide the majority of the housing units for sale. Normally the newbuild market is a very small minority of the total number of dwellings for sale at any one time, and an even smaller fraction of the supply of market rental units.

Moreover, the newbuild market is much higher priced than the second-hand one, when like dwellings are compared, and is therefore separated from it. It is also the case for example in big cities and in sought after villages, that many old dwellings may be much higher priced than any new ones. However this is a different, luxury, market and one with relatively small numbers of sales. The majority of sales are of relatively standard properties, and there the newbuild to second-hand price differential is normally very clear.

The newbuild sector tends to be the most volatile, since at times of market boom, prices rise rapidly, and housebuilders make high profits. At times of market decline or collapse, newbuild can reduce dramatically and firms go into insolvency in great numbers. Thus the newbuild market is a sort of barometer to the state of the market.

10.4 Reasons for local authority interest in housing markets

Traditionally, local authorities have not had much reason to analyse housing markets. The projections from which requirements for new housing were derived came from demographic trends, not market ones. There is enough pressure of demand in most parts of Britain to ensure that once a requirement is assessed, and translated into potential sites, it will be built as housing.

A different branch of the local authority is concerned with stock condition, and thus with repairs grants and disabled facilities grants and the like. These apply to the private housing market, but do not require any understanding of its dynamics.

Over the past decade, during which public investment in housing has fallen dramatically, a further set of reasons has arisen:

- (i) *A part of the private rented sector* has tended to gravitate to 'benefit landlords' who specialise in providing modest accommodation for households on housing benefit (and also asylum seeker accommodation where rent levels are not limited by benefit levels). This is quite distinct from the main private rented market in an area where occupants are not benefit dependent and hence, rent levels are not influenced by benefit levels but merely respond to market forces. It is quite common for the benefit-led part of the private rented sector to exhibit higher than normal levels of housing need and poor stock condition. It is therefore an area of concern to local authorities. The most acute and difficult part of this tenure is the HMO (house in multiple occupation) which again typically features high levels of housing need and poor stock condition.
- (ii) *Low-cost home ownership* initiatives have attempted to allow some households who cannot afford full ownership to acquire partial ownership. Typically the incoming household buys half the equity and the remainder is owned by an RSL. The newbuild units are valued at market prices and so an awareness of market prices is required.

These two factors require some market awareness, but there is a third aspect of public sector concern which requires a more comprehensive understanding:

- (iii) *Mix of market housing on newbuild sites*. There has been a growing concern about the tendency of housebuilders to concentrate upon building larger dwellings on newbuild sites, since these tend to be more profitable than smaller dwellings. Such a profile of construction often attracts more households from outside the area to live on these new sites. It is quite often the case that the locally generated market demand is more for smaller than larger dwelling types.

It is therefore important for local authorities to know what the pressure of demand for different dwelling sizes is, in relation to the supply, in order to negotiate an appropriate mix on new sites.

There is a further reason for which local authorities may be concerned with housing market areas. This arises where a new settlement is planned whose catchment spans several districts. In terms of our own involvement, this has included the A1(M) settlement (Stevenage BC and North Herts DC), Elstow (Bedford BC and Mid Bedfordshire DC) and the expansion of Didcot (South Oxfordshire DC and Vale of White Horse DC). In all these cases, it was necessary to look at a wider housing market in assessing the demand and housing need relevant to those new settlements. The focus of local authority interest does not really extend, in these cases, beyond justifying a given amount of affordable housing as part of the new settlement, and ensuring that the dwelling mix is reasonably in accordance with the profile of local market demand. Although this represents a different reason for local authority interest in the market, it does not raise any new issues.

It therefore seems that the DTLR instruction to councils to study the whole market and all tenures within it, has a limited range of practical implications. A concern with the private rented sector and low-cost home ownership involve some awareness of the market, but the negotiation of housing mix on newbuild sites requires a much wider analytical understanding of supply and demand in an area. It is this latter dimension that will be the focus of the remainder of this chapter.

10.5 Aspiration vs. Outcome

Surveys of the kind carried out here typically ask the respondent household whether they are likely to move, and if they do where and to what type of dwelling. This information can then be matched with income information to assess whether these aspirations are realistic.

A problem which typically is not addressed in such studies is what relationship the stated aspirations have to actual outcomes. There do not appear to have been 'longitudinal' studies of how household aspirations have evolved to the point of decisions over housing moves.

In the case of those who cannot afford the market, it is doubtful as to what extent aspirations to move into the owner-occupied sector can be taken as serious evidence of likely outcomes. In the case of those who can afford the market (many of whom will already be owner-occupiers) there is more chance that aspirations will be realised. Thus there is a greater chance that they are a reliable indication of what housing decisions will be made.

It is also possible that the indicated rate of aspirational moves differs from evidence of past moves. Often in such surveys the rate of moves shown in aspirational data is lower than the rate of past moves. It is possible that the point of a survey could coincide with a sudden change in mobility patterns, but this is unlikely. It is more likely that many housing moves are unforeseen. As a result aspirational evidence may be an understatement of what will actually happen. In the case of Cambridge City the 'aspirational' moves appear to be slightly less than past moves (89.5% of past moves when potential households are included).

In this survey we asked households (both existing and potential) whether or not they need or are likely to move over the next five years. Households stating that they needed or were likely to move were also asked about their size requirement and also their preferred tenure. This latter piece of information forms the basis for the following analysis.

10.6 Aspirational housing demand – general methodology

The aim of the analysis is to show any surpluses or shortfalls of housing by size for each of two main tenure groups:

- Owner-occupied
- Private rented

It is mainly the owner-occupied group in which we are interested. Households currently in or expecting to move to owner-occupied properties will often be able to afford a dwelling which is larger than their requirements (in terms of number of bedrooms). This is less likely to happen in the private rented sector.

The model looks at households (both existing and potential) who have said that they need or are likely to move in the next five years and matches their tenure and size preferences with available stock. The available stock is calculated simply by looking at the tenures and sizes of dwellings freed up by existing households who say they need or are likely to move (plus a small element for vacancies arising through death). In truth it is likely that the numbers of dwellings available may be greater than those assumed here if vacant properties can be brought back into use, however the general methodology for assessing surplus or shortfall is fairly sound. It is also highly likely that many of the households saying that they need or are likely to move will not and that additional households who did not state a need to move or likelihood of moving will actually do so. This will only affect the analysis if the characteristics of these two groups differ significantly. It becomes more of an issue if the results were to be disaggregated (e.g. by sub-area) but this does not affect the analysis in this case which is only conducted City-wide.

The assumptions made are relatively simple. We assume that households aspiring to owner-occupied housing are able to afford it. The analysis does not consider the use of housing benefit in any detail although it must be assumed that in some cases in the private rented sector housing benefit will need to be used to make the accommodation affordable.

10.7 Aspiration demand – the results

The results in this section are split into two parts. The first is an analysis of what households would like to happen and the second is what households expect to happen. In both cases the size requirement was the same (based on a single question about households perceived requirements).

The overall results for both of these analyses are shown in the tables below. Figures in brackets () indicate a surplus of housing of a particular type. Where data shows a surplus, this does not mean for example that properties are left vacant it merely highlights a lack of demand for a type and size of dwelling relative to the availability. In the tables below there are considerable ‘surpluses’ of private rented housing shown (in the case of what households would like) – this means that households do not want this tenure although (presumably) some will have to accept it due to the shortage of owner-occupied or affordable housing.

Table 10.1 Shortfall/(surplus) – what households would like

	<i>Owner-occupied</i>	<i>Private rented</i>	TOTAL
<i>One bedroom</i>	1,406	1,271	2,677
<i>Two bedrooms</i>	2,175	(627)	1,548
<i>Three bedrooms</i>	113	(768)	(655)
<i>Four or more bedrooms</i>	532	(829)	(297)
TOTAL	4,226	(953)	3,273

Source: Cambridge City Council Housing Needs Survey 2002

Table 10.2 Shortfall/(surplus) – what households expect

	<i>Owner-occupied</i>	<i>Private rented</i>	TOTAL
<i>One bedroom</i>	1,025	1,652	2,677
<i>Two bedrooms</i>	1,726	(287)	1,439
<i>Three bedrooms</i>	(50)	(587)	(637)
<i>Four or more bedrooms</i>	532	(877)	(345)
TOTAL	3,233	(99)	3,134

Source: Cambridge City Council Housing Needs Survey 2002

Where an individual tenure group shows surpluses of a size of housing it is often possible to adjust the results slightly to reflect a more realistic pattern of shortfall or surplus of housing. For example it is assumed that households who would like/expect one bedroom accommodation would be prepared to accept larger accommodation (it is also assumed that they can afford it). The tables below shows the adjusted surplus/shortfall position.

Table 10.3 Adjusted shortfall/(surplus) – what households would like

	<i>Owner-occupied</i>	<i>Private rented</i>	TOTAL
<i>One bedroom</i>	1,406	0	1,406
<i>Two bedrooms</i>	2,175	0	2,175
<i>Three bedrooms</i>	113	(124)	(11)
<i>Four or more bedrooms</i>	532	(829)	(297)
TOTAL	4,226	(953)	3,273

Source: Cambridge City Council Housing Needs Survey 2002

Table 10.4 Adjusted shortfall/(surplus) – what households expect

	<i>Owner-occupied</i>	<i>Private rented</i>	TOTAL
<i>One bedroom</i>	1,025	0	1,025
<i>Two bedrooms</i>	1,676	0	1,676
<i>Three bedrooms</i>	0	0	0
<i>Four or more bedrooms</i>	532	(99)	433
TOTAL	3,233	(99)	3,134

Source: Cambridge City Council Housing Needs Survey 2002

Adjusting the data and looking at what households would like it can be seen that in the private rented sector all of the shortage of one bedroom accommodation can be met by households moving to two and three bedroom accommodation (which showed surpluses). The owner-occupied sector is unaffected as there is a shortage for each property size.

Adjusting the data and looking at what households would expect we see that all of the shortage of one bedroom accommodation (in the private rented sector) is met by households moving to larger accommodation. In the owner-occupied sector the small surplus of three bedroom accommodation is used to meet some of the shortage of two bedroom accommodation.

The results of the analysis are very interesting – we have a shortage of owner-occupied dwellings and a surplus of private rented dwellings (when looking at both what households would like and expect). The apparent shortage in the owner-occupied sector (based on expectations) is around three quarters of that shown by what households would like. Possibly due to the envisaged shortage of owner-occupied homes in the City many households would expect to move to rented housing (either private or social).

10.8 Bringing the data together

The first data analysis concentrated on households aspirations (what they would like to do) whilst a second analysis concentrated on households' expectations. The two showed different results but with some similar trends (e.g. the shortages of smaller owner-occupied housing). It is important that we try to bring these two analyses together in a coherent manner.

The first aspect to look at is the overall shortage of private sector housing in the area over the next five years. The 'like' approach showed a shortage of 3,273 homes and the expectations approach a shortage of 3,134 homes. It is difficult to suggest whether or not the Council should be looking to meet all aspirations or indeed all expectations. It seems sensible in coming to an overall conclusion to suggest that the correct targets would be somewhere in between (i.e. taking account of both what households would like but also to ensure supply of the types of housing they will be expecting). Therefore we bring the results together by taking an average value from each analysis. The table below shows the final (best fit) situation.

Table 10.5 Adjusted shortfall/(surplus) – combining aspirations and expectations

	<i>Owner-occupied</i>	<i>Private rented</i>	TOTAL
<i>One bedroom</i>	1,215	0	1,215
<i>Two bedrooms</i>	1,920	0	1,920
<i>Three bedrooms</i>	0	0	0
<i>Four or more bedrooms</i>	68	0	68
TOTAL	3,203	0	3,203

Source: Cambridge City Council Housing Needs Survey 2002

The table shows shortages of owner-occupied properties and most notably for smaller one and two bedroom homes. Some 97.9% of the shortfall in the owner-occupied sector appears to be for one bedroom dwellings. The private rented sector shows no shortage or surplus although previous analysis indicates that some of the households who would like owner-occupied housing will have to resort to the private rented sector.

10.9 The private sector and affordable housing requirements

Now we have estimated a private sector requirement, we can along with our estimates of the need for affordable housing suggest what the overall shortfall situation will be including both the market and social sector. This can also be done in terms of size requirement. The table below shows our overall shortfall of housing estimate for the five year period to 2007.

Table 10.6 Shortfall of all housing by type of housing (2002 – 2007)

	<i>Owner-occupied</i>	<i>Private rented</i>	<i>Affordable housing</i>	TOTAL
<i>One bedroom</i>	1,215	0	585	1,800
<i>Two bedrooms</i>	1,920	0	2,100	4,020
<i>Three bedrooms</i>	0	0	0	0
<i>Four or more bedrooms</i>	68	0	985	1,053
TOTAL	3,203	0	3,670	6,873

Source: Cambridge City Council Housing Needs Survey 2002

The table shows that there is an estimated shortfall of 6,873 dwellings over 5 years if all market and affordable needs are to be met. The affordable housing requirement accounts for 53.4% of this shortfall.

10.10 What will happen if these homes are not provided?

The scale of new provision required (as suggested in this survey) is large and it is likely that not all of this provision will be achieved – or indeed the size balances suggested might not be met. This begs the question ‘What will happen if new provision falls short of these suggested levels?’ This is not easy to answer although we can suggest a series of possibilities. It is also interesting (if less important) to consider what might happen if it were possible to meet all the needs/requirements suggested above.

Firstly, under-provision in the social rented sector may lead to increases in homelessness, households living in overcrowded or otherwise unsuitable homes (e.g. poor quality basic facilities). There could be further impact on local businesses who cannot employ staff due to the lack of affordable housing, household formation rates may be lower than suggested by the survey (as households are unable to access independent housing) which may lead to larger households in the social rented sector or households might simply leave the area. Households already living in social rented housing may be less likely to move and hence have an additional knock-on effect on the future supply of affordable housing. It is also possible that a shortfall will fuel additional demand for private rented housing (probably with housing benefit).

In terms of under-provision in the owner-occupied sector, the likely outcomes are similar, including reduced household formation rates and increased out-migration. In addition a continued shortage of owner-occupied housing may have an impact on property prices in the area. Again a shortage of owner-occupied dwellings might fuel an increase in demand for private rented homes (the cost of which may also show significant rises).

In addition, the balance of sizes of dwellings built will be of great importance in both affordable and private sector. It is most likely in the private sector that developers will attempt to build more larger dwellings than suggested by the figures in this chapter. This would have the obvious effect of limiting the supply of homes for local people and would probably increase out-migration of households looking for smaller dwellings and increase in-migration of better off households. This could well have the effect of polarising the social structure of the City.

If on the other hand, the numbers of dwellings built were to approach (or even exceed) the numbers suggested this does not mean that the needs/requirements would disappear, it is more likely that the ready supply of housing would increase in-migrant households (or at least households seeking to in-migrate) such that a requirement for additional housing to meet all needs/demands would still exist. In truth, this latter scenario is unlikely to happen so the local authority should concentrate on as closely matching the proportions in each size group within each tenure groups with any additional housing opportunities coming forward.

10.11 Summary

The latest DTLR Guidance (the H.I.P. round) emphasises that councils should look at the full range of housing tenures in forming their Housing Strategies although no specific reasons are given as to why this is desirable. There are several possibilities, which include the role of the private rented sector in meeting housing need, the sustainability of new housing, and the various grants which are made for the improvement and adaptation of private sector housing. There is also the question of housing market areas as compared with property price areas. The former are typically larger than local authority areas in the case of owner-occupiers, though much smaller in the case of low income households such as those in housing need.

However, there is a good reason to examine market demand, which is to provide a basis for negotiating the housing mix on newbuild sites. Typically the locally generated demand will be for smaller dwellings, whilst in-migrant demand will be triggered as more larger dwellings are built. This is an important area of public intervention in the planning process. We have examined the situation in Cambridge City and we found, indeed, a shortfall of owner-occupied dwellings (concentrated on smaller one and two bedroom homes). From the point of view of locally generated demand, it is clear that mainly small (one or two bed) dwellings are required. We looked at the data both for what the respondents would 'like' and what they would 'expect'. In both cases the outcome was a shortage of smaller owner-occupied dwellings.

11. AFFORDABLE HOUSING: HISTORY & EVOLUTION

11.1 Introduction

The following three chapters address a topic which has grown rapidly in importance over the past decade, namely affordable housing. 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. The remaining chapters of this report focus on this analysis and are designed to provide the necessary foundation for the subsequent task of negotiating affordable housing. To begin with however we highlight the evolution of government guidance giving rise to the current situation.

11.2 History of the term 'affordable housing'

The idea of affordable housing had its origins in the late 1980s when the then Secretary of State for the then DoE introduced 'exceptions' policies. This was an attempt to meet the needs of local rural people who could not afford the village prices inflated by incoming second home buyers. Exceptions policies were focused on the rural housing situation, and it was not until Circular 7/91 that the first general policy on affordable housing emerged. This followed attempts by several authorities (notably Bridport in 1989) to set affordable housing targets outside the rural context.

Under Circular 7/91 affordable housing became a general term for housing that is not of full market price. It indicated that the creation of affordable housing depended on negotiation with landowners and developers and that claims for affordable housing must be based on assessments of housing need. PPG3 (1992) shortly followed, formalising the system that largely remains in place today.

A further four years elapsed before Government advice on the issue was revised with the introduction of Circular 13/96. The key features of this advice were:

- The introduction of site thresholds below which affordable housing could not be sought (set extremely high at about 40 dwellings)
- The introduction of 'the market' into the notion of 'affordable housing' by requiring affordable housing to include 'low-cost market' housing

The second of these features was especially problematic as low-cost market housing (which is newbuild) is normally 20-30% more expensive than adequate 'entry level' second-hand housing in a given area. That is because newbuild is inherently more expensive: it is a luxury product. Thus what was to be recognised as 'affordable housing' no longer needed to be 'cheap' in relation to the local housing market and housebuilders could avoid providing housing that met the identified needs. These two developments together were sufficient to threaten the efficacy of the process as a means of addressing housing need.

