

Fylde Housing Needs Assessment, March 2012

Introduction

This updated Housing Needs Assessment is based on the CLG methodology [Strategic Housing Market Assessments Practice Guidance, Version 2, CLG, 2007]. It uses secondary information sources to estimate the total need across the borough and updates the existing estimate of need from the Fylde Coast Strategic Housing Market Assessment 2008.

Stage 1: Current housing need (gross)

Step	Data items
1.1 Homeless households and those in temporary accommodation	Homeless agencies data, Priority homeless households in temporary accommodation
1.2 Overcrowding and concealed households	Census, Survey of English Housing, Local Housing Registers
1.3 Other groups	Housing Register, Local Authority and RSL transfer lists, Hostel move-on needs
1.4 Total current housing need (gross)	1.1 + 1.2 (+ 1.3)

1.1 Homeless households and those in temporary accommodation

As at December 2011, 11 households - 10 in temporary accommodation and 1 in 'barracks'

(Source: FBC housing options service)

1.2 Overcrowding and concealed households

Estimated 2.6% of the stock is overcrowded, equating to 860 households (Source FBC stock condition survey 2007)

Caution is needed on this figure due to the low sample numbers and the likely statistical error. Additionally many of these households will be able to meet their own needs without needing public support.

The 2007 housing needs survey suggested 395 households were in housing need because of over-crowding. 20% (55 in number) of all social lettings last year (CORE data) cited overcrowding as the reason for needing accommodation.

1.3 Other groups - Existing affordable housing tenants in need, and households from other tenures in need

Using New Fylde HA's gold and silver band as an indicator of housing need gives a total of 910 households (80 gold and 830 silver)

(Source: NFH waiting list information @ 17 Nov 2011)

New Fylde HA manage 80% of the borough's affordable housing, and further households in need are on other housing providers' waiting lists. There will be an updated and single consolidated housing register after Fylde Coast Choice Based Lettings goes live in March 2012, but in the meantime, if the 910 figure is scaled up to add in people in housing need from other housing providers' waiting lists, then a figure of 1,138 is produced. A small reduction to allow for some applicants being on more than one waiting list suggests that we allow for 1,100 people currently on waiting lists and in housing need.

There will also be other households in need who have not registered on any waiting list, often because they know that the right kind of housing to meet their needs is unavailable.

1.4 Total current housing need (gross)

11 in temporary accommodation +
510 currently overcrowded +
1100 in priority need on waiting list
= 1621

However it is likely that the gold and silver banded households are already representing a significant number of overcrowded households and the summation above will have a significant measure of double counting within it. 55 overcrowded households were allocated social tenancies last year (CORE data). It would probably be safer to exclude overcrowded households and the summation would then be:

11 in temporary accommodation +
1100 in priority need on waiting list
= 1111

Stage 2: Future need

Step	Data items
2.1 New household formation (gross per year)	Census, SEH (from Chapters 3 and 4)
2.2 Proportion of new households unable to buy or rent in the market	Entry level rents/property prices identified in Chapter 3, SEH, Mortgage lenders, LA/RSL databases
2.3 Existing households falling into need	Housing register, LA/RSL data, tenant surveys
2.4 Total newly arising housing need (gross per year)	(2.1 x 2.2) + 2.3