The incoming 1997 Government produced fresh guidance, first in draft form and then formally as Circular 6/98. This Circular is still in force and differs little from 13/96. It did, however, lower the site thresholds to more workable levels (15-25 dwellings in most cases) but did not attempt to define housing need or affordable housing.

Subsequently, in March 1999 a revised PPG3 was issued in draft. This said very little about affordable housing but did promise formal advice on housing needs assessments, which has now been published. The current state of guidance is that Circular 6/98 is still in force and supplemented by PPG3 (2000). Broadly, three aspects to the current guidance can be identified:

- A growing concern with housing mix (extending the range of dwelling types in the total housing stock or in new developments) with mixed communities favoured over separation of property types/sizes into distinct parcels.
- 'Exceptions' policies stemming from the earlier focus specifically on rural exceptions. By their nature these tend to be small scale, heavily subsidised and make little, if any, concession to notions of mix.
- An emphasis on affordability as it is recognised that there are significant numbers of households living in poor housing conditions and who cannot afford any market housing solutions, and require some form of subsidy to become adequately housed.

It is the last of these issues that can sensibly be addressed by Housing Needs Surveys and, as such, the analysis of the current circular and PPG3 that follows focuses on this.

11.3 Circular 6/98: Planning and Affordable Housing

We review below some of the key elements from the Circular relating to aspects of affordability.

(a) Low-cost market housing and tenure

The Circular states:

'.....Planning policy should not be expressed in favour of any particular form of tenure. Therefore the terms 'affordable housing ' or 'affordable homes' are used in this Circular to encompass both low-cost market and subsidised housing (irrespective of tenure, ownership whether exclusive or shared or financial arrangements) that will be available to people who cannot afford to rent or buy houses generally available on the open market (see also paragraphs 9(a) and 15). This document refers to other housing as general market housing.....'. (para 4)

(b) Measurement of housing need

This is addressed most fully in paras 5-7. Thus:

'.....Assessments [of housing need] will need to be rigorous, making clear the assumptions and definitions used so that they can withstand detailed scrutiny. Double-counting of those in need must not occur and full account must be taken of affordable housing already available. Assessment should usually include factors such as: local market house prices and rents, local incomes, the supply and suitability of existing local affordable housing (including both subsidised and low-cost market housing) the size and type of local households, and the types of housing best suited to meeting those local needs. Assessments should be kept up to date during the plan period.....' (para 6)

Much of this is eminently supportable. Assessments should of course be rigorous etc. The missing element however, is any hint of what might constitute a definition of housing need. DTLR have now filled this gap with publication, in July 2000, of *Local Housing Needs Assessment: A Guide to Good Practice*, which is commented on further below.

(c) Thresholds and targets

Paragraph 9b of the Circular comments on the criteria to assess suitable sites and states:

'...it will be inappropriate to seek any affordable housing on some sites. In practice the policy should only be applied to suitable sites, namely:

- (a) housing developments of 25 or more dwellings or residential sites of 1 hectare or more, irrespective of the number of dwellings;
- (b) in Inner London, housing development of 15 or more dwellings or residential sites of 0.5 of a hectare or more, irrespective of the number of dwellings; and
- (c) in settlements in rural areas with a population of 3,000 or fewer, the local planning authority should adopt appropriate thresholds. These should be based on assessments which include local needs and the available supply of land for housing, and should be adopted only through the local plan process.

There is then text, which says that, in areas of constraint, thresholds between 15 and 25 may be adopted and in rural areas such as (c) there could be lower thresholds.

These points have been subject to wide debate but there is not so sharp a problem with them as with the definitional and conceptual gaps in the Circular. It should be noted that the Circular does not allow for an Authority-wide percentage target, although many Inspectors have permitted them as they make considerable sense in the context of windfalls, which make numerical targets unreliable. In the case of thresholds there are cases where the constraints on sites can justify lower targets than permitted in the Circular.

(d) Subsidy and other points

The Circular says nothing about the level of subsidy involved in affordable housing, or even whether there is one. Is it to achieve an affordable rent? Is it to achieve more affordable housing than would be achieved by Social Housing Grant alone? All kinds of answers are possible but none are addressed in the advice.

There are a number of other important topics addressed in the Circular. They include sections on securing affordable housing and on ‘commuting off’ (where the developer pays for the affordable housing to be provided elsewhere). The Circular is more strict than preceding ones in requiring that the site itself should be suitable for affordable housing and emphasises that the best solution is for the affordable housing should be provided on-site (para 21). This reflects the fact that both councils and developers have often found it convenient to come to a financial arrangement whereby affordable housing is kept off the site. However this is not necessarily good planning, and frequently means that the financial arrangement provides much less affordable housing than would have been provided on the site itself. Thus the Circular emphasises the desirability of putting the affordable housing on-site, adding *‘However, if the local authority and the developer both consider’ that commuting off is best, then arrangements should ensure that this ‘would actually result in the provision of affordable housing’* (para 22). Thus, while not absolutely forbidding councils from commuting off, the wording strongly discourages it.

11.4 PPG3 (2000)

The PPG has a claim on attention due to its advocacy of sustainable communities and makes reference, in the key objectives (para 1), to the need to plan for the ‘whole community’. It is however, no more explicit on the issue of what housing need and affordability actually mean than is Circular 6/98. Thus it has resolved few of the problems produced by implementation of the original guidance over a decade ago.

A number of key themes, of relevance to the housing need analysis, can be identified from PPG3 (2000).

Table 11.1 Summary of PPG3 (2000)**Assessing local housing need**

Reference	Comments
Paras 12 & 13	Here the Guidance makes reference to developing a more strategic approach to tackling housing need suggesting stronger use of Regional Housing Statements in the development of local housing strategies. It also urges councils to assess the range of needs for different types and sizes of housing across all tenures in their area. This should include affordable housing and housing to help meet the needs of special needs groups. It concludes by recognising that utilising the existing stock to meet needs may be a cheaper route to providing affordable housing than newbuild.

Delivering affordable housing

Reference	Comments
Paras 14 - 17	These remain largely unchanged from Circular 6/98, emphasising for example that affordable housing should be calibrated to rigorous assessments of housing need.

Providing exception housing in rural areas

Reference	Comments
Para 18 & Paras 2-3 of Annex B	Exception policies remain the same although Para 2 of Annex B states that affordable housing on exceptions sites should not be cross-subsidised by general market housing or high-value housing on mixed developments. The guidance retains the emphasis on the need for 'village appraisals' to assess the need for exceptions sites which does not greatly alter existing practice.

Monitoring of affordable housing

Reference	Comments
Paras 19 & 20	These paragraphs urge councils to monitor delivery of affordable housing. They state that the record of the council in achieving affordable housing will be assessed as part of the strategic housing role, which is more forthright than any previous guidance. In para 20 it is stated that affordable housing secured through legal agreement must be made transparent by being put on the record in various ways. That falls into line with requirements on other planning gain to be transparent about what has been agreed.

Source: PPG3 (2000)

11.5 Summary of the development of affordable housing guidance

The sections above have sought to chart the development of guidance on affordable housing. It is worth mentioning that since PPG3 (2000) the Housing Green Paper was published (April 2000) followed by the Housing Policy Statement *'The way forward for housing'* in December of the same year. Both documents address a wide range of housing issues and make a number of interesting proposals. From the present point of view one of important features of it is how little is said about low-cost market housing.

There is reference to the requirement to assess housing need (including para 3.7 of the Green Paper and throughout the Housing Policy Statement see paras 1.8, 4.6, 5.2, 5.3, 5.12 for example) and to the idea that need should enter into regional housing statements (para 3.20 of the Green Paper). The latter is a bit tricky, since there will be no coherent evidence at regional level of the degree of housing need, but only of a projected total housing requirement. Low-cost market is not even mentioned in relation to a 'Starter Homes' initiative (para 4.39 of the Green Paper and 2.12 of the Housing Policy Statement).

Reference is made to a wide range of low-cost home ownership initiatives such as shared ownership (para 8.10 of the Green Paper) but with no mention of low-cost market. This may, obliquely, mean that DTLR has come to appreciate the problem it has created by introducing 'low-cost market' into the debate.

11.6 The key problems with current affordable housing guidance

There are a number of important missing links in current guidance that mean in practice a council may achieve much less affordable housing than is warranted by the housing needs situation. What housing need actually meant was a key problem until DTLR published guidance on the matter. Other problems that still exist include:

- *the definition of affordable housing*
- *the scale of the target for affordable housing*
- *the nature of the subsidy required from landowners/developers*

Each are commented on further below, beginning with the housing need guidance.

(a) The definition of housing need

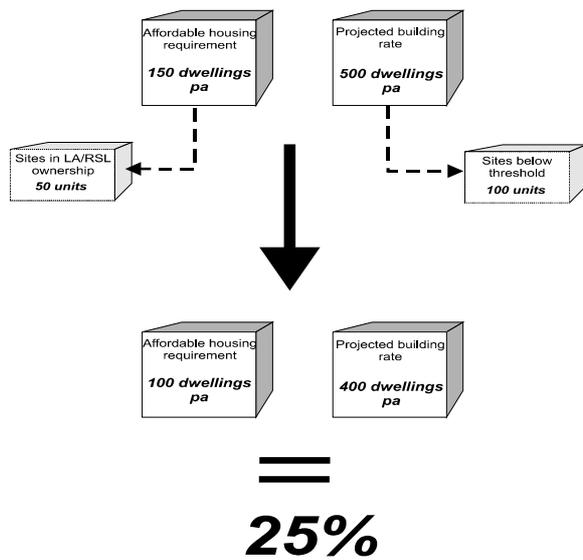
The DTLR Guide to Housing Needs Assessments published in July 2000 provides a coherent definition of housing need, and a great deal of advice on how to implement it. The Guide defines housing need as follows:

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]

The main output is an estimate of the net need for new affordable housing and is, therefore, very much geared to the requirements of planning for clear indications of the amount of affordable required.

The Guide also suggests a means whereby the annual estimated requirement for new affordable housing can lead to a target for affordable housing. This is summarised below.

Figure 11.1 Summary of DTLR affordable housing target approach



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

This example does show signs of having been ‘cooked’ to produce a ‘normal’ picture. The reality is likely to be that if target percentages calculated in this way may exceed 100%, which would be unworkable.

The Guide also cautions that such targets should have regard to site viability and to the availability of funds (Social Housing Grant). The latter issue is difficult to plan for until a given site comes up for development, since funding is not known many years in advance. In the case of site viability, it is again a matter which has to be looked at when a site is granted permission, since viability will change as rapidly as property prices do. Despite these concerns, the inclusion of the need definition means that the Guide goes a long way towards filling a key gap in affordable housing policy.

(b) No coherent definition of affordable housing

As we have sought to demonstrate above, the definition of affordable housing itself is damaged almost beyond repair by the unreasoned insistence that low-cost market housing must be included. The absurdity of the current Government guidance is illustrated by the following table of relative costs (based on about 50 of our District wide needs surveys).

Newbuild market priced housing	145
Low-cost market housing	130
Average second-hand market housing	120
Minimum (entry level) second-hand market housing	100
Shared ownership	90
Social rented housing	60

The datum for this example is ‘minimum priced market housing’ since this is the threshold access point to the market. If the cost of that form of housing is taken as 100, then newbuild prices, for example, are typically 45% higher.

These relativities vary in detail across the country, but are generally of this order. It is obvious from this that low-cost market housing belongs in a completely different category from any non-market priced form of housing. There will be many households which can afford to access the market (via second-hand housing, which is of course the majority of all housing) but who cannot afford the ‘affordable’ low-cost market type. In consequence a coherent definition of affordable housing could thus only be arrived at by dropping the idea of low-cost market housing in this context. It could remain as an issue of housing mix for newbuild market housing, but that is quite a different issue.

(c) How targets relate to need

The Circular guidance provides no indication of how any target is to be related to any identified level of need and there are only tentative suggestions in the housing needs Guide (as noted above). This means that targets have not been closely geared to amortising need within the Plan period or indeed at all.

It may be that in the future a more systematic way of relating targets to need will be achieved, but in the meantime, custom and practice remain the chief guide. *Fordham Research* has monitored this process and the trend, over the past decade has been upwards. Ten years ago affordable housing targets were typically around 10%. Currently it is 40% plus, although few such policies have yet entered adopted plans.

(d) What level of subsidy is involved

There is no indication of what subsidy, if indeed any, is involved in the provision of affordable housing by a landowner/developer. It is though commonly accepted by developers that some degree of subsidy will be involved.

Certainly, housebuilders and landowners have accepted in practice that a land subsidy is involved and it is quite normal for them to offer sites at around 50% of market land price, though the figure is quite variable. In contrast, the *Fordham Research* experience is that, in order to achieve affordable rents, a land price of zero true land price is commonly required. 'True land price' refers to the price net of planning gain. It is assumed that the RSL which takes on the affordable housing obligation pays its share of the relevant servicing cost of the land. However it cannot normally afford to pay anything over and above that (which would be a true land price) without prejudicing the rent levels. The issue of affordable housing costs (whether rented or otherwise) is discussed in some detail in the next chapter.

The true test of the level of subsidy required would be the achievement of affordable rent levels within the government subsidy for building affordable housing (the TCI). However custom and practice have meant that a land subsidy is normally the touchstone. Where land values are low, a land subsidy may not be enough to achieve an affordable rent. This issue thus requires to be considered separately for each case.

11.7 Summary

In summary current government advice does not establish a clear means of achieving affordable housing that meets defined housing needs. Part of the problem in deriving coherent policies from housing needs surveys has been removed by the Guide to housing needs assessments. However it is still not clear what types of affordable housing will meet need, nor what targets should be used or what subsidy should be expected from housebuilders/landowners. In the next chapter we propose an approach based on housing costs, which seeks to get round this problem.

12. WHAT TYPES OF AFFORDABLE HOUSING?

12.1 Introduction

Having identified the overall requirement for additional affordable housing in the City (an estimated shortfall of 734 affordable units per annum) this chapter studies what types of affordable housing might be most appropriate to meet this need. In principle there are three main types of housing which can be considered (low-cost market, shared ownership and social rented). Each of these is considered in relation to the size requirement for additional affordable housing in the Cambridge City which was assessed in Chapter 9 of this report.

12.2 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 analysis in this chapter is based on the incomes of households in need (both backlog and newly arising) for whom we have income information. The income measure used is the weekly net income including non-housing benefits. The problem with the actual survey data collected is that income levels are calculated in a series of 'bands' which create apparent peaks and troughs in income levels. This means that using actual survey data to study small changes in the costs of housing can have unrealistic affects on the results of the data – hence it is necessary to model the data when looking at the affordability of different options.

Our experience is that there are a greater proportion of households in need with income levels towards the bottom end of the scale and hence the modelling needs to take account of this. Results from the survey suggest that the mean income of households in need is £217 per week, the median income is £223 per week, this suggests that there are roughly equal numbers of households both above and below the average (mean) figure. Additionally, our experience is that where a large enough sample of data is available (i.e. from many authorities grouped together) there do not appear to be any noticeable peaks or troughs of income in the group of households in need who are close to the threshold of affordability.

The table below shows our estimates of the minimum cost of market housing in the City and the annual requirement by size (derived in Chapter 9). Where the outgoings for owner-occupied housing are cheapest these figures are used and vice versa for private rented accommodation – in Cambridge City the outgoings for private renting were lower for all dwelling sizes than the owner-occupied sector.

Table 12.1 Basic information required for assessment of types of affordable housing required

<i>Size requirement</i>	<i>Approximate outgoings for market housing (per week)</i>	<i>Annual need for additional affordable housing</i>
<i>1 bedroom</i>	£118	117
<i>2 bedrooms</i>	£143	420
<i>3 bedrooms</i>	£164	0
<i>4+ bedrooms</i>	£182	197
TOTAL	-	734

Source: Cambridge City Council Housing Needs Survey 2002

12.3 Using the available data

We now proceed to show how the data might be used in practice. We use the data to suggest what mix of affordable housing (by size) would be most sensible in the context of Cambridge City. For this we use three main tenure groups.

- Low-cost market housing
- Shared ownership
- Social rented

The analysis assumes that any household able to afford low-cost market housing will have this as a solution. Any household unable to afford low-cost market housing but able to afford shared ownership will have this as a solution and finally any household unable to afford either of the first two options will only have their needs met by social rented housing.

For the purposes of the analysis, it is assumed that low-cost market housing is available at a 25% discount on our average newbuild prices and that shared ownership costs are based on the same market valuation with a 50% equity share and paying 3% rent on the unsold equity. Average newbuild prices are shown in Chapter 3. The use of 3% rent on unsold equity for shared ownership costs is consistent with suggestions in the *Evaluation of the Low Cost Home Ownership Programme* produced for the Welsh Assembly and the Office of the Deputy Prime Minister (September 2002).

ODPM Evaluation of the Low Cost Home Ownership Programme [Section 6.5 (page 81)]

'Under a scenario of lower interest rates, lower inflation and house price growth, it would be prudently feasible to lower shared ownership rents from 4% of retained equity to about 3.3%'

It should be remembered that these figures are only indicative, as the costs of housing change it would be necessary to update these figures (both for minimum market and newbuild prices). In the case of shared ownership each individual scheme proposed will need to be assessed by comparisons with the market costs at that time – individual schemes may be more or less affordable than our example shown here.

The table below shows the approximate costs for these two forms of housing. An estimate of the costs of minimum priced market housing are also included.