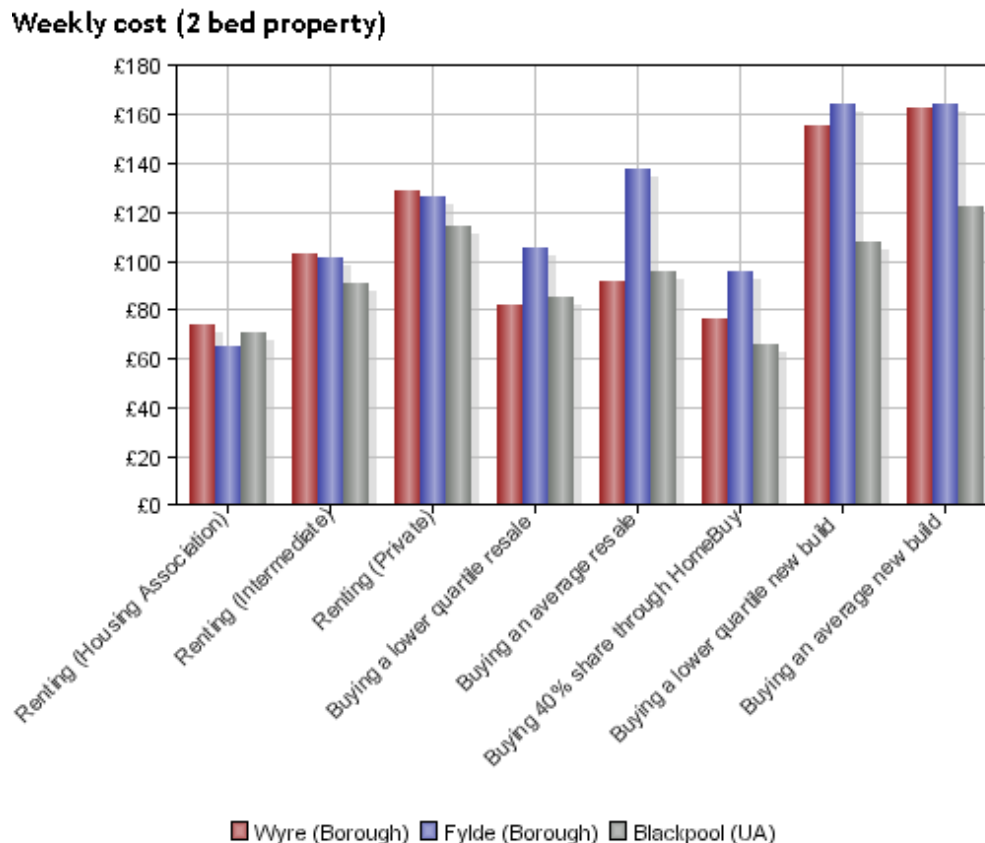
2.1 New household formation (gross per year)

ONS 2008-based forecasts of household growth (the latest available at the local authority level) suggest that there will be an average of 200 additional households each year in the five years 2008-13 and the same rate of growth in the following five years to 2018.

Therefore, over the next five years from 2012 - 2017, it is predicted that on average, there will be growth in household numbers of 200 additional households per year.

2.2 Proportion of new households unable to buy or rent in the market

The cost of buying in the Fylde area generally exceeds the costs of renting, although the precise difference in costs varies between areas and accommodation types. The relative costs of buying and renting average priced 2 bed accommodation are shown below:



Source: Hometrack, July 2010

The weekly cost of buying is significantly affected by interest rates. While these are currently at historically low rates, they will surely rise in due course. A prudent assumption for the future may be typical mortgage rates of 5%, and indeed, this is what the market is currently offering for very long term (10 year) fixed rate deals.

The latest indicators of market prices and market rents are as follows:

Property Size / Level in market	Cost to Buy (Source: Land Reg, Q2 11)	Cost to Rent (Source:VOA, June 11)	Annual Household Income required
Median All Properties	£155,000 £7,750 p.a @ 5% interest-only		£44,486

Property Size / Level in market	Cost to Buy (Source: Land Reg, Q2 11)	Cost to Rent (Source:VOA, June 11)	Annual Household Income required
Lower Quartile All Properties	£120,250 £6,012 p.a @ 5% interest-only		£34,357
Median 1 bedroom		£400 pcm £4,800 p.a	£16,000
Median 2 bedroom		£550 pcm £6,600 p.a	£22,000
Median 3 bedroom		£650 pcm £7,800 p.a	£26,000

CLG guidance [SHMAs Practical Guidance, 2007] suggests that it should be considered unaffordable to buy a home if it costs more than 3.5 times joint income or 2.9 times a single income. This also reflects typical income to loan ratios that are currently available in the mortgage market.

There is no definitive measure for what constitutes an affordable proportion of income that should be spent on rent, but 30% of gross income is a commonly used measure.