Table 12.2 Approximate outgoings for different types of affordable housing

<i>Size requirement</i>	<i>Approximate outgoings (£/week)</i>		
	<i>Low-cost market housing</i>	<i>Shared ownership</i>	<i>Minimum priced second-hand market housing</i>
<i>1 bedroom</i>	£177	£124	£118
<i>2 bedrooms</i>	£234	£164	£143
<i>3 bedrooms</i>	£289	£202	£164
<i>4+ bedrooms</i>	£396	£278	£182

Source: Cambridge City Council Housing Needs Survey 2002

It can be seen from the table above that for all dwelling sizes, the cost of both low-cost market housing and shared ownership is more expensive than the minimum market (second-hand) prices. Therefore it is clear that these types of housing will not meet any housing need.

The tables below show the estimated breakdown of additional affordable housing requirements by size and type of housing per annum (the survey estimated that there is a shortfall of 734 dwellings per annum).

Table 12.3 Amount of annual requirement for each type of affordable housing

Dwelling size	Type of housing			TOTAL
	Low-cost market	Shared ownership	Social rented	
1 bedroom	0	0	117	117
2 bedrooms	0	0	420	420
3 bedrooms	0	0	0	0
4+ bedrooms	0	0	197	197
TOTAL	0	0	734	734

Source: Cambridge City Council Housing Needs Survey 2002

The table below shows this table as a percent of the total requirement.

Table 12.4 Proportion of annual requirement for each type of affordable housing

Dwelling size	Type of housing			TOTAL
	Low-cost market	Shared ownership	Social rented	
1 bedroom	0.0%	0.0%	15.9%	15.9%
2 bedrooms	0.0%	0.0%	57.2%	57.2%
3 bedrooms	0.0%	0.0%	0.0%	0.0%
4+ bedrooms	0.0%	0.0%	26.8%	26.8%
TOTAL	0.0%	0.0%	100.0%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

The data in this table could be used to inform the mix of housing on a site. For example if 100 affordable homes were to be built, the data would suggest that around 57 should be 2 bedroom social rented whilst 27 should be 4 bedroom social rented.

It should be stressed that whilst the analysis shows levels of outgoings affordable to specific proportions of households in housing need, this does not directly translate into the proportions of new housing that should be of particular types of affordable housing. The relevance of particular types of housing can only be assessed on a site-by-site basis at the point of planning application.

12.4 Changing the level of discount and equity share

The previous section showed that newbuild housing even with a discount of 25% cannot be considered as affordable housing in the current housing market. It is therefore of some interest to analyse at what level of discount newbuild housing does actually become affordable. The table below shows the affordability of market housing with discounts of 30%, 40% and 50%.

Table 12.5 Amount of housing need which could be met at different levels of discount (from newbuild market prices)

<i>Discount level</i>	<i>% of need which could be met</i>
30%	0.0%
40%	0.0%
50%	0.0%

Source: Cambridge City Council Housing Needs Survey 2002

The table indicates that not even discounts of 50% would bring prices below the minimum market price threshold. Further analysis indicates that only at discounts of 55%+ can low-cost market housing start to be considered as affordable. Even at this level of discount the housing is affordable to a very small proportion of the housing need. At this level of discount the results suggest that only around 2.4% of the need could be met.

The analysis of shared ownership costs has assumed a 50% equity share which is the norm across the country. However it is also possible to consider the impact on housing costs of lower equity shares. The table below shows the affordability of shared ownership housing using 40% and 30% equity shares. It indicates that using a 40% rather than 50% equity share increases the proportion of households in housing need that could afford from 0.0% to 0.5%. Reducing the equity share component further to 30% increases the proportion that can afford to 4.2%.

Table 12.6 Amount of housing need which could be met at different levels of equity share for shared ownership housing

<i>Alternative equity share levels</i>	<i>% of need which could be met</i>
40% equity share	0.5%
30% equity share	4.2%

Source: Cambridge City Council Housing Needs Survey 2002

12.5 How affordable is social rented housing?

Having highlighted that the majority of households in housing need can only afford social rented housing it is of interest to look at the likely cost (in terms of outgoings) for such housing. This is difficult to estimate in the light of rent restructuring (commented on in the following section), we have therefore compared our results with Housing Corporation benchmark rents (for 2001-2002 and updated by 4%). The estimated 'benchmark' rents for 1, 2, 3 and 4 bedroom homes are therefore £61, £75, £87 and £99 per week in Cambridge City. We estimate the number of households in need able to afford rents at this level and also how many more households could afford them if rents were available at below these levels. The table below shows the proportion of households able to afford rents for each of the four sizes and if the same properties were available at £5 and £10 below the benchmark levels.

Table 12.7 Percentage of those in need who can afford social rented housing without use of Housing Benefit

Dwelling size	Housing cost		
	At benchmark	£5 below	£10 below
1 bedroom	6.7%	7.3%	7.9%
2 bedroom	23.7%	25.4%	27.2%
3 bedroom	0.0%	0.0%	0.0%
4 bedroom	10.6%	11.3%	11.9%
AVERAGE	41.0%	44.0%	47.0%

Source: Cambridge City Council Housing Needs Survey 2002

The data shows that at 'benchmark' rent levels 41.0% of those in housing need will be able to afford housing without the need for housing benefit. By reducing rent levels by £10 per week a further 6.0% of households would be able to afford this type of housing. Therefore it can be seen that there certainly is some benefit to keeping rent levels down in terms of the number of households who may be able to afford housing without housing benefit.

12.6 Rent restructuring

Since July 2001, the DTLR has been consulting on proposals to 'restructure' social housing rents. The formal launch of the rents restructuring policy was in April 2002. The proposals include:

- Average rents held at around their present level
- Some rents increasing to reflect improvements in quality as a result of extra investment
- Some rents changing to remove unjustifiable difference between rents charged for homes owned by RSLs and local authorities

The DTLR believe social sector rents, while remaining affordable, need to be ‘restructured’ so they are fair. Rents should reflect more closely the size, quality and location of homes, taking account of property values so that tenants would pay a comparable rent for a comparable home. Property values are not the only consideration and rent calculations could take account of other factors including local earnings and running costs. The proposals for achieving these aims are that:

- Restructuring should be phased over 10 years to help minimise disruption and hardship for tenants and landlords
- Any changes in rents should be limited to no more than £2 per week in any year
- Particular attention should be paid to the possible impact on vulnerable groups such as pensioners
- Changes should complement a choice-based approach to lettings policies and prepare the way for possible long-term changes to housing benefit

We do not know what effect rent restructuring will have on the costs of new social housing in Cambridge City but the analysis contained in this chapter will assist the Council in assessing and monitoring how affordable rent levels actually are.

12.7 Summary

The housing needs survey provides a wealth of data about what types of affordable housing can actually meet housing need. Our analysis suggests that both low-cost market housing and shared ownership housing cannot meet any housing need with only social rented housing being of any use.

The data also suggests that setting new RSL rents in line with estimated ‘benchmarks’ would mean that only 41.0% of households in need could afford housing without the use of housing benefit – reducing rents to £10 per week below benchmark would allow a further 6.0% of households in need to afford such housing without the assistance of housing benefit.

13. AFFORDABLE HOUSING POLICY

13.1 Introduction

Using previous discussion and analysis we can now proceed to make some suggestions concerning future policy and practice in relation to affordable housing. We therefore address a set of four key issues, which are the main outputs which councils can reasonably expect from the analysis of a housing needs survey. They are:

- (i) The target level(s) and site thresholds that might be applied
- (ii) The 'price' (types) of affordable housing
- (iii) Issues arising in constructing an affordable housing policy
- (iv) The basis for negotiating affordable housing once a policy stance is adopted

13.2 Target levels - background

Historically target levels have been about 25-30%, and are moving towards 40%+ in plans currently in the pipeline. *Fordham Research* has carried out two national surveys of current trends, since there is no coherent government guidance on the point. The following tables summarise some typical targets.

Table 13.1 Examples of affordable housing targets: standard practice

<i>Local Authority</i>	<i>% target</i>
<i>Crawley Borough Council</i>	30%
<i>High Peak Borough Council</i>	20-25%
<i>Macclesfield Borough Council</i>	25%
<i>Melton Borough Council</i>	20%
<i>Poole Borough Council</i>	20-30%
<i>South Tyneside Borough Council</i>	25%
<i>Stockport Metropolitan Borough Council</i>	25%
<i>Wrekin Council</i>	33%

Source: Fordham Research Ltd survey of Inspectors reports and adopted plans 1999

It can be seen that 25-30% is common in adopted plans. The decisions on targets for these would have been taken 5 or so years ago. Turning to the more recent era of affordable housing targets, the following is the position. The survey was conducted in early 2001; the notes relate to events since about mid-2001.

Table 13.2 Example of affordable housing targets: latest practice

<i>Local Authority</i>	<i>% target</i>
<i>Harrogate BC</i>	no formal target: 50% negotiating target on identified sites ①
<i>Kerrier BC</i>	targets vary up to 100%
<i>North Shropshire DC</i>	40% for the forthcoming Local Plan
<i>Plymouth CC</i>	55% target for the new Plan policy
<i>Redditch BC</i>	32% on large sites
<i>Rutland County Council</i>	some targets of 40%
<i>South Somerset DC</i>	40% in Draft Local Plan
<i>Tewkesbury BC</i>	Site targets of 20-35%
<i>LB Croydon</i>	40% in Supplementary Planning Guidance ②
<i>LB Richmond upon Thames</i>	40% target in draft UDP ③
<i>LB Waltham Forest</i>	40% target installed in new draft UDP

Source: Fordham Research Ltd survey of Inspectors reports and adopted plans 2001

- Notes:**
- ① 40% achieved on one larger site
 - ② now approved by an Inspector at S78 appeal
 - ③ now approved by Inspector

As will be seen from the notes, the targets in the table above are not adopted ones. They show the sorts of targets that are likely to feature in plans adopted from now on. In most parts of Britain it is easy to justify a target of at least 40%. That is because the need for new affordable housing (as measured by the per annum method of the DTLR Guide) will far exceed the supply.

13.3 Threshold levels - background

There is more certain guidance on the issue of site thresholds. The box below replicates the advice contained within Circular 6/98.

Circular 6/98 [Section 10 (pages 4-5)]

'It will be inappropriate to seek any affordable housing on some sites. In practice the policy should only be applied to suitable sites, namely:

- a) housing developments of 25 or more dwellings or residential sites of 1 hectare or more, irrespective of the number of dwellings;*
- b) in Inner London, housing developments of 15 or more dwellings, or residential sites of 0.5 of a hectare or more, irrespective of the number of dwellings; and*
- c) in settlements in rural areas with a population of 3,000 or fewer, the local planning authority should adopt appropriate thresholds. These should be based on assessments which include local needs and the supply of land for housing, and should be adopted only through the local plan process.*

The Secretary of State considers that it may be appropriate for local planning authorities in those areas where the higher threshold (at [a] above) would apply, and who are able to demonstrate exceptional local constraints, to seek to adopt a lower threshold (between the levels at [a] and [b] above). Such constraints must be demonstrated, and proposals to adopt a lower threshold must be justified through the local plan process. However, with the exception of settlements in rural areas with populations of 3,000 or fewer, he does not consider that it would be appropriate for local planning authorities to seek to adopt thresholds below the lower level of 15 dwellings or 0.5 of a hectare'.

The footnote to the above quote from Circular 6/98 goes some way to explaining the situation that might demonstrate 'exceptional local constraints'.

Circular 6/98 [Section 10 – footnote (page 4)]

A good understanding of needs and of the land available for housing in the plan area over the plan period will be important in setting threshold levels for settlements in rural areas with populations of 3,000 or fewer and for justifying exceptional local constraints. Local planning authorities should demonstrate the exceptional nature of the particular constraints they experience. This should include factors such as: the number and 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, and how these relate to levels of need for affordable housing...'

From the various quotes it is therefore clear that the Council should adopt a standard threshold of 25 dwellings (1 hectare) unless exceptional local constraints can be demonstrated. In settlements of 3,000 population or fewer the Council may adopt any appropriate threshold as long as this is justified. No guidance is given in Circular 6/98 about what such a threshold might be, however there is information of use in the *Rural White Paper*, recently published by DEFRA, suggests that Councils should seek to match every new market house with an affordable home. In theory therefore, sites of 2 dwellings could trigger a claim for affordable housing.

'Local Authorities should negotiate an appropriate element of affordable housing and there is no reason why, in small villages if there is evidence of need and subject to financial viability, they should not seek to match every new market house with an affordable home' (para 5.4).

Also of note is the document 'Thresholds for Application of Affordable Housing Requirements' written for the GLA, GOL and ODPM. The report was published in March 2003. Although this report does not really say anything definitive about suggested thresholds, the following point is however worth noting:

'It would appear that small schemes are more expensive to develop than larger ones and that very small schemes (of below 6 units) are even more costly to develop. However the variation in cost is not substantial or consistent and size of site is not the only factor determining development cost. A range of other factors come into play and their impact can be more significant than scheme size.'

In effect the research suggests that there is no reason why a reduced site threshold (i.e. below those in Circular 6/98) would render a site unviable and hence it would be reasonable to provide affordable housing on sites below 15 units.

The document also suggests some possible alternative approaches to thresholds. A couple of these are highlighted below:

- Allow local authorities discretion to set their own threshold
- Retain the current minimum threshold but allow local authorities to go below it in exceptional circumstances
- Setting a minimum threshold at 5 dwellings

Hence, it does appear from these comments that there may in the future be a move towards lower thresholds and this should be borne in mind when considering thresholds in the local context. It is noted in the Cambridge City Local Plan that a threshold of 15+ dwellings has been adopted.

13.4 Suggested target and threshold levels

The Guide to Housing Needs Surveys has its own proposals on how targets should be calculated (discussed in Chapter 11 of this report). We have commented previously that the suggestion in the Guide appeared somewhat naïve, and was likely to lead to very high targets. In many areas it is likely that targets using this method would regularly be in the regions of 60-70% and could exceed 100%. However, it is still worth pursuing the suggested DTLR method to show the expected result. The table below shows an estimate of the likely suggested percentage target from following the DTLR method.

Table 13.3 Calculation of affordable housing target: following DTLR methodology

<i>Element</i>	<i>Dwellings (per annum)</i>
<i>Affordable housing requirement</i>	734
<i>Minus affordable supply from non S106 sites (estimated)*</i>	-41
EQUALS	693
<i>Projected building rate (estimated)**</i>	857
<i>Minus sites below threshold (assumed)</i>	0
EQUALS	857
Therefore Target is	693/857
EQUALS	80.9%

Source: Cambridge City Council Housing Needs Survey 2002

- Notes:**
- * Estimate of supply from non S106 from Section N of H.I.P. 2002: Total additional LA/RSL dwellings planned and proposed between 2002/03 and 2003/04 minus those provided through planning policy
 - ** Information on projected building rate estimated from average annual net dwelling change 1999-2016 in the Cambridgeshire & Peterborough Joint Structure Plan Review – Deposit Draft Plan 2002; less completions June 1999-January 2002; expressed as annual building rate for remainder of period

The results of this analysis suggest that to meet the identified need for affordable housing, a target of over 80% would be required assuming no minimum size threshold. Given this it is clear that an overall percentage target can only emerge from an examination of custom and practice, combined with some consideration of the likely yield of a range of percentage targets in a given local authority area. 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.

The table above suggests that any target in Cambridge City up to at least 80% would be perfectly justifiable. Custom and practice indicates target levels that are around 40% and rising. A target of 50% would therefore be justifiable in Cambridge City.

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. It also recognises that, in special circumstances, lower thresholds of 15 dwellings/0.5 ha may be proposed.

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. It is noted that the Cambridge City Local Plan includes a threshold level of 15 dwellings (currently the lowest permitted under the Circular 6/98). The needs analysis in this report would certainly support this or any lower threshold.

13.5 The basis for negotiating affordable housing

In addition to affordable housing policy discussed above, there is the question of the terms under which affordable housing is to be negotiated. When a given percentage for affordable housing has been agreed with a developer on a qualifying site (i.e. one which is suitable and above the size threshold), it will be necessary to agree the terms on which it is to be transferred to an RSL.

This directly affects the level of subsidy involved, and also the affordability of the housing. However the level of subsidy is not clear, since the use of housing benefit will blur the situation. A key issue is to avoid social exclusion and ghettoisation. People in work can obtain housing benefit, but not to the full level and this means that, if social rents are high, employed people are discouraged from entering new affordable housing or may have to give up work to do so, while existing tenants are inhibited from entering work.

On any given site an RSL or any other body which the Council has agreed to as a recipient of the affordable housing, will be able to calculate the weekly outgoings cost of the dwellings involved. The data in Chapter 12 indicates what types of affordable housing might actually be affordable and also indicates the affordability of 'benchmark' rent levels. It will be for the developer, RSL and council to agree what forms of tenure actually achieve affordable housing.

13.6 Issues of viability and fundability

It is sometimes argued that the viability of the scheme, and the ability of the public authorities to fund whatever share they are due to pay of the cost of the affordable housing, are matters which should be considered at the plan policy stage.

This is a quite mistaken view. The issue of viability should be approached at the planning application stage. That is because market conditions may change very considerably in the years which may elapse between decisions on a plan policy and the actual planning application on a site. The market situation may further vary during the life of larger projects, and this has to be taken into account in the S106 framework.

The same applies to the issue of availability of funds. The problem is that these are only made available to local authorities within a very short timescale: three years. This is much shorter than the life of a plan, and shorter than the life of larger housing site developments as well. As a consequence, and regardless of the current level of availability of public funds, it is impossible to be sure what level of funding will be available through the life of the plan, or through the life of larger projects. As a result the issues can, like those of viability, only be addressed sensibly at the planning applications stage. Moreover, there will again need to be provision in the S106 for the varying availability of funding during the life of larger projects.

This brings us to consider a wider issue; in areas where, and at times when, land values for land with planning permission for housing are relatively low, the question of a potential 'trade-off' between planning gain requirements and viability may arise. That is, should the required planning gain package be reduced where it would otherwise jeopardise the financial viability of the scheme? In principle, it should not be. There is no provision for trade-off within the area of conventional planning gain: all of the gain is required in order to meet the impact of the proposed scheme, and so none of it can be dropped without creating a 'planning loss'. If the scheme cannot be developed viably whilst dealing with its impact, it should not proceed.