Incomes are currently as follows:

Median gross pay for Fylde residents (Source ASHE April 2011) - £414.40 pw = £21,632

Median gross pay for people working in Fylde (Source ASHE April 2011) - £465.50 pw = £24,299

Household incomes in Fylde in 2011 have been estimated by Lancashire CC based on CACI data as:

Mean gross household income - £37,000 - £38,000

Median gross household income - £31,000 - £32,000

We need to look at the distribution of incomes to understand how many households are potentially unable to afford to buy or rent their own home without further assistance. Information from Paycheck in 2007, gathered to inform the NW Housing Needs Assessment, found that gross mean household income at that time was £33,500 and that the breakdown in earnings was as follows:

Annual Income (£'000s)	Up to £5	£5-10	£10-15	£15-20	£20-25	£25-30	£30-35	£35-40	£40-45	£45-50	£50-55	£55-60	£60 or more
% of h/holds	3.2	6.8	10.3	11.9	11.8	10.6	9.1	7.5	6.1	4.8	3.8	3.0	10.9
Cumulative %	3.2	10.0	20.3	32.2	44.0	54.6	63.7	71.2	77.3	82.1	85.9	88.9	99.8

While the mean household income is now estimated to be 10% higher than in 2007, this distribution of incomes still provides the best available breakdown of income distribution.

It can be seen that buying a home at the current median price would require a joint household income of £44,486 and would be unaffordable to 77% of households. Buying at the lower quartile price would require a household income of £34,357 and would be unaffordable to 63% of households.

If it is assumed that purchasers are able to save (or have equity worth) 10% of values, then the amount of household income required reduces to £39,857 for a median priced property and £30,921 for a lower quartile property. **On this basis, buying a lower quartile property would be unaffordable to around 55% of households – those with incomes below £30,000.**

However, as noted above, it is generally more affordable to rent in the open market than to buy in Fylde.

The annual income required to make it affordable to rent a 1 bedroom home is £16,000, and this makes a 1 bedroom home unaffordable to around 22% of households.

The annual income required to make it affordable to rent a 2 bedroom home is £22,000 and this makes a 2 bedroom home unaffordable to around 37% of households.

The annual income required to make it affordable to rent a 3 bedroom home is £26,000, and this makes a 3 bedroom home unaffordable to around 46% of households.

Note that Shelter issued a report in October 2011 suggesting that according to their data on income distribution, and assumptions on affordability, a 1 bedroom home for rent in Fylde is unaffordable to 22% of households, a 2 bedroom home is unaffordable to 30% of households, and a 3 bedroom home is unaffordable to 36% of households (Shelter, "Analysis of local private rent levels and affordability"). This corroborates the above figures of the proportion of households for whom a 1 bedroom home would be unaffordable, but suggests that larger properties would be affordable to slightly more people than estimates based on 2007 income distributions suggest, probably because incomes have risen since 2007.

Considering the range of household sizes in Fylde, 32.6% of households are single person, 37.6% are two people, 13.6% are three people, and 11.3% are four people (source: Housing Needs Survey 2007). So 70.2% of households consist of one or two people, and around 60% of households are likely to need only a one bedroom property (70% minus many of the 6% who are single parents, and households consisting of two single adults). Most of the rest would find a two bedroom property large enough. If we assume that on average 1.4 bedrooms are needed, then the notional average household income required to rent would be £18,400. This would be unaffordable to around 28% of households.

Applying these percentages of households who cannot afford to buy or rent a home to the figure of 200 additional households that are likely to arise each year suggests that 56 additional households will be in housing need each year.

The Fylde Coast SHMA published in 2008 assumed that the incomes of new households would typically be much lower than median incomes, but this is hard to substantiate in Fylde, especially when household growth is driven by positive net in-migration and smaller household sizes, associated with growth in older age groups, rather than by natural

population change that is associated with growing numbers of younger households. The average income of new households may very well be less than average incomes for all households, but there is no way of getting a definitive figure. Further, even with an aging population, there are significant numbers of newly emerging young households with modest incomes who find it hardest of all to meet their own housing needs in an area with relatively high house prices.

It is hard to predict future house price and rent changes, but current predictions suggest static house prices but rents rising steadily. Historically, market rents have risen in close correlation to incomes, although incomes are unlikely to rise significantly in the next few years because of continuing low economic growth.

2.3 Existing households falling into need

Between 14 Nov 2010 and 17 Nov 2011, 189 existing households fell into need as expressed by new allocation of gold or silver banding (28 gold and 161 silver) to the New Fylde HA waiting list. (Source NFH waiting list information). This needs to be adjusted to allow for households falling into need and registering with other affordable housing providers, suggesting a figure of $189 / 80\% = 236$.

If we assume that 56 of these households were new households (as at 2.2 above), then the number of existing households falling into need each year is 180.

2.4 Total newly arising housing need (gross per year)

The total newly arising housing need per year is calculated by simply adding together the new households falling into need from section 2.2 and the existing households falling into need from section 2.3. This produces a figure of 236 households per year.

Stage 3: Affordable housing supply

Step	Data items
3.1 Affordable dwellings occupied by households in need	Housing Register, Local Authority and RSL transfer lists, Over-crowded data
3.2 Surplus stock	Local Authority and RSL records
3.3 Committed supply of new affordable housing	Development programmes of affordable housing providers (RSLs, developers, LAs), Regeneration\Pathfinder Schemes, including conversions and intermediate housing products
3.4 Units to be taken out of management	Demolition and conversions programmes of LAs, RSLs, Regeneration\Pathfinder Schemes
3.5 Total affordable housing stock available	$3.1 + 3.2 + 3.3 - 3.4$
3.6 Annual supply of social re-lets (net)	Lettings/voids system for providers, LA and RSLs, CORE data for RSLs, HSSA data
3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	LA, RSL and other providers' letting/voids system and data on re-sales of sub market LCHO or shared equity schemes
3.8 Annual supply of affordable housing	$3.6 + 3.7$

3.1 Affordable dwellings occupied by households in need

The transfer list information includes 112 households in need (39 gold and 73 silver). These households are already included in the overall count of current need as expressed earlier by total gold and silver banded households. It is assumed that they will be re-housed within 5 years and will thereby release 112 homes over 5 years – equivalent to 22 per annum.

3.2 Surplus stock

Nil

3.3 Committed supply of new affordable housing

In 2011-2012 committed new supply is 41 social rent and 40 shared ownership. Committed supply in 2012-2013 is currently 20 rent and 6 shared ownership. Other supply will probably come on stream from the national AHP and probably through the planning process. The average committed over this year and next is therefore 54 per annum.

(Source FBC housing services monitoring information)

This 54 committed each year also correlates with average historic delivery rates, and is slightly below the target of 60 each year to 2012 set out in the Fylde Coast Housing Strategy 2009.

Only a proportion of the 54 committed each year will meet the housing needs of people on housing waiting lists and new households in need because just over 40% of the planned supply is shared ownership. While shared ownership will assist households to buy who would otherwise not be able to afford to do so, it is not accessible to most people counted as in housing need - most do not have sufficient income or consistent employment record to get the required mortgage. Therefore, only 60% of the committed supply can be counted as meeting the housing needs counted in Sections 1 and 2 of this assessment - 32 units per year.

3.4 Units to be taken out of management

Nil

3.5 Total affordable housing stock available

This is 3.1+3.3 = 54 per annum

3.6 Annual supply of social re-lets (net)

Average over last 5 years CORE data is 264 re-lets (178 general needs and 86 sheltered/supported).

3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels

Nominal due to limited supply but suggest say 10 per annum.

3.8 Annual supply of affordable housing

$$264 + 10 = 274$$

Stage 4: The housing requirements of households in need

4.1 Choices within the existing affordable housing stock	Choice Based Lettings, Tenants surveys, Turnover rates from Chapter 3, CORE
4.2 Requirements for affordable housing of different sizes	Housing Register, Vacancy and Turnover rates from Chapter 3, Household projections
4.3 Private rented sector	Housing benefit records, HMO

4.1 Choices within the existing affordable housing stock

Tenants and prospective tenants of affordable housing have preferences for areas where they need to live, and for different kinds of affordable housing. These preferences will be further analysed using information from the new MyHomeChoice Fylde Coast choice based lettings system that will come into use from May 2012, and through housing needs surveys. It is assumed that these choices do not affect the overall numbers of affordable homes required.

4.2 Requirements for affordable housing of different sizes

From CORE data 2010/11, general needs allocations comprised:

1 bed 35 units 12.6%

2 bed 170 units 61.4%

3 bed 63 units 22.7%

It is important to note that this balance of sizes is driven as much by the supply of the existing stock of affordable homes as by needs. A higher proportion of those in housing need require for 1 bedroom accommodation than is found in the existing affordable housing stock, and there is very little provision of large family accommodation for those in housing need who need it.