This situation does not, however, apply in the case of affordable housing, which as discussed in Chapter 11, was a creation of the State, rather than a matter of meeting an impact. Scope for trade-off therefore exists solely within the field of affordable housing. Where scheme viability may be compromised by the levels of affordable housing sought, the actual scale of subsidy provided by the landowner/developer can in principle be reduced through:

- (i) A lower proportion of affordable housing
- (ii) A lower discount per unit (although this might imply a higher level of weekly outgoings)

The issue is one which needs to be considered at the planning applications stage, and perhaps earlier, in cases where, due for example to the existence of a contaminated brownfield site, or a location in an area of low land prices, where there is some reasonable doubt as to whether the site could meet the cost of subsidising an appropriate fraction of affordable housing. The state of the housing market at the time of the planning application is also relevant. The two elements require to be considered together in cases where viability arises as an issue.

13.7 Summary

We have considered the likely supply of housing sites in the light of the requirement for affordable housing. The scale of target and site size thresholds are both, ultimately, matters for policy decision by the Council. However, our analysis suggests that a 50% target level of affordable housing would be justified, as is a site threshold of 10+ dwellings. Additionally data contained in the previous chapter suggests that any affordable housing should only be social rented.

14. KEY WORKERS

14.1 Introduction

The Cambridge area is one where house prices have risen sharply over the recent past and stand at levels which are very high by national standards. It is therefore an area where 'Key Workers' (KW) may be assumed to have difficulty in finding suitable housing. KW are assumed generally to be workers who are essential to the local economy but who are relatively low paid and therefore are in short supply with problems of recruitment and retention. One of the main problems normally assumed to arise for KW is housing, and hence its relevance to the present report.

The term KW has only come into general currency in the past few years., it is referred to as a 'specific group' requiring attention in PPG3 (2000, para 13). No official definition has been issued for KW. The only indirect official definition is that provided by the Starter Homes Initiative: this implies that Health Workers, Teachers and Police are the extent of the problem. This range of occupation is not generally held to be an inclusive one. Such activities as public transport workers and tourism workers share the problems of relatively low incomes and difficulties of staffing which are the characteristics of the KW condition.

The problem of defining a KW is not just a matter of labelling, but is rather more profound, as the following discussion will suggest. In this chapter the nature of key workers across three Cambridgeshire councils are considered (Cambridge City, South Cambridgeshire and East Cambridgeshire). This is because for some purposes it is valuable to look at the subregional picture, not merely because it provides valuable context, but because it provides a more reliable sample size especially when looking at particular groups of KW. The main focus of this chapter is on intermediate housing and KW issues related to housing.

14.2 Definitional issues

Given the general lack of clarity in the meaning of terms in this area, it is useful to begin by considering the current range of possible meanings:

- A. Nature of employment: 'key' to the local economy ('pure keyness') so that a KW under this definition could include wealthy entrepreneurs whose employment is crucial to an area.

- B. Jobs important to maintaining services in a local economy which generally have low paid employees (as a proxy for both keyness and affordability). This is the approach adopted in most cases (for example the Starter Homes Initiative)
- C. Focus on employee affordability with much less emphasis on the nature (and 'keyness') of the job ('Intermediate housing' as coined in the London Plan of 2000)

While each of these approaches has some merit, none provides of itself inherent policy guidance: e.g what level of resources and of what type and in what places should be spent to ameliorate this particular problem? Such questions are beyond the scope of this report.

However it is worth distinguishing between 'intermediate' housing and KW. The former provide a broad perspective on all those workers who cannot, on the basis of their earned income and present prices, afford market prices. They may of course have access to unearned income, and may have bought many years ago before prices rose to their present heights. As a result, the collected statistics will cover a range of historical situations.

14.3 Intermediate housing

Intermediate workers are simply defined:

Those who can afford more than social renting, but cannot afford market prices or rents

There is a substantial sample of such households in the district.

In principle, 26,592 households in Cambridge City cannot, on the basis of their earned income, afford market priced housing. They may of course be occupying such housing because either they are retired and have paid off a mortgage, or have inherited wealth, and so on.

Of those 27,000 or so households, about a tenth (2,564), have an income which is not only higher than is required to pay a social rent, but is actually high enough to afford the various kinds of Low Cost Home Ownership, of which shared ownership is the most prominent.

Table 14.1 Tenure and income profile of intermediate workers

<i>Tenure</i>	<i>Number of households</i>	<i>% of households</i>	<i>Average gross household income</i>
<i>Owner-occupied (no mortgage)</i>	892	34.8%	£10,216
<i>Owner-occupied (with mortgage)</i>	513	20.0%	£30,500
<i>Council</i>	501	19.5%	£14,150
<i>Housing Association</i>	125	4.9%	£12,403
<i>Private rented</i>	533	20.8%	£23,145
TOTAL	2,564	100.0%	£17,836

Source: Cambridge City Council Housing Needs Survey 2002

As can be seen from this table, the households which can in principle afford LCHO mostly do not need it: 55% are owner occupiers. About 500 are Local Authority tenants. However they are on the lowest average incomes (about £14k) and so they are marginal as far as LCHO is concerned. Only the group of HA tenants and private tenants have incomes, in the mid teens, which would be ideal for LCHO. They total about 658 households.

These would be the main focus of any LHCO initiative to help KW. The Council tenant group would probably require lower than usual percentages of equity (such as 20% or 30%) for LCHO to be easily affordable. The problem with this is that funders of RSLs do not normally lend except on 50% equity, viewed across a development. If the RSL tried to sell some properties on 25% equity, it would have to sell others on 75%, to balance the books, and this is unlikely to prove possible. Not many people who could afford 75% equity are prepared to accept LCHO: they would sooner wait to buy, or go somewhere else where they can do so.

14.4 Key workers in the Cambridge subregion

(i) Basis for assessment

In relation to potential housing problems there are a relatively small group of households in each of the three districts (Cambridge City, South Cambridgeshire and East Cambridgeshire) studied in the three contemporaneous Housing Needs Surveys. In order to cast light on some of the issues concerning KW housing it is therefore useful to consider the collected sample, as it provides much more useful information.

All three surveys identified seven categories of key worker which are highlighted below:

- Health Care
- Social Services
- Education
- Public Transport
- Emergency Services
- Other Local Government
- Research and Development

In order to pursue this analysis, three groups of KW were identified. This was because Health Worker KW households on average earn enough income to buy in many parts of the subregion. The Health Worker KW were therefore split into two groups: those earning above and below £26k. Similarly, there are many households containing a KW which have very high household incomes, even though the KW may not be a high earner. It would therefore be misleading to include in the analysis all households containing a KW, since that KW may be the child or spouse of another earner, and the joint incomes may well mean that they have no problem in accessing market priced housing.

The focus of the analysis was, therefore, upon households either with a single KW, or ones where the KW was the only earner. In terms of that definition, three categories of KW were identified for analysis.

- (i) **KW1**: all health KW with under £26,000 annual income; all education, public transport and emergency services KW groups.
- (ii) **Young KW**: all KW1 who are aged 34 and below (nb this group is still included in KW1).
- (iii) **KW2**: All KW outside KW1. This includes KW from all the seven categories identified above who are living with others (KW and not) whose household earnings are high enough easily to buy in the area. This includes the Research and Development group which again can, on average, easily afford to buy in the area.

As can be seen from the sample figures, most households containing KW fall into the category of those with quite high household incomes, which certainly do not depend on the earnings of a single KW.

Table 14.2 Sample responses for key worker categories

<i>Key worker category</i>	<i>Total sample response</i>
<i>KW1</i>	323
<i>Young KW</i>	30
<i>KW2</i>	4,073

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

The 'young KW' total is still very small, even when taken across the three council areas. However the most obviously important group, KW1, shows a large enough sample size to permit fairly detailed analysis for the Cambridge subregion.

(ii) Comparing all KW with the general population

As context it is worth bearing in mind the relative prices of entry level housing in the three districts, and the average income of the population as a whole, and the highest income tenure group (always owner occupiers with mortgage).

Table 14.3 Summary data on house prices and incomes

<i>Council</i>	<i>Minimum price for a 2-bed dwelling</i>	<i>Average income (excluding benefits)</i>	<i>Average income (owner-occupiers with mortgage)</i>	<i>Ratio of minimum 2 bed price with average income</i>
<i>Cambridge City</i>	£119,000	£22,000	£39,000	5.4
<i>E. Cambs</i>	£92,500	£26,000	£38,000	3.6
<i>S. Cambs</i>	£101,250	£32,000	£43,000	3.2
<i>Average for past 60 Fordham Research HNS</i>				3.2

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

NB The minimum price for South Cambridgeshire is based on the mid-point between prices in the west/north west and the rest of the District.

It is clear from this table that entry to owner occupation is more difficult than average in all three districts. Using a x3 multiple of income for the purpose of getting a mortgage, which is reasonable at the lower end of the salary range, this implies that an income of about £30k would be sufficient to buy an entry level 2-bed property in all three districts, though strictly nearer £40k in Cambridge City itself. In relation to the ability to afford housing, all respondents were asked whether they could afford suitable housing. The responses are presented in the table below.

Table 14.4 Afford suitable housing?

<i>Affected by lack of suitable housing?</i>	<i>All KW</i>	<i>All non-KW</i>
Yes	£29,000 (12%)	£33,000 (13%)
No	£31,000	£38,000

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

NB This question was only asked of those who had moved within the last 10 years, although that does yield a substantial sample

Although in both cases the households expressing a difficulty in finding suitable housing have lower incomes, there are two noticeable features:

- (i) The difference in income between the groups of No and Yes is small
- (ii) The numbers expressing a difficulty are a small minority and very similar as between KW and non KW

In terms of the popular understanding of the term KW, it is the latter part of (ii) that is the most surprising. However it is not surprising when considering the small differences of income involved.

In terms of the reasons for the last move, the following figures were given:

Table 14.5 Reasons for moves

<i>Reason for move</i>	<i>All KW</i>	<i>All non KW</i>
<i>Employment</i>	£36,000	£38,000
<i>End of tenancy</i>	£22,000	£30,000
<i>To buy home</i>	£34,000	£42,000

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

As can be seen the KW all have somewhat lower incomes than the non KW. The gap is slight in the case of employment, but upwards of £10,000 in the case both of tenancy end and 'to buy home'. Despite the lower income of the KW, they clearly must have had enough money to buy at the then prevailing prices. Since £30,000 is about what is needed to buy in the Cambridge area (cheaper parts) this makes sense. In all three of the districts the income of the KW who moved to buy is over £30,000.

As can be seen from Table 14.4, the average income of all KW is £31,000, and so the average income of the KW who moved to buy is only £3,000 higher.

From the point of view of dissatisfaction with various features of the area, the following are the summary results:

Table 14.6 Dissatisfaction with neighbourhood facilities

<i>Feature of the neighbourhood</i>	<i>Percentage of dissatisfaction</i>	
	<i>KW</i>	<i>Non KW</i>
<i>Local health facilities</i>	4%	8%
<i>Education facilities</i>	2%	3%
<i>Leisure facilities</i>	23%	21%
<i>Parks/play areas</i>	13%	10%
<i>Public transport</i>	31%	25%
<i>General area</i>	6%	3%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

NB Dissatisfaction combines those stating 'dissatisfied' and 'very dissatisfied' from the sample responses

As can be seen, dissatisfaction with public transport towers above the rest, although dissatisfaction with leisure facilities and parks/play areas is substantial. In the case of transport it is worth breaking the figures down among the districts:

Table 14.7 Dissatisfaction with public transport

<i>Council</i>	<i>Percentage of dissatisfaction</i>	
	<i>KW</i>	<i>Non KW</i>
<i>Cambridge City</i>	28%	21%
<i>East Cambs</i>	42%	34%
<i>South Cambs</i>	52%	31%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

NB Dissatisfaction combines those stating 'dissatisfied' and 'very dissatisfied' from the sample responses

The only other set of figures to compare with this level of dissatisfaction is leisure facilities in South Cambridgeshire (not in the other two districts) where the KW dissatisfaction is 50% and the non KW dissatisfaction is 42%.

A major feature of the table is that the levels of dissatisfaction are not very different between these two groups: everyone is seriously displeased about public transport. Only leisure in South Cambridgeshire generates the same order of public dissatisfaction.

Table 14.7 Does the household need to move?

<i>Need to move</i>	<i>KW</i>	<i>Non KW</i>
<i>Now</i>	6%	5%
<i>Within a year</i>	8%	9%
<i>In 1 to 3 years</i>	16%	16%
<i>In 3 to 5 years</i>	7%	12%
<i>No need/not likely to move</i>	64%	60%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

In terms of needing to move, which might be a reason for the inability of KW employers to retain workers, there is virtually no need in the proportions feeling a need to move. Equally, as per Table 14.8, there is, if anything, more of an issue with the shortage of suitable affordable housing among non KW than among KW. This is quite surprising.

Table 14.8 Is move due to a lack of suitable housing in the area?

<i>Lack of suitable housing</i>	<i>KW</i>	<i>Non KW</i>
<i>Yes</i>	15%	24%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

The table below summarises results of mode of transport by key worker and non-key worker groups.

Table 14.9 Mode of transport to work?

<i>Mode of transport</i>	<i>KW</i>	<i>Non KW</i>
<i>Work mainly from home</i>	11%	11%
<i>On foot</i>	11%	8%
<i>Bicycle</i>	24%	17%
<i>Train</i>	5%	2%
<i>Bus/minibus/coach</i>	1%	3%
<i>Motor cycle, scooter or moped</i>	1%	1%
<i>Driving a car or van</i>	37%	44%
<i>Not in employment</i>	10%	13%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

As can be seen, there is more cycling among the KW (limited to Cambridge City, understandably) and more driving to work among the non KW. However most of the figures are quite similar.

A further question asks, if you were obliged to move to a different home, could you afford a home of suitable size in your council area. This is a slightly artificial question, but is designed to discover, even for those not planning to move, whether they could afford to. That is because quite a large number of future moves are not foreseen by the household involved at the time of any survey. The results of those indicating they could not afford are presented in the table below.

Table 14.10 Could not afford a home of a suitable size in the area if obliges to move?

<i>Council</i>	<i>KW</i>	<i>Non KW</i>
<i>Cambridge City</i>	54%	52%
<i>East Cambs</i>	33%	35%
<i>South Cambs</i>	39%	36%
<i>All three Councils</i>	45%	40%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

The results again show very little difference between the KW and the general population. Given the much higher prices in the City (see Table 14.3) it is not surprising that the 'no's' are much greater in the City than one of the other two districts.

A final distinction between the KW and non KW can be seen in the answers to the question about ethnicity: 93% of KW were reported as 'white' whereas 97% of all non KW so responded. Although the vast majority of both groups is therefore white, a distinctly larger proportion of the KW are non-white.

(iii) Analysis of KW1 and young KW

In terms of the overall profile of ages of KW households (the KW being the earner, if not the head in all cases) the pattern is of a fairly even spread of ages as is indicated in the table below.

Table 14.11 Age of head of household

<i>Age</i>	<i>KW1</i>				<i>KW2</i>
	<i>Health</i>	<i>Education</i>	<i>Public Transport</i>	<i>Emergency</i>	
18-24	4%	4%	0%	0%	3%
25-34	32%	16%	5%	36%	36%
35-44	23%	31%	51%	10%	30%
45-54	23%	24%	15%	53%	25%
55-64	18%	21%	29%	0%	15%
65+	0%	4%	0%	0%	1%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

In the same way, tenure is widely spread among the KW1, ie the lower income KW:

Table 14.12 Tenure

Tenure	KW1				KW2
	Health	Education	Public Transport	Emergency	
Owner-occupied (no mortgage)	7%	9%	11%	71%	10%
Owner-occupied (with mortgage)	25%	60%	22%	29%	49%
Council	30%	5%	40%	0%	13%
Housing Association	15%	8%	14%	0%	10%
Private rented	23%	19%	13%	0%	19%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

Since a central topic of this report is housing for KW, this table is of considerable interest. As with some other subgroups, there are two broad groups:

- (i) 'Standard' proportion of owner occupation: Education, Emergency services and KW2 (around 70-80%)
- (ii) Low proportion of owner-occupation: Health and public transport (around 30%)

Thus only the health and transport groups show a tenure profile that is particularly unusual. This is consistent with their general average incomes. The main tenure alternative is social rented: 40-50%. Private renting is particularly important for young KW, whose aspirations tend to exclude social renting.

Table 14.13 Need to move in the next five years

Need to move	KW1				KW2	Young KW
	Health	Education	Public Transport	Emergency		
Now	7%	4%	4%	15%	4%	5%
Within a year	10%	13%	0%	0%	8%	46%
1 to 3 years	17%	11%	30%	17%	13%	19%
3 to 5 years	3%	8%	2%	20%	10%	2%
No need to move	64%	64%	64%	48%	65%	28%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

Apart from the young KW, this pattern shows one of general stability. Apart from the Emergency services group, which has a very small sample size, about two thirds of all the KW 1 see no reason to move at all.

Table 14.14 If obliged to move could they afford a suitable home?

Afford a suitable home	KW1				KW2	Young KW
	Health	Education	Public Transport	Emergency		
No	76%	49%	45%	18%	38%	84%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

It must be borne in mind that this is a hypothetical question: if people were forced to move, would they be able to afford something suitable? About 40% of non KW said that they could not afford to buy if forced to move. This proportion is not surprising in an area which has seen very rapid house price rises. The two groups of KW 1 who do not conform to this pattern (ignoring the small sample of Emergency workers) are low paid health and young KW: in both these cases more than three quarters said they would not be able to afford. Given their income this judgement makes sense.

Table 14.15 Ethnicity

Ethnic group	KW1				KW2	Young KW
	Health	Education	Public Transport	Emergency		
White	91%	89%	100%	10%	97%	79%
Mixed	1%	3%	0%	0%	1%	5%
Asian	6%	7%	0%	0%	2%	2%
Black	1%	2%	0%	0%	1%	3%
Other	1%	0%	0%	0%	1%	0%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

The figure for non KW household is 97% white in the three district area. The above figures suggest that the ethnic minority population is concentrated in the health and education fields.

Table 14.16 Mode of travel to work

Mode of transport	KW1				KW2	Young KW
	Health	Education	Public Transport	Emergency		
Work from home	0%	14%	0%	0%	11%	0%
Foot	11%	18%	0%	0%	9%	10%
Bicycle	28%	35%	2%	0%	19%	21%
Train	0%	2%	31%	0%	3%	0%
Bus/minibus/coach	7%	1%	0%	0%	4%	0%
Motor cycle/scooter	0%	3%	0%	0%	2%	0%
Car	53%	28%	44%	100%	52%	35%

Source: Cambridge City, South Cambridgeshire DC and East Cambridgeshire DC Housing Needs Surveys 2002

As would seem likely, the only workers from home are some household involved in education. Travel by foot is significant, mainly in Cambridge City, as is bicycling, again almost all in the City. The only train users among KW1 are public transport KW, presumably working on the railways. The proportion of car travellers to work is higher among KW than non KW: the car average for non KW is 44%. As would be expected, young KW show a different profile. Education KW show an even greater avoidance of the car and use of bicycles, and are as would be expected biased by the high bicycle use in the City: no bicycle users are shown in the Education section for East Cambridgeshire or South Cambridgeshire.

(iv) Conclusions on the subregional situation

The picture shown in this collective assessment of the KW problem in the three districts is that housing is not really a major problem, even for the KW1 group, the poorer end of the KW spectrum. Dissatisfaction with public transport is a much more serious issue than housing for most KW, as it is for the population at large.

Only for the poorest Health Workers and the small Young KW group is housing a major issue. Although the housing problems affect only a small section of the total KW, it is nevertheless the case that these relatively small numbers are far too great to be addressed by any current programme such as SHI. Hence the problem is still a good deal larger than any likely solution.

14.5 Details for Cambridge City Key Workers

In total it is estimated that there are 17,759 key workers living in Cambridge City. The table below shows the categories of key workers within the City. The main categories of key workers are those in education followed by those in health care. It must be pointed out that in this table the figures refer to all individual key workers. In the tables in the preceding subsection the focus was upon households where the KW is the head of household, or the only earner.

Table 14.17 Categories of key worker

<i>Key worker category</i>	<i>Total number of person</i>	<i>% of persons</i>
<i>Health care</i>	3,965	22.3%
<i>Social services</i>	818	4.6%
<i>Education</i>	6,733	37.9%
<i>Public Transport</i>	831	4.7%
<i>Emergency services</i>	135	0.8%
<i>Other Local Government</i>	1,835	10.3%
<i>Research and development</i>	3,442	19.4%
TOTAL	17,759	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

In terms of average incomes (net of benefit) the picture across all the types of KW assessed is in the table below. It is based on the head of household falling into one of the key worker categories.

Table 14.18 Household income of KW (net of benefits)

<i>Key worker category</i>	<i>Average household income</i>
<i>Health care</i>	£31,293
<i>Social services</i>	£27,312
<i>Education</i>	£36,759
<i>Public Transport</i>	£36,135
<i>Emergency services</i>	na
<i>Other Local Government</i>	£33,329
<i>Research and development</i>	£43,613
TOTAL	£36,393

Source: Cambridge City Council Housing Needs Survey 2002

NB na means no data

Since an income of about £35-40k is required to buy in the City, it is clear that the average KW could do so. On average only the Social Services workers and to a lesser extent Health Care workers cannot afford to buy. Bearing in mind the large numbers of Health Workers, and the existence of a low paid element of that group, there will certainly be a significant need for sub-market housing in this group.

Table 14.19 Categories of key worker

Key worker category	Distance travelled to work							Total
	Work mainly from home	Less than 1 mile	1-3 miles	4-6 miles	7-9 miles	10-18 miles	Over 18 miles	
Health care	11.4%	18.7%	33.3%	7.8%	3.0%	4.0%	21.9%	100%
Social services	31.9%	19.0%	30.0%	0.0%	0.0%	19.0%	0.0%	100%
Education	11.6%	20.6%	40.7%	15.8%	3.2%	2.8%	5.3%	100%
Public Transport	0.0%	12.5%	58.7%	0.0%	0.0%	0.0%	28.8%	100%
Other Local Government	0.0%	11.3%	29.5%	7.8%	23.8%	7.3%	20.3%	100%
Research & development	9.3%	4.9%	43.1%	15.7%	5.6%	17.5%	3.8%	100%
TOTAL	10.2%	16.1%	39.2%	12.4%	5.2%	6.5%	10.4%	100%

Source: Cambridge City Council Housing Needs Survey 2002

The journey to work pattern for City dwellers shows a distinct and different pattern from those of neighbouring South and East Cambridgeshire districts. In the latter the journeys to work are spread fairly evenly across the bands shown in Table 14.19 (which do get wider as trips get longer. In the City there is a different pattern. Although there are some longer trips, the distribution is concentrated upon the shorter trips, of 3 miles and less. This is of course consistent with the nature of the City, and is accompanied by the fact that there is a higher incidence of walking to work in the City, while a substantial volume of cycling to work is found. The focus on shorter journeys to work is not only consistent with the character of the City, but also with the lower average incomes found there when compared with the surrounding districts.

If the focus is put on all KW households (regardless of how many earners) and attention is focussed upon those who cannot afford the market and who are currently renting, the group amounts to 2,469 households. Of these 1,174 stated that they need or are likely to move within the next 5 years. In terms of where they would like to live, the table below provides the relevant data.

Table 14.20 Where Key Worker households would like to live

<i>Where like to live</i>	<i>Number of households</i>	<i>% of households</i>
<i>In the Cambridge CC area</i>	667	56.8%
<i>In the South Cambs DC area</i>	124	10.6%
<i>In East Cambs DC area</i>	0	0.0%
<i>In the Huntingdonshire DC area</i>	0	0.0%
<i>In the Fenland DC area</i>	0	0.0%
<i>In London</i>	118	10.1%
<i>Elsewhere in the South East</i>	193	16.4%
<i>Elsewhere in the UK</i>	72	6.1%
<i>Abroad</i>	0	0.0%
TOTAL	1,174	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

The brief answer, therefore, is that this group would like to remain in the home district. This is the normal response for any group, of whatever income, in any area which has not got a serious problem with the local economy.

The table shows that 667 key worker households would like to remain living in the Cambridge City Council area. The table below shows the tenure preferences of these households.

Table 14.21 What type of housing would Key Workers like

<i>Tenure preference</i>	<i>Number of households</i>	<i>% of households</i>
<i>Owner-occupation</i>	203	30.4%
<i>Buy on shared ownership</i>	0	0.0%
<i>Buy on discounted ownership</i>	0	0.0%
<i>Social rented</i>	279	41.8%
<i>Private rented</i>	185	27.7%
TOTAL	667	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

The table shows that the majority of key worker households would like social rented housing whilst a significant proportion indicated they would like to buy their own home. Only an estimated 185 of these households indicated they wanted to move to private rented accommodation. No households chose discounted ownership (such as Shared Ownership).

This is different from the situation in the surrounding districts, where there was some interest. The difference may reflect the higher prices in the City, but also may reflect unawareness of Shared Ownership and other LCHO options. As can be seen from the table, about a third of the households in this table aspire to ownership, but cannot afford it. Some of these households might be candidates for Shared Ownership.

14.6 Relating various kinds of affordable housing need

Three assessments have been carried out that are in some way related to affordable housing, in the broad sense of housing anybody who cannot afford market priced housing.

Table 14.22 Tenure and income profile of intermediate workers

<i>Type of housing</i>	<i>Number of households</i>
1. Guide estimate of overall need for affordable housing per annum	734 p a
2. Number of intermediate households, not owners, whose incomes suggest ability to afford Low Cost Home Ownership	658 (0%)
3. Numbers of KW, not owners, who indicate a desire to move within Cambridge City and who might be able to afford LCHO	667 (10.8%)
4. Numbers of KW, not owners, who indicate an interest in LCHO	0

Source: Cambridge City Council Housing Needs Survey 2002

NB Figures in brackets represent the overlap of this group of households with those existing households in housing need

It must be borne in mind that these figures mean different things. The Guide model assessment is a technical exercise based on the DTLR definition of housing need: households in unsuitable housing who cannot afford the market.

The other three figures also relate to totals rather than an annualised estimate. All relate to households who cannot afford the market, but represent different things. There is likely to be some overlap between these and the annualised estimate in Row 1, however this is likely to be small. As an indication a comparison of the overlap between existing households in need and intermediate and key worker (non owner) households (rows 2 and 3) suggest an overlap of between 0-11%.

In more detail row 2 includes both KW and other low-paid employees and relates to those non-owners most likely to be able to afford LCHO. Row 3 relates to KW who wish to remain within the City and who may look to LCHO as a solution, while the last row shows no interest in LCHO it must of course be borne in mind that popular awareness of LCHO is still not very great, and so there may be some role for LCHO schemes.

It seems clear that the scope for LCHO is much smaller than that of social renting within the City. Table 12.4 (chapter 12) shows that, unlike the situation in South and East Cambridgeshire, there is no role at all for Shared Ownership (and LCHO in general) to meet ODPM defined housing need. However this is calculated on the basis of income and savings, while inheritance will increase the non-social renting proportion over time. Table 14.21, as regards Rows 2-4, indicates an aspirational situation, which could easily change if the supply of LCHO were to be increased and made more visible.

14.7 Summary

Information from the survey has been further analysed to consider the issues of intermediate housing and housing for key workers in more detail. The term key worker refers in general to workers who are essential to the local economy but who are relatively low paid and therefore in short supply. The term key worker has been applied in various ways based on the seven categories of key worker identified from the survey. The term 'intermediate' is used to refer to those who are earning more than enough to pay a social rent, though not enough to access market housing.

Analysis of survey results indicate there are some 2,564 'intermediate' households in the Cambridge City. Of these some 658 households are not already owner-occupiers, and so would be candidates for LCHO (normally shared ownership, where half the equity is bought and half is rented, usually for a Registered Social Landlord). The survey estimates a total of 17,759 individuals in the Cambridge City in the 7 KW categories identified. Their average household income is about £36,000 (as compared with about £35-40,000 of annual income required to access entry level 2-bed housing). Some 2,469 of these KW are not currently owner-occupiers and could not afford to access market housing. An estimated 1,174 of these plan to move in the next 5 years and 667 of these are likely to remain within the Cambridge City. Of these none indicated an interest in LCHO.

It is clear from the analysis that the need for suitable affordable housing for KW is far higher in the Cambridge City than the supply. Although the expressed demand for LCHO is small, this may well be due to lack of information. There is in fact substantial scope for new forms of sub-market tenure to address the housing needs of this important group.

15. SPECIAL NEEDS HOUSEHOLDS

15.1 Introduction

Information was collected on the survey forms with regards to the needs and requirements of special needs households. Throughout this report many of the housing needs variables (e.g. unsuitable housing, household income) are tabulated along with special needs. This chapter details some additional survey findings.

The survey defines special needs households as having one or more members who fall into one or more of the following categories. This list closely corresponds with the list of special needs recognised by the Housing Corporation.

- Frail elderly
- A physical disability
- A learning disability
- A mental health problem
- Vulnerable young people and children leaving care
- Severe sensory disability
- Other

For each person with special needs they could respond to as many of the above categories as is applicable. This means that we are able to define households by both the number of people with special needs and those with multiple special needs.

15.2 Incidence of special needs

Overall there are an estimated 4,703 households in Cambridge City with one or more special needs member. This represents 11.2% of all households. The table below shows the numbers of households with different types of special needs.

'Physically disabled' is the main category of special needs. There are 3,140 households with *physically disabled* household members and 2,307 with *'frail elderly'* household members. These categories represent 66.8% and 49.1% of all special needs households respectively.

Table 15.1 Special needs categories

<i>Categories</i>	<i>Number of households</i>	<i>% of all households</i>	<i>% of special needs households</i>
<i>Frail elderly</i>	2,307	5.5%	49.1%
<i>Physical disability</i>	3,140	7.5%	66.8%
<i>Learning disability</i>	298	0.7%	6.3%
<i>Mental health problem</i>	199	0.5%	4.2%
<i>Vulnerable young people & children leaving care</i>	0	0.0%	0.0%
<i>Severe sensory disability</i>	58	0.1%	1.2%
<i>Other</i>	227	0.5%	4.8%

Source: Cambridge City Council Housing Needs Survey 2002

The number of households in each category add up to more than the total number of households with special needs because households can have more than one person with a special need and people can have more than one of the categories of special need.

In addition to the above information we are able to look at the number of people in each household with a special need and also households containing persons with multiple special needs. The results for these are shown below.

Table 15.2 Number of people with special needs

<i>Special needs</i>	<i>Number of households</i>	<i>% of households</i>
<i>No special needs persons</i>	37,258	88.8%
<i>One special needs person</i>	3,825	9.1%
<i>Two or more special needs persons</i>	878	2.1%
TOTAL	41,961	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Table 15.3 Households with people with multiple special needs

<i>Special needs</i>	<i>Number of households</i>	<i>% of households</i>
<i>No special needs persons</i>	37,258	88.8%
<i>Single special need only</i>	3,252	7.8%
<i>Multiple special needs</i>	1,451	3.5%
TOTAL	41,961	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

The two tables above show that the majority of special needs households (81.3%) only contain one person with a special need and that the majority of households with a special needs member do not have multiple special needs (69.1%). However some 878 households in the Cambridge City are estimated to have two or more people with a special need whilst some 1,451 households contain someone with multiple needs.

15.3 Household size

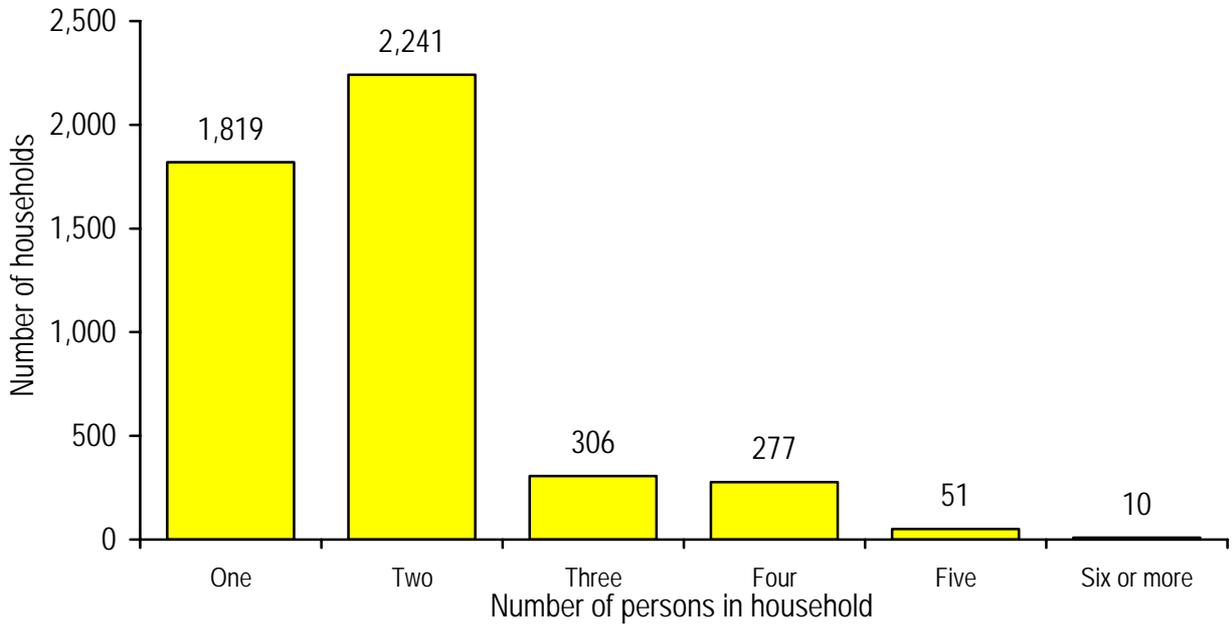
The number of persons in special needs households is shown in the table and figure below. The results below indicate that households with special needs are more likely to live in smaller, one or two person, households. Of all special needs households, 38.7% are living alone and a further 47.6% are living in two person households.