Also, a significant minority of the affordable housing stock in Fylde is sheltered housing that is only available to older people - in the last 5 years, just under a third of all lettings of affordable housing have been sheltered housing.

4.3 Private rented sector

As well as providing homes to people who can afford to pay market rents from their household incomes, the private rented sector clearly has an important role to play in housing people whose housing costs are met by Housing Benefit (now based in the private rented sector on a standardised Local Housing Allowance). Therefore, many households counted as not being able to afford to meet their own housing costs in Fylde have their housing provided in the private rented sector rather than through the supply of affordable housing managed by housing associations. There were 1,560 tenants in the private rented sector in Fylde receiving Local Housing Allowance in March 2010 (Source: DWP, Impacts of HB Reforms, July 2010).

To understand the impact of the private rented sector on future needs for affordable housing, we have to take a view on the extent to which the private rented sector will be able to accommodate people in future who cannot meet their own housing costs. This could be through lettings of existing stock to new tenants as existing tenants move into other tenures or pass away, or expansion / contraction in the total number of private rented properties let to people who can't meet their own housing costs.

Broad assumptions on turnover may be that in any given year, around 5% of recipients of LHA in the private rented sector move into another tenure (mostly the social rented sector, as few on low incomes could move into owner occupation), and around 2% pass away. This would release 7%, or around 110 tenancies for new tenants who cannot meet their own housing costs, but it is impossible to measure a precise number.

The total size of the private rented sector has been increasing over the last 10 years or so, including that element (around a third) that is let to people receiving the Local Housing Allowance. However, reductions and restrictions in the LHA introduced from 2011 onwards mean that it will be much less attractive for landlords to let their properties to people who cannot meet their own housing costs. It is impossible to predict future changes in the supply but it is unlikely that increasing numbers of privately rented properties will be available to people who cannot meet their own housing costs and there might well be a reduction in this supply because of the changes to LHA.

The private rented sector is not suitable for all households in need - the quality of homes is less consistent than in affordable housing, but importantly, it provides much less security of tenure. This is most likely to be a problem for families with children and for older people, who need to be able to plan for the future on the basis that they have a secure home for several years to come.

Stage 5: Bringing the evidence together

Stage	Calculation	Number
Stage 1 - Current Need (Gross)		
1.1 Homeless households and those in temporary accommodation	1.1	11
1.2 Plus Overcrowded and concealed households	1.2	n/a
1.3(a) Plus Current Occupiers of Affordable Housing In Need	1.3(a)	1100
1.3(b) Plus Households from Other Tenures In Need	1.3(b)	
1.4(a) Equals Total current housing need (gross)	1.1+1.2+1.3(a) +1.3(b)	1111
1.4 (b) Current housing need per annum (if Total need met over 5 years)	1.4(a) / 5	222

Stage	Calculation	Number
Stage 2 - Future Need		
2.1 New Household Formation (Gross Per Year in next 5 years)	2.1	200
2.2 <i>Of which</i> , New households unable to buy or rent in market	2.2	56
2.3 <i>Plus</i> Existing households falling into need	2.3	180
2.4 Equals Total newly arising housing need per annum	2.2+2.3	236
Stage 3 - Affordable Housing Supply		
3.1 Affordable homes currently occupied by households in need (annual re-lets to transfer tenants in need)	3.1	22
3.2 <i>Plus</i> Surplus stock (arising from reduced vacancy rates) per annum	3.2	0
3.3 <i>Plus</i> Committed supply of new affordable housing per annum (to March 2015)	3.3	32
3.4 <i>Minus</i> Units to be taken out of management per annum	3.4	0
3.5 Equals Adjustments to affordable housing stock available per annum	3.1+ 3.2 + 3.3 - 3.4	-54
3.6 Annual supply of social re-lets (net)	3.6	264
3.7 <i>Plus</i> Annual supply of intermediate affordable housing available for re-let or resale at sub market levels	3.7	10
3.8 Equals Total Annual supply of affordable housing	3.5 + 3.6 + 3.7	328
3.9 Balance of Need and Supply of Affordable Housing Per Annum	1.4(b) + 2.4 - 3.8	130
3.10 Total New Supply of Affordable Housing Required Per Annum, including Committed New Supply	3.9 + 3.3	162