Table 15.4 Size of special needs households

<i>Number of persons in household</i>	<i>Special needs households</i>				
	<i>Special needs</i>	<i>No special needs</i>	<i>Number of h'holds</i>	<i>% of total h'holds with special needs</i>	<i>% of those with a special need</i>
<i>One</i>	1,819	12,531	14,350	12.7%	38.7%
<i>Two</i>	2,241	13,634	15,875	14.1%	47.6%
<i>Three</i>	306	5,021	5,327	5.7%	6.5%
<i>Four</i>	277	4,623	4,899	5.7%	5.9%
<i>Five</i>	51	988	1,039	4.9%	1.1%
<i>Six or more</i>	10	462	472	2.1%	0.2%
TOTAL	4,703	37,258	41,961	11.2%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Figure 15.1 Size of special needs households



Source: Cambridge City Council Housing Needs Survey 2002

15.4 Tenure

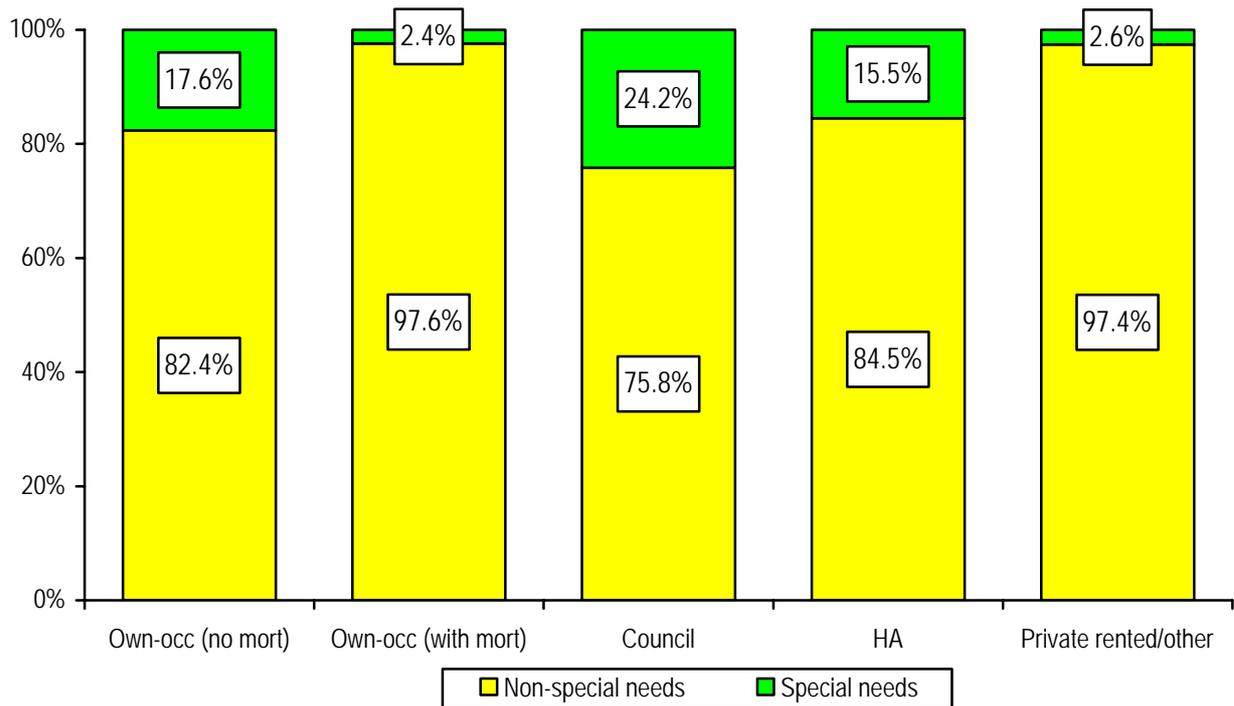
The table and figure below show the housing tenures of households with special needs. The total of 2,155 special needs households that are in owner-occupation represent 45.8% of the total of all special needs households in Cambridge City. A further 50.5% of special needs households are living in accommodation rented from the Council or a Housing Association. The table also indicates that although 11.2% of all households contain special needs members, 24.2% of all Council households contain special needs members.

Table 15.5 Special needs households and tenure

Tenure	Special needs households			% of total h'holds with special needs	% of those with a special need
	Special needs	No special needs	Number of h'holds		
Owner-occupied (no mortgage)	1,819	8,491	10,310	17.6%	38.7%
Owner-occupied (with mortgage)	336	13,727	14,063	2.4%	7.1%
Council	1,935	6,064	7,999	24.2%	41.1%
Housing Association	440	2,406	2,846	15.5%	9.4%
Private rented	173	6,570	6,743	2.6%	3.7%
TOTAL	4,703	37,258	41,961	11.2%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Figure 15.2 Special needs households and tenure



Source: Cambridge City Council Housing Needs Survey 2002

15.5 Age

The table below shows the number of special needs households with and without older people. The results show that 70.2% of all special needs households contain older people compared to 27.9% of non-special needs households. Although 11.2% of all households contain special needs members, 26.3% of all households containing older people only had special needs members.

Table 15.6 Special needs households with and without older people

Age group	Special needs households				
	Special needs	No special needs	Number of h'holds	% of total h'holds with special needs	% of those with a special need
No older people	1,403	26,863	28,266	5.0%	29.8%
Both older & non older people	451	2,416	2,867	15.7%	9.6%
Older people only	2,849	7,979	10,828	26.3%	60.6%
TOTAL	4,703	37,258	41,961	11.2%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

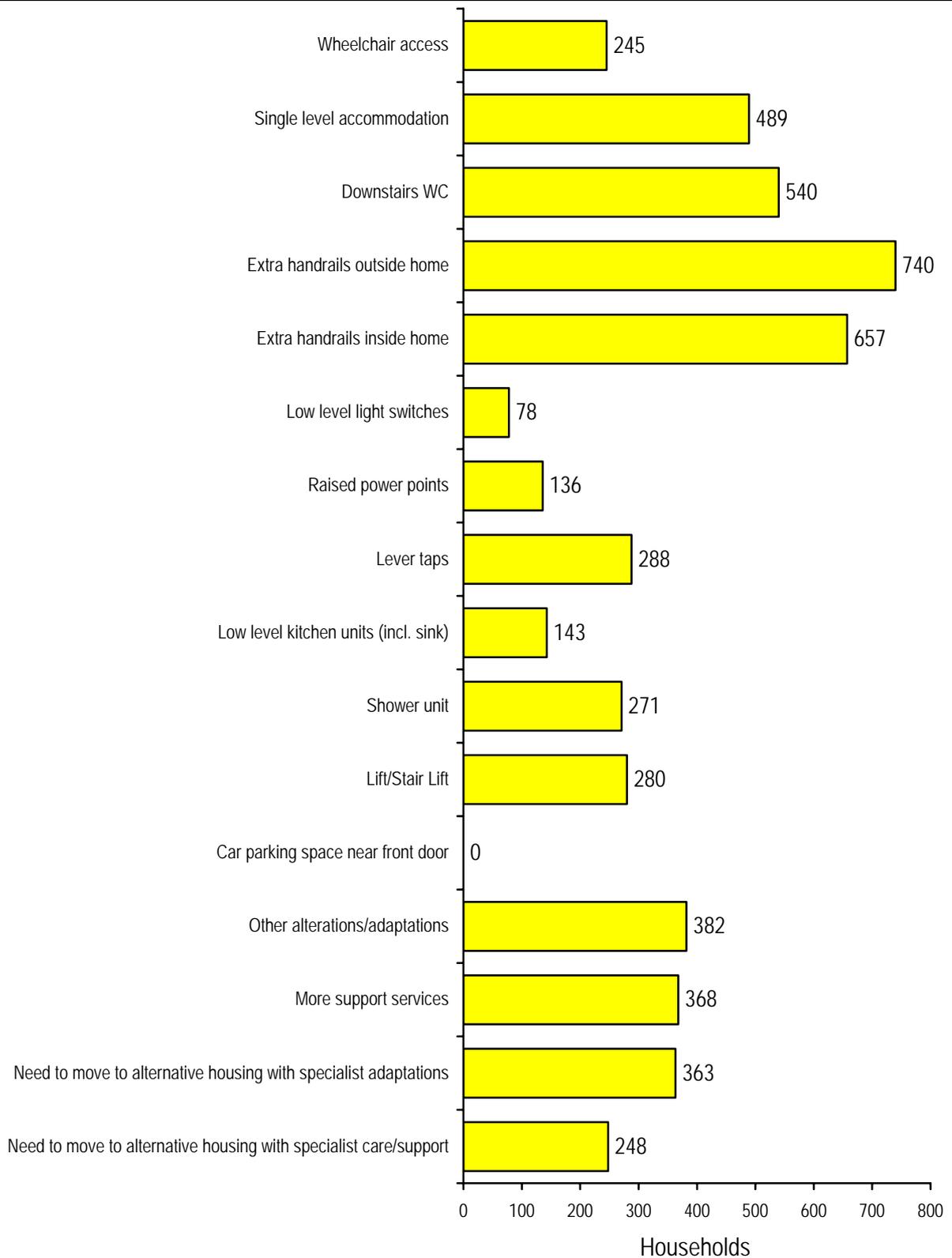
15.6 Improvements to accommodation & services

Special needs households were asked to indicate if there was a need for improvements to their current accommodation and/or services. As detailed in the figure below the most commonly-cited improvements needed were:

- Extra handrails outside home (740 households – 15.7% of all special needs households)
- Extra handrails inside home (657 households – 14.0% of all special needs households)
- Downstairs WC (540 households – 11.5% of all special needs households)

The figure below also indicates that only a small proportion of special needs households have indicated a need for accommodation with wheelchair access. Some 5.2% of all special needs households indicated a need for accommodation with wheelchair access – equivalent to an estimated 245 special needs households. Further analysis shows that 34.3% of these households indicated a need to move to alternative housing with specialist adaptations suggesting that adaptation of the existing stock to accessible standards in the main is the preferred housing option. Although this applies to a relatively small number of households there is some evidence that continued promotion of Disabled Facilities Grants would assist these households in improving their current housing situation.

Figure 15.3 Improvements needed to accommodation/services for special needs households



Source: Cambridge City Council Housing Needs Survey 2002

15.7 Summary

Some 11.2% of all the City's households (4,703) contain special needs members. *'Physically disabled'* is the main category of special needs. There are 3,140 households with a *'physically disabled'* person and a further 2,307 with *'frail elderly'* household members. These categories represent 66.8% and 49.1% of all special needs households respectively.

Special needs households are disproportionately constituted of one or two persons which has implications for caring patterns. Although many special needs households are in the private sector, a high proportion are found in the social rented sector (24.2% of all Council households contain a person with special needs). Results also indicate that special needs households are more likely to contain older people.

In terms of adaptations to current accommodation, a very small proportion (5.2%) of special needs households indicated the need for accommodation with wheelchair access. Of those that did 34.3% stated a need to move to alternative accommodation, suggesting that in the main adaptation of the existing stock to accessible standards is the preferred housing option. Continued promotion of Disabled Facilities Grant for this purpose could assist in improving the housing situation of these households.

16. OLDER PERSON HOUSEHOLDS

16.1 Introduction

Information was collected on the survey forms with regards to the ages of household members. Throughout this report many of the housing needs variables (e.g. unsuitable housing, household income) are tabulated along with household type which separates out older person households from non-older person households. This chapter details some additional survey findings about older person households.

For the purpose of this chapter, the age of household members has been divided into three categories:

- *Households without older people*
- *Households with both older and non-older persons*
- *Households with only older people*

Older people are defined as those over retirement age (65 for men, 60 for women).

The table below shows the number and percentage of households in each age category. The table shows that a quarter of households contain older persons only, a further 6.8% contain both older and non-older persons.

Table 16.1 Older person households

<i>Categories</i>	<i>Number of households</i>	<i>% of all households</i>
<i>Households without older persons</i>	28,266	67.4%
<i>Households with both older and non-older persons</i>	2,867	6.8%
<i>Households with older persons only</i>	10,828	25.8%
TOTAL	41,961	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

The rest of the analysis in this chapter concentrates on the group of households which contain only older persons.

16.2 Household size

The number of persons in older person only households is shown in the table below. The results below indicate that households with only older persons are more likely to live in smaller, one or two person, households. Of all older person only households, 64.5% are living alone and a further 35.5% are living in two person households.

Table 16.2 Size of older person only households

Number of persons in household	Older person households			% of total h'holds with older persons only	% of those with older persons only
	Older persons only	Not older persons only	Number of h'holds		
One	6,981	7,369	14,350	48.6%	64.5%
Two	3,847	12,028	15,875	24.2%	35.5%
Three	0	5,327	5,327	0.0%	0.0%
Four	0	4,899	4,899	0.0%	0.0%
Five	0	1,039	1,039	0.0%	0.0%
Six or more	0	472	472	0.0%	0.0%
TOTAL	10,828	31,133	41,961	25.8%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

16.3 Tenure

The table below show the housing tenures of households with older persons only. The total of 6,250 older person only households that are in owner-occupation represent 57.7% of the total of all older person only households in Cambridge City. A further 32.4% of older person only households are living in Council or Housing Association rented accommodation. The table also indicates that although 25.8% of all households contain older persons only, 57.6% of all owner-occupied (no mortgage) households contain only older persons.

Table 16.3 Older person only households and tenure

<i>Tenure</i>	<i>Older person households</i>				
	<i>Older persons only</i>	<i>Not older persons only</i>	<i>Number of h'holds</i>	<i>% of total h'holds with older persons only</i>	<i>% of those with older persons only</i>
<i>Owner-occupied (no mortgage)</i>	5,934	4,376	10,310	57.6%	54.8%
<i>Owner-occupied (with mortgage)</i>	316	13,747	14,063	2.2%	2.9%
<i>Council</i>	2,711	5,288	7,999	33.9%	25.0%
<i>Housing Association</i>	802	2,044	2,846	28.2%	7.4%
<i>Private rented</i>	1,064	5,679	6,743	15.8%	9.8%
TOTAL	10,828	31,133	41,961	25.8%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

16.4 Summary

Around a quarter of households contain older persons only, a further 6.8% contain both older and non-older persons. Older person only households are disproportionately constituted of only one person which has implications for caring patterns. Although many older person only households are in the private sector, a high proportion are found in the social rented sector (33.9% of all Council households and 28.2% of all Housing Association households contain older persons only).

17. OVERCROWDING AND UNDER-OCCUPATION

17.1 Introduction

This chapter briefly studies the extent of overcrowding and under-occupation of households living in each individual tenure group. The standards used to check for overcrowding/under-occupation were as follows:

- **Overcrowding:** each household was assessed as to the number of bedrooms required. Any household without enough bedrooms to sleep persons was deemed to be over-crowded.
- **Under-occupation:** households with more than one spare bedroom are deemed to be under-occupied.

It should be noted that the level of overcrowding shown in this chapter differs slightly from the figure shown in Chapter 6, this is because the overcrowding measure used in the main assessment of unsuitable housing includes an allowance for the overcrowding to be resolved by potential households moving out of their current accommodation.

17.2 Overcrowding and under-occupation

The table below shows a comparison between the number of bedrooms in each home against the number of bedrooms required for all households.

Table 17.1 Overcrowding and under-occupation

Number of bedrooms required	Number of bedrooms in home				TOTAL
	1	2	3	4+	
1 bedroom	5,792	7,551	10,766	2,650	26,760
2 bedrooms	274	2,625	5,782	1,673	10,354
3 bedrooms	25	226	2,245	1,283	3,779
4+ bedrooms	0	0	488	580	1,068
TOTAL	6,091	10,402	19,281	6,186	41,961

Source: Cambridge City Council Housing Needs Survey 2002

KEY: Overcrowded households Under-occupied households

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

The above table shows that:

- **Overcrowded:** 2.5% of households = 1,028 households
- **Under-occupied:** 37.2% of households = 15,617 households

(i) Owner-occupied (no mortgage)

Table 17.2 Overcrowding and under-occupation for owner-occupiers (no mortgage)

Number of bedrooms required	Number of bedrooms in home				TOTAL
	1	2	3	4+	
1 bedroom	538	1,936	4,428	1,438	8,341
2 bedrooms	0	65	1,160	366	1,591
3 bedrooms	0	0	149	136	285
4+ bedrooms	0	0	23	71	94
TOTAL	538	2,002	5,760	2,011	10,310

Source: Cambridge City Council Housing Needs Survey 2002

KEY: Overcrowded households Under-occupied households

The above table shows that:

- **Overcrowded:** 0.2% of households = 23 households
- **Under-occupied:** 61.1% of households = 6,300 households

(ii) Owner-occupied (with mortgage)

Table 17.3 Overcrowding and under-occupation for owner-occupiers (with mortgage)

Number of bedrooms required	Number of bedrooms in home				TOTAL
	1	2	3	4+	
1 bedroom	334	2,782	3,474	548	7,138
2 bedrooms	72	596	2,780	1,087	4,536
3 bedrooms	0	169	980	881	2,030
4+ bedrooms	0	0	149	211	360
TOTAL	406	3,547	7,383	2,727	14,063

Source: Cambridge City Council Housing Needs Survey 2002

KEY: Overcrowded households Under-occupied households

The above table shows that:

- **Overcrowded:** 2.8% of households = 389 households
- **Under-occupied:** 39.6% of households = 5,569 households

*(iii) Council tenants***Table 17.4 Overcrowding and under-occupation in the Council sector**

Number of bedrooms required	Number of bedrooms in home				TOTAL
	1	2	3	4+	
1 bedroom	2,508	1,064	1,449	85	5,106
2 bedrooms	0	1,027	855	48	1,931
3 bedrooms	25	57	600	58	740
4+ bedrooms	0	0	222	0	222
TOTAL	2,533	2,149	3,127	191	7,999

Source: Cambridge City Council Housing Needs Survey 2002

KEY: Overcrowded households Under-occupied households

The above table shows that:

- **Overcrowded:** 3.8% of households = 304 households
- **Under-occupied:** 19.8% of households = 1,583 households

*(iv) Housing Association tenants***Table 17.5 Overcrowding and under-occupation in the Housing Association sector**

Number of bedrooms required	Number of bedrooms in home				TOTAL
	1	2	3	4+	
1 bedroom	1,004	146	438	123	1,712
2 bedrooms	114	225	501	51	890
3 bedrooms	0	0	221	22	244
4+ bedrooms	0	0	0	0	0
TOTAL	1,118	371	1,160	197	2,846

Source: Cambridge City Council Housing Needs Survey 2002

KEY: Overcrowded households Under-occupied households

The above table shows that:

- **Overcrowded:** 4.0% of households = 114 households
- **Under-occupied:** 21.5% of households = 613 households

*(v) Private rented***Table 17.6 Overcrowding and under-occupation in private rented sector**

Number of bedrooms required	Number of bedrooms in home				TOTAL
	1	2	3	4+	
1 bedroom	1,408	1,624	976	455	4,463
2 bedrooms	89	710	487	121	1,407
3 bedrooms	0	0	294	186	480
4+ bedrooms	0	0	95	298	393
TOTAL	1,497	2,334	1,852	1,061	6,743

Source: Cambridge City Council Housing Needs Survey 2002

KEY: Overcrowded households Under-occupied households

The above table shows that:

- **Overcrowded:** 2.9% of households = 198 households
- **Under-occupied:** 23.0% of households = 1,552 households

17.3 Summary

This brief chapter looked at over-crowding and under-occupation. The results suggest that 2.5% of all households are overcrowded and 37.2% under-occupy their dwelling. The owner-occupied (no mortgage) sector showed particularly low levels of overcrowding and high levels of under-occupation.

GLOSSARY

Affordability

A measure of whether households can access and sustain the costs of private sector housing. There are two main types of affordability measure: mortgage and rental. Mortgage affordability assesses whether households would be eligible for a mortgage; rental affordability measures whether a household can afford private rental. Mortgage affordability is based on conditions set by mortgage lenders – using standard lending multipliers. Rental affordability is defined as the rent being less than a proportion of a household's net income (in this case 30% of net income).

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.

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.

Low-cost market housing

Newbuild housing sold at a discount.

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.

Shared ownership

In this type of scheme a household buys a share in a property (normally 50%) and pays rent on the remainder. Such schemes are normally carried out by RSLs.

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 (RSLs).

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 Appendix provides further detail in support of the housing market analysis set out in Chapter 3. 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.

This survey is a key step which enables us to make an assessment of minimum and average property prices in the Cambridge City. The market survey could only however shed limited light on small geographical differences in prices between different parts of the District, and could not put Cambridge City in a local context compared with other nearby Local Authorities.

We can look at the wider context of prices in the surrounding areas, and also the differences between areas within Cambridge, using information available from the Land Registry. This data is valuable in giving further background to the local housing market. Even so, it cannot replicate or replace the data collected directly from estate/letting agencies. The reasons for this are explained below.

Following this, we explain the approach we used in conducting the survey of agents.

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:

1. The 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.
2. No 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.

3. A 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.
4. The Land Registry data cannot produce information about rental prices, 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 (owing to a lack of deposit) but who could afford suitable private rented housing (having a high income). 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:

- We 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)
 - These are then contacted by telephone and asked to give a brief overview of the housing market in the City - including highlighting areas of more and less expensive housing
 - The 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'
- 1) What 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)?
 - 2) This process is repeated for 2,3 & 4 bedroom dwellings.

3) The same questions are then asked about private rented accommodation.

- Once 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 City. Any outlying values are removed from calculations.
- The 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 Details of survey

In October 2002, *Fordham Research* carried out a housing market survey in the Cambridge City area. We successfully contacted a total of 11 estate and lettings agents covering the area.

These were:

Admiral Residential Property Management

Anglia Residential

Bradford & Bingley Januarys

Bradshaw Estate Agents

FPD Savills

Haart Residential Letting

Pocock & Shaw

Rooke, Wood and Miller Partnership

Russell Residential

Spicer McColl

William H Brown

Their co-operation and assistance is gratefully acknowledged.

The agencies' locations were carefully chosen to give the widest possible coverage across the Cambridge area. Each was able to provide information about the market in their part of the City.

A1.5 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 Cambridge. These are considered below.

A1.6 Comparing prices in neighbouring areas

Firstly, we used the Land Registry data to examine how prices in Cambridge City compared to those in adjoining local authority areas. The table below shows average sale prices for the Local Authorities surrounding Cambridge City (from the most recent quarter available from the Land Registry).

Table A1.1 Average property prices by Local Authority (2nd quarter 2002) in £s

Property type	Number of sales in brackets								
	<i>Camb' City</i>	<i>South Cambs</i>	<i>North Herts</i>	<i>Mid. Beds</i>	<i>Hunts</i>	<i>Fenland</i>	<i>East Cambs</i>	<i>St. Ed'bury</i>	<i>Uttlesford</i>
<i>Detached</i>	£321,949 (46)	£256,488 (280)	£289,175 (157)	£226,315 (257)	£177,035 (446)	£116,159 (316)	£189,410 (222)	£189,035 (214)	£294,518 (150)
<i>Semi-detached</i>	£201,699 (102)	£149,715 (204)	£166,476 (221)	£131,745 (227)	£103,702 (313)	£75,831 (225)	£117,905 (145)	£114,854 (153)	£181,036 (101)
<i>Terraced</i>	£180,567 (162)	£124,269 (157)	£124,392 (232)	£104,237 (268)	£89,024 (303)	£62,249 (167)	£103,252 (131)	£98,331 (201)	£137,369 (72)
<i>Flat / Maisonette</i>	£130,092 (80)	£79,668 (16)	£86,676 (132)	£81,204 (63)	£69,985 (98)	£38,259 (25)	£85,319 (24)	£80,801 (48)	£96,806 (42)
Overall	£192,416 (390)	£187,433 (657)	£165,083 (742)	£148,614 (815)	£125,215 (1,160)	£88,841 (733)	£143,140 (522)	£132,580 (616)	£209,366 (365)
% of Camb	100%	97%	86%	77%	65%	46%	74%	69%	109%

Source: HM Land Registry, Property Price Data, 2002

The overall price figure (i.e. Cambridge at £192,416) suggests quite wide variations between areas. Uttlesford appears to be the most expensive. Cambridge City has the second highest average property price; Fenland appears to be the lowest priced area.

However, looking at the distribution of sales by property type we can see that there are major differences. For Cambridge City terrace properties have the largest number of sales, this is the case in North Herts and Mid. Beds as well. However, in the remaining local authorities detached properties are the predominant group. It is clear though, that in other local authorities other property types constitute a much greater proportion of total sales. In South Cambs for example semi-detached is the predominant property type and in St. Edmundsbury terraced property predominates. It is therefore more meaningful if we focus on the relative prices for each dwelling type, and produce a standardised overall average relative price, which is weighted by the pattern of sales in Cambridge City. This is done in the table below.

Table A1.2 Relative property prices (2nd quarter 2002)

Overall averages weighted by Cambridge City Sales

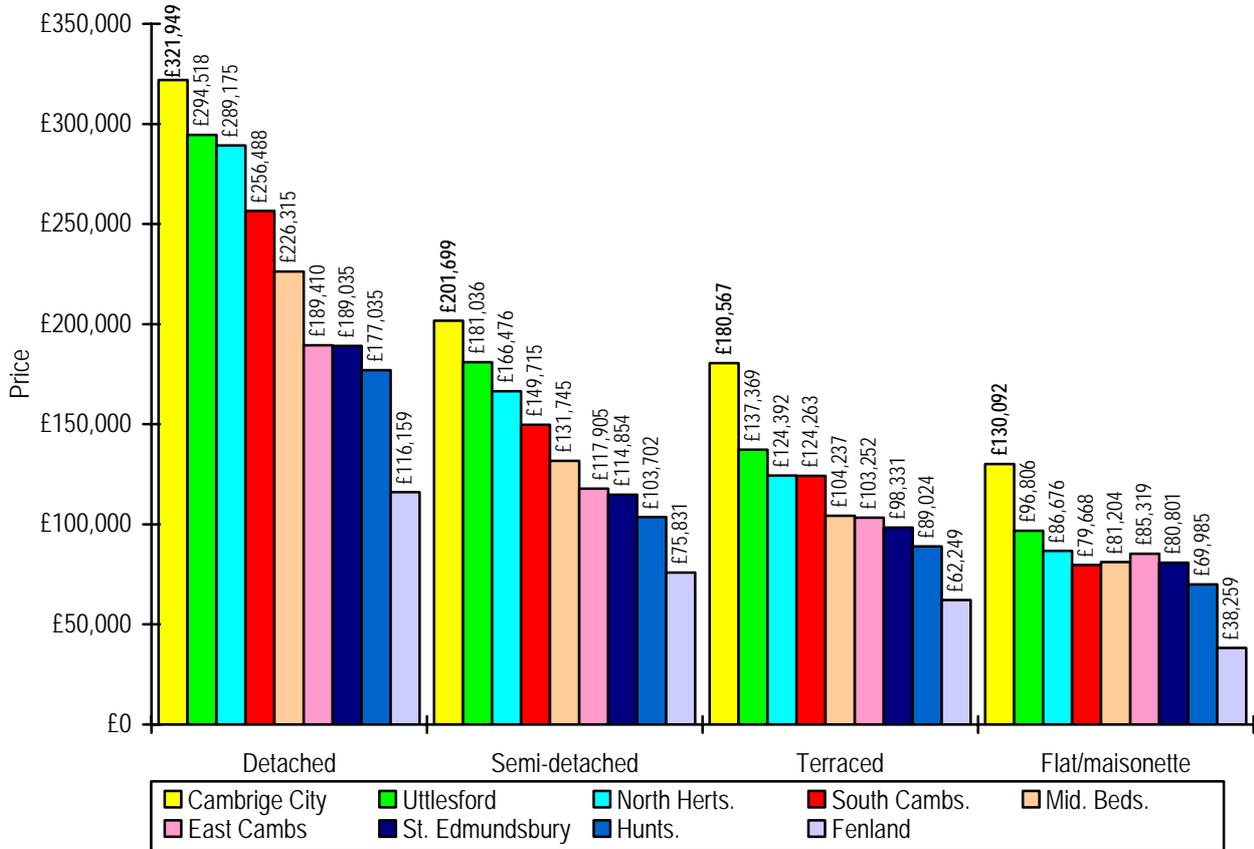
<i>Property type</i>	<i>Camb' City</i>	<i>South Cambs</i>	<i>North Herts</i>	<i>Mid. Beds</i>	<i>Hunts</i>	<i>Fenland</i>	<i>East Cambs</i>	<i>St. Ed'bury</i>	<i>Uttlesford</i>
<i>Detached</i>	100.0%	79.7%	89.8%	70.3%	55.0%	36.1%	58.8%	58.7%	91.5%
<i>Semi-detached</i>	100.0%	74.2%	82.5%	65.3%	51.4%	37.6%	58.5%	56.9%	89.8%
<i>Terraced</i>	100.0%	68.8%	68.9%	57.7%	49.3%	34.5%	57.2%	54.5%	76.1%
<i>Flat/Maisonette</i>	100.0%	61.2%	66.6%	62.4%	53.8%	29.4%	65.6%	62.1%	74.4%
<i>Weighted Ave</i>	100.0%	71.4%	76.4%	62.9%	51.6%	34.9%	59.0%	57.0%	82.6%

Source: HM Land Registry, Property Price Data, 2002

When the relative prices are weighted by Cambridge City sales to give an overall figure, Cambridge itself now emerges as the most expensive area on average, Uttlesford becomes the second and Fenland remains the lowest price area.

The figure below showing property prices in Cambridge City and adjoining areas has been ordered by property type and the relative overall averages shown in the table above (from highest to lowest).

Figure A1.1 Property prices in Cambridge City and surrounding areas (2nd quarter 2002)



Source: HM Land Registry, Property Price Data, 2002

A1.7 Results for Cambridge City as a whole

We will now examine in more detail information from the Land Registry for Cambridge City. The table below shows data for sales in the last five quarters (year to June 2002). The data shows increases in prices for all dwelling types. The largest rises being for detached and semi-detached properties (although the detached properties actually reached a peak in the 3rd quarter 2001). Flats/maisonettes showed a rise over the period of 22.6% and this was more consistent through time.

Table A1.3 Average property prices in Cambridge City

Property type	Number of sales in brackets				
	April – June 2001	July - Sept 2001	Oct - Dec 2001	Jan – March 2002	April - June 2002
<i>Detached</i>	£277,556 (77)	£375,132 (74)	£283,463 (58)	£322,891 (37)	£321,949 (46)
<i>Semi-detached</i>	£157,935 (115)	£186,654 (152)	£172,857 (137)	£169,345 (123)	£201,699 (102)
<i>Terraced</i>	£157,392 (204)	£176,416 (251)	£176,235 (151)	£173,067 (165)	£180,567 (162)
<i>Flat / maisonette</i>	£106,131 (88)	£112,787 (89)	£118,247 (95)	£133,856 (78)	£130,092 (80)
OVERALL	£167,318 (484)	£195,141 (566)	£176,796 (441)	£178,097 (403)	£192,416 (390)

Source: HM Land Registry, Property Price Data, 2002

APPENDIX A2 ADDITIONAL SURVEY DETAILS

A2.1 Introduction

This brief appendix provides details of response rates to key questions such as income and savings as well as providing some brief information about the treatment of missing data.

A2.2 Response rates to financial questions

Provided in the table below are details of the response rate to financial questions on the survey form, namely the information collected relating to households' levels of income and savings. This information is important in the assessment of housing need. Whilst it is inevitable that some households will refuse to answer this question (due to the sensitive nature of the information required) it is important that as many households as possible do provide the information required. This fact is stressed during the interviewer/surveyor briefing stage of the survey.

Table A2.1 Response rates to financial questions

<i>Response</i>	<i>Income question</i>	<i>Savings question</i>
<i>Provided information</i>	92.5%	83.3%
<i>Stated "Don't Know"</i>	0.9%	5.3%
<i>Refused to provide information</i>	6.6%	11.4%
TOTAL	100.0%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

The level of response to both of the financial questions in the Cambridge City survey was excellent, in particular the response for the income question showed 92.5% of respondents provided information. This compares with a total of 83.3% of respondents who provided savings information. The good response to these important questions leads us to conclude that the statistical validity of the survey has not been jeopardised by a poor response to the financial questions on the survey form.

A2.3 Non-response and missing data

Missing data is a feature of all housing needs surveys: mainly due to a respondent's refusal to answer a particular question (e.g. income). For all missing data in the survey imputation procedures were applied. In general, throughout the survey the level of missing data was minimal. The main exception to this was in relation to financial information, where there was an appreciable (although typical) level of non-response.

Non-response can cause a number of problems:

- The sample size is effectively reduced so that applying the calculated weight will not give estimates for the whole population
- Variables which are derived from the combination of a number of responses each of which may be affected by item non-response (e.g. collecting both respondent and their partners income separately) may exhibit high levels of non-response
- If the amount of non-response substantially varies across sub-groups of the population this may lead to a bias of the results

To overcome these problems missing data was 'imputed'. Imputation involves substituting for the missing value, a value given by a suitably defined 'similar' household, where the definition of similar varies depending on the actual item being imputed.

The specific method used was to divide the sample into sub-groups based on relevant characteristics and then 'Probability Match' where a value selected from those with a similar predicted value was imputed. The main sub-groups used were tenure, household size and age of respondent. Additional specific sub-groups include recent movers, special needs households and households containing potential households.

APPENDIX A3 ADDITIONAL SURVEY INFORMATION

A3.1 Introduction

This appendix provides details of some questions asked as part of the housing needs survey but which have not been included in the main analysis of results. The additional analysis includes information about travel to work areas, migration issues and the Housing Register.

A3.2 Travel to work

The table below shows where households work – this is for both the survey respondent and their partner. Excluding those who are not in employment we find that 67.1% of respondents work in the Cambridge City Council area, 6.3% work in South Cambridgeshire. For partners (additionally excluding the ‘no partner’ category) we find that 70.2% work in the Cambridge City Council area and 6.4% in South Cambridgeshire.

Table A3.1 Location of employment

<i>Location of employment</i>	<i>Survey respondent</i>	<i>Partner</i>
<i>Work mainly at or from home</i>	2,720	928
<i>In the Cambridge CC area</i>	15,452	10,635
<i>In the South Cambs DC area</i>	1,448	966
<i>In the East Cambs DC area</i>	155	69
<i>In the Huntingdonshire DC area</i>	291	492
<i>In the Fenland DC area</i>	59	236
<i>In Norfolk</i>	103	0
<i>In Suffolk</i>	244	224
<i>In London</i>	573	550
<i>Elsewhere in the South East</i>	883	588
<i>Elsewhere in the UK</i>	1,023	362
<i>Abroad</i>	80	99
<i>Not in employment</i>	18,930	6,643
<i>No partner</i>	-	20,168
TOTAL	41,961	41,961

Source: Cambridge City Council Housing Needs Survey 2002

The table below shows the distances households travel to work – this is for both the survey respondent and their partner. Excluding those who are not in employment we find that 17.8% of respondents travel in excess of nine miles to work. For partners (additionally excluding the ‘no partner’ category) we find this figure to be 17.1%.

Table A3.2 Distance travelled to work

<i>Location of employment</i>	<i>Survey respondent</i>	<i>Partner</i>
<i>Work mainly at or from home</i>	2,720	928
<i>Less than 1 mile</i>	4,058	2,395
<i>1 to 3 miles</i>	8,620	7,129
<i>4 to 6 miles</i>	2,409	1,705
<i>7 to 9 miles</i>	1,132	401
<i>10 to 18 miles</i>	1,198	658
<i>Over 18 miles</i>	2,894	1,932
<i>Not in employment</i>	18,930	6,643
<i>No partner</i>	-	20,168
TOTAL	41,961	41,961

Source: Cambridge City Council Housing Needs Survey 2002

A3.3 Migration issues

This section briefly studies migration issues in the Cambridge City Council area. The analysis concentrates on existing households and studies past movement (including the reasons for moving and where they moved from) as well as future expectations.

In total the survey estimates that 5,288 households moved to their current accommodation within the past five years. The tables below show the previous location of households who have moved into the City over the past five years and their reasons for moving. It can be seen that around 14% of households moved from South Cambridgeshire and a further 5.9% from Huntingdonshire. Nearly two-thirds of all household moves occurred from elsewhere in the South East, elsewhere in the UK and abroad. In terms of reasons for moving it can be seen that the main reason for households having moved to the Cambridge City are for employment reasons (67.1%). It should be noted that respondents could answer for as many reasons as applicable.

Table A3.3 Location of previous home (in-migrant households)

<i>Location of previous home</i>	<i>Number of households</i>	<i>% of households</i>
<i>In the South Cambs DC area</i>	732	13.8%
<i>In the East Cambs DC area</i>	89	1.7%
<i>In the Huntingdonshire DC area</i>	312	5.9%
<i>In the Fenland DC area</i>	32	0.6%
<i>In London</i>	727	13.7%
<i>Elsewhere in the South East</i>	536	10.1%
<i>Elsewhere in the UK</i>	1,559	29.5%
<i>Abroad</i>	1,303	24.6%
TOTAL	5,288	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Table A3.4 Reasons for moving home (in-migrant households)

<i>Reason for moving home</i>	<i>Number of households</i>	<i>% of households</i>
<i>Previous home was too small</i>	221	4.2%
<i>Previous home was too big</i>	0	0.0%
<i>To set up first home away from family</i>	254	4.8%
<i>To take up/seek new employment</i>	3,549	67.1%
<i>To study</i>	468	8.9%
<i>To receive/give care or support</i>	58	1.1%
<i>End of tenancy agreement</i>	0	0.0%
<i>To buy a home/different home</i>	138	2.6%
<i>Evicted/re-possessed</i>	0	0.0%
<i>To move to cheaper accommodation</i>	33	0.6%
<i>Relatives/friends unable/unwilling to accommodate</i>	0	0.0%
<i>Relationship breakdown</i>	0	0.0%
<i>To move to live with partner</i>	291	5.5%
<i>Victim of harassment</i>	0	0.0%
<i>To live in a better local environment</i>	522	9.9%
<i>Other</i>	478	9.0%
TOTAL	5,288	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

In terms of future household moves the survey estimates that a total of 10,086 households need to or are likely to move home within the next five years. Of these 4,800 indicated that they would like to move from the City. The tables below show the locations households would like to move to and the reasons for moving. The table shows that around a fifth of households would like to move to South Cambridgeshire and a significant proportion would like to leave the Cambridgeshire area entirely. It is also interesting to note when looking at the reasons for moving that the main reason for households moving from the area is to buy a home or different home.

Table A3.5 Preferred location of next home (out-migrating households)

<i>Preferred location of next home</i>	<i>Number of households</i>	<i>% of households</i>
<i>In the South Cambs DC area</i>	984	20.5%
<i>In the East Cambs DC area</i>	147	3.1%
<i>In the Huntingdonshire DC area</i>	91	1.9%
<i>In the Fenland DC area</i>	59	1.2%
<i>In London</i>	314	6.5%
<i>Elsewhere in the South East</i>	749	15.6%
<i>Elsewhere in the UK</i>	1,085	22.6%
<i>Abroad</i>	1,371	28.6%
TOTAL	4,800	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Table A3.6 Reasons for moving home (out-migrant households)

<i>Reason for moving home</i>	<i>Number of households</i>	<i>% of households</i>
<i>Current home is too small</i>	317	6.6%
<i>Current home is too big</i>	295	6.1%
<i>To take up/seek new employment</i>	1,619	33.7%
<i>To study</i>	253	5.3%
<i>To receive/give care or support</i>	138	2.9%
<i>End of tenancy agreement</i>	89	1.9%
<i>To buy a home/different home</i>	416	8.7%
<i>To move to cheaper accommodation</i>	261	5.4%
<i>To move to live with partner</i>	243	5.1%
<i>Victim of harassment</i>	76	1.6%
<i>To live in a better local environment</i>	698	14.5%
<i>Other</i>	1,296	27.0%
TOTAL	4,800	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

A3.4 The Housing Register

The survey estimates that some 1,252 existing households are currently registered on the Cambridge City Housing Register. It is of interest to briefly look at some characteristics of these households. The tables below therefore show registration and unsuitable housing and household income (and savings). The tables show that households on the register are much more likely than other households to be living in unsuitable housing. Additionally these households have very low income levels when compared with other households in the City.

Table A3.7 Unsuitable housing and registration on Housing Register

<i>On Housing Register?</i>	<i>Unsuitable housing</i>				
	<i>In unsuitable housing</i>	<i>Not in unsuitable housing</i>	<i>Number of h'holds in City</i>	<i>% of total h'holds in unsuitable housing</i>	<i>% of those in unsuitable housing</i>
Yes	376	876	1,252	30.0%	18.0%
No	1,715	38,994	40,709	4.2%	82.0%
TOTAL	2,091	39,870	41,961	5.0%	100.0%

Source: Cambridge City Council Housing Needs Survey 2002

Table A3.8 Household income by registration on Housing Register

<i>On Housing Register?</i>	<i>Average gross annual household income (excluding benefits)</i>		<i>Average net weekly household income (including non housing benefits)</i>		<i>Average amount of savings</i>
	<i>Mean</i>	<i>Median</i>	<i>Mean</i>	<i>Median</i>	
	Yes	£7,294	£6,500	£184	
No	£22,605	£18,200	£380	£300	£4,866
ALL HOUSEHOLDS	£22,148	£16,900	£374	£292	£4,770

Source: Cambridge City Council Housing Needs Survey 2002

A3.5 Preferences of future intended movers

The survey collected information on households needing to move within the next five years. Those indicating a need to move were specifically asked to indicate whether they would be interested in moving to one of four specific areas. The results of this question are presented in the table below.

Table A3.9 Interest in moving to specific locations

<i>Location</i>	<i>Yes</i>	<i>No</i>	<i>Total</i>	<i>% yes</i>
<i>Newly-built extensions to Cambridge</i>	2,283	7,803	10,086	22.6%
<i>Cambourne</i>	1,766	8,320	10,086	17.5%
<i>New settlement at Oakington/ Longstanton</i>	1,783	8,303	10,086	17.7%
<i>Market town close to Cambridge</i>	2,767	7,319	10,086	27.4%

Source: Cambridge City Council Housing Needs Survey 2002

The table indicates that the strongest interest is for a market town close to Cambridge. Some 27.4% of all households indicating a need to move over the next five years stated an interest in such a location. This contrasts to only 17.5% of such households who indicated they would be interested in moving to Cambourne.

APPENDIX A4 FURTHER DETAILS FROM DTLR GUIDANCE

A4.1 Introduction

The Housing Needs Survey report follows the 'Basic Needs Assessment Model' set out by DTLR. However the DTLR guide (which runs to 171 pages) also contains more detailed information about Housing Needs Surveys, some of which may be relevant in the case of Cambridge City. This appendix firstly considers a more detailed discussion of the key stages in the model, this is followed by discussion of some of the other information contained within the Guide.

A4.2 Detailed discussion of key stages in the procedure

Some of the Stages in the Guide procedure are fairly straightforward. Others involve a considerable amount of analysis to achieve. We will provide some discussion of key aspects of the various stages in the procedure shown in Table 2.1 of the Guide (and reproduced in Chapter 1 of this report).

Stage 1 – Backlog need existing households

This is basically an assessment of the suitability of households' current housing. Table 4.2 of the DTLR document shows a classification of unsuitable housing. Analytically this is the main part of the overall assessment of housing need. This is replicated below:

Table A4.1 A classification of unsuitable housing (from Table 4.2 of DTLR *Local Housing Needs Assessment: A Guide to Good Practice*)

Main category	Sub-divisions
1. Homeless or with insecure tenure	i. Under notice, real threat of notice, or lease coming to an end
	ii. Living in temporary accommodation (e.g. hostel, B&B, with friends or relatives)
	iii. Accommodation too expensive
2. Mismatch of household and dwelling	iv. Overcrowded
	v. Home too large (difficult to maintain)
	vi. Households with children living in high rise flats or maisonettes
	vii. Sharing a kitchen, bathroom or WC with another household
	viii. Household containing person with mobility impairment or other special needs living in unsuitable dwelling (e.g. accessed via steps or containing stairs)
3. Dwelling amenities & condition	ix. Lacks a separate bathroom, kitchen or inside WC
	x. Subject to major disrepair or unfitness
4. Social requirements	xi. Harassment or threats of harassment from neighbours or others living in the vicinity
	xii. Relationship breakdown
	xiii. Family unable to live together because of lack of accommodation
	xiv. Need to give or receive support including living closer to family/friends
	xv. Need to live closer to employment and/or other essential facilities
	xvi. Want to live independently

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

In Chapter 6 of this report we ran through most of the 16 sub-divisions shown above. There are however a number which are not considered in the main housing suitability analysis. These are described below.

ii. Living in temporary accommodation

Households living in temporary accommodation are certainly in unsuitable housing, however, these needs are considered separately from the needs of existing households and hence do not form a part of the unsuitable housing classifications used in this report. These households are included under the separate heading of ‘homeless households’ in Chapter 6 and included at Stage 4 of the ‘Basic Needs Assessment Model’ (see below).

xii. Relationship breakdown

It is difficult to see how this can form part of a backlog of housing need. Relationship breakdown can undoubtedly cause a household to be unsuitably housed, however, this is mainly going to be part of any projection of future need (see Chapter 7). In any case the numbers are likely to be relatively small and difficult to assess through a household based survey. Households currently in need due to relationship breakdown should be included as part of the 'backlog' need of potential households (see Chapter 6) and are hence included in the report (although not explicitly).

xvi. Want to live independently

This would not normally be considered to be an unsuitable housing category. Households wanting to live independently (potential households) are able to be in housing need (see Chapters 6 & 7), however, these needs are considered separately from the needs of existing households and hence do not form a part of the unsuitable housing classifications used in this report.

Stage 2 – cases where 'in-situ' solution most appropriate

For each of the unsuitable categories described above an assessment is made about whether or not a move to different housing is the most appropriate solution. This is assessed by looking at household's statements about moving home and can be found in Chapter 6.

Stage 3 – times proportion unable to afford to buy or rent in market

This is the assessment of affordability; dealt with in some detail in Chapter 5.

Stage 4 – Backlog (non-households)

This is potential and homeless households. The main bulk of backlog need will usually be existing households. However there will also be homeless households in temporary accommodation (see above) who will also be in need and who would not have been included in the main analysis of unsuitable housing (see Chapter 6). In addition it is assumed that potential households with an indication of the need to move immediately are part of the backlog. Any potential household with a need to move at a point in the future is considered as part of the projection of need. The potential households data is considered more fully in the relevant sections of this report (Chapters 6 & 7).

Stages 5 to 7

These are purely calculations and are considered in Chapter 6 of this report.

Stages 8 to 13 – Newly arising need

This is the projection of future need. Chapter 7 of the report discusses this in more detail.

Stages 14 to 17 – Supply of affordable housing

The main source of supply of affordable housing is relets of existing social housing. This is assessed by considering general patterns of supply in the social rented stock over the last three years from H.I.P. information and is dealt with in Chapter 8 of this report.

A4.3 The use of secondary data

(i) Housing Registers

The DTLR guide suggests that there may be other methods for collecting information required as part of a Housing Needs Survey (other than through primary questionnaire based research). One of the main sources for this is the Housing Register.

DTLR guidance [Section 2.4 (page 24)]

'For many of the elements of this calculation [the Basic model] there may be more than one potential source of information. This may be valuable for cross-checking estimates, but there are likely to be some differences.'

DTLR guidance [Section 2.4 (page 24)]

'Housing Registers have traditionally been the main immediate and ongoing source of information of need and demand for social housing. Where housing needs surveys are available, they are likely to be most useful for monitoring and updating demand [need] estimates over time between surveys.'

DTLR guidance [Section 2.4 (page 24)]

'for monitoring new need, it is essential to monitor the number of new applications and the number of existing applicants whose application is deleted or suspended on re-registration.'

The DTLR guide (from the quotes above) recognises that the Housing Register is really a secondary source of information and is best used as a means of monitoring changes over time (as needs data becomes more out of date). It also recognises that in monitoring the Housing Register it is important not to look at the total numbers registered but the dynamics of the List. It has been a common misconception that a static Housing Register means that there is no increase in housing need in an area.

Information provided in *'Housing Need and the Need for Housing – Fordham et al (1998)'* suggests *'It has been our observation over a period of years that Housing Register totals are often remarkably stable over time. This is despite the fact the Registers are typically rapidly changing: upwards of a third or half the Housing register households may change each year. This is a striking feature, and potentially significant'*.

(ii) Household projection data

At first hand it seems logical that household projection data might be able to provide information about the likely future change in the need for affordable housing. This however is often not the case. This is because such projections are not usually broken down into a useable form (e.g. containing separate information about household formation and dissolution (mainly through death), and in/out-migration trends). In fact most projections are based on populations (i.e. births, deaths and migration) and then household estimates derived by applying headship rates to the data. It is separate data about household formation which would be particularly useful for a Housing Needs Survey. This fact is recognised by DTLR.

DTLR guidance [Section 7.2 (page 93-94)]

'It is important to distinguish net and gross household formation. In the past some local needs assessments undertaken by consultants have used net household growth as a basis for projecting forward gross household formation. This is not strictly correct, although there may be a relationship between these numbers'.

Household projection data can however be useful in deriving an estimate of the number of households in an area at the time of carrying out a survey – although other information sources can also be used (e.g. H.I.P. returns or the Register (usually Council Tax) from which the original survey sample was drawn).

A4.4 Concealed/potential households

This section concerns the methods used to highlight the numbers of potential households in the survey and also the measure of affordability for these households. This has been a topic of much debate (even within the DTLR's own guidance).

(i) Numbers of potential households

The first point concerns the actual numbers of potential households in the survey. Methods of collecting this data are slightly contradictory in the DTLR guidance.

DTLR guidance [Section 4.4 (page 60)]

*'Potential households are... those adults and families who currently live in other household units but **wish** or **intend** to move out and live separately'. (our emphasis)*

DTLR guidance [Section 4.4 (page 60)]

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

The Housing Needs Survey asked households if they needed or were likely to move home (in a given time period). The guide suggests that it should be possible to validate figures by looking at past trends in the numbers of households forming. There are problems with this (particularly as such a group are likely to be particularly mobile) however it is agreed that the survey has scope to check the numbers of households forming in the past with those forming in the future.

DTLR guidance [Section 4.4 (page 61)]

'A... reliable approach to this issue is to base the profile of new households on the characteristics of identified newly forming households in the recent past. This draws on information about the former housing circumstances of recent movers identified in the survey – i.e. those households who had recently moved into their current home and who were not previously head or partner of an existing household'.

The Guide, however, also advises caution with this approach.

DTLR guidance [Section 2.4 (page 25)]

'... even here care is needed. Some potential households may not have been able to form owing to [a] lack of suitable, affordable accommodation'.

APPENDIX A5 UPDATING THE SURVEY

A5.1 Introduction

Updating of surveys is an important issue: surveys cost a lot of money and cannot be repeated very frequently. It is not always obvious to a council that any immediate practical advantage will follow from a survey: it is more a matter of meeting a Government requirement. However, the pressure on councils arising from Best Value and Business Planning, means that the data from such surveys is becoming more and more valuable.

We will review what the DTLR Guide (July 2000) says on the matter before adding our own comments on what can usefully be done.

A5.2 What the Guidance says

The Guide says (Section 3.4) that surveys should be repeated 'every five to seven years'. It adds (p 52) that Councils should consider commissioning surveys every 3-5 years. This allows a wide range of choice for re-doing the full survey. The best choice will depend on local judgement as to the rate of change of key circumstances in each district.

In addition to the question of when to re-do the main survey, there is the question of what should be done to update the information during the 3-7 year gap between surveys. The Guide points out, in the same section, that while demographic changes are fairly predictable over a five year period, issues such as migration, property prices and incomes can be more volatile.

The Guide then points out that main surveys are very expensive, thus putting a premium on other means of updating. It canvasses the idea of postal update surveys, but adds that other approaches, such as updating the original dataset with new price information '*may be more robust than a postal survey update*'. Various suggestions are made in other parts of the Guide about projecting key information.

DTLR Circular 6/98 (on affordable housing) also contains a relevant comment. In relation to local plan policies on affordable housing, and how to define effectively that it is affordable to those in housing need, it says:

'Definitions [of affordability] should be framed to endure of the life of the plan, for instance, through reference to the level of local incomes and their relationship to house prices or rents, rather than to a particular price or rent' para 9 (a)

As can be seen, this advice is geared to establishing reference to some index which can be updated during the 5-10 period of a local plan. Thus for example it could be a number such as that affordable rents must not exceed X% of current incomes. This is another aspect from which the updating of housing needs information can be crucial, since Housing Needs Surveys are the sole reliable source of household income information.

A5.3 Updating in the context of this survey

Following the Guidance, it does not seem sensible to pursue the course of a postal update. *Fordham Research* has used them in the past, to provide a broad-brush check that the information in the HNS has not fallen significantly out of date. Such postal surveys can do this, but they cannot be used to literally update the primary data.

What we have done instead, often in the context of HNS done before the DTLR Guide was published, is to update the survey for the change in Government guidance, and at the same time undertake the property price/rent survey again and project the incomes in the HNS to check whether prices have moved ahead faster than incomes (as they normally have). In that case, we can say with confidence that the housing needs situation will not have got any better, and will probably have got worse than at the time of the original survey.

This kind of analysis is quite feasible and provides updated information for housing strategies and planning inquiries that cannot reasonably be challenged.

The further possibility, that is currently being investigated by *Fordham Research*, arises from a suggestion in our book *'Housing Need and The Need for Housing'* (Ashgate 1998, pages 288-89). The suggestion was to link key categories of unsuitable housing from the HNS to those used in the Housing Register. This proposal was repeated in the DTLR Guide (p 103, bottom bullet point). It offers a way of automatically updating the housing needs evidence between surveys.

A5.4 Summary

Keeping survey data as up-to-date as possible is an important consideration for any Local Authority carrying out housing needs surveys. There are many ways suggested of keeping results up-to-date (without carrying out full scale surveys) but the easiest and most defensible appear to be to monitor changes in the local housing market and income levels to predict whether or not housing in a local area has become more or less affordable.

APPENDIX A6 SURVEY QUESTIONNAIRE

