

## **Chapter Six- Current Housing Need and Affordability**

### **6.1 Introduction**

- 6.1.1 This chapter presents data on current unmet needs within the region, drawing on and integrating different data sources. This is followed by an analysis of affordability, leading into a presentation of key findings on the overall modelling of affordability and current housing need. Some information is presented at Zonal level, for further details see appendices. This chapter does not go into questions of the size/type mix of housing supply and requirements. This is addressed in Chapter 9.
- 6.1.2 This chapter is deliberately focussed on the 'current' position. This is generally interpreted as being about the base year of 2006, but referring in some cases to years on either side of that. The Forecasts are built up from 2001 actual census data so some figures can diverge slightly from 2006 estimates but these are not considered significant or are cautious so as not to give over estimates of need. Much of the research in this study has been directed towards making forward forecasts of need over a 15-year period. These are presented in Chapter 7, with an assessment of the impact of some variant scenarios in Chapter 8.

### **6.2 Establishing backlog need**

- 6.2.1 In this section we discuss analyses of various sources of evidence on the extent and nature of existing housing needs in the WoE population, often referred to as the 'backlog' of need. The prime source of evidence used in the modelling of overall needs down to Zonal level in WoE is a special count from the Housing Registers of the constituent authorities in 2007, although this is evidenced against and confirmed by data from national sources. Most of the authorities in WoE have common housing registers for social rented housing, although allocation and priority systems vary. Representatives of the housing service from each authority met to define and agree a 'minimum need' filter which could be applied to the data, so that the main count used refers to households who exhibited some level of need, consistent with the Guidance. This resulted in a rigorous process of eliminating those without a documented housing need, a process which is discussed further later in this chapter. Allowance was made for households on registers with no fixed abode or living in other WoE authority areas. An additional 'filtered' count of households registered with the Zone Agent for intermediate housing was carried out and combined, eliminating known double-counting.
- 6.2.2 The Partnership was aware from the outset that Housing Registers, however well managed, do not provide a complete measure of need. Households with a housing need may choose not to register for a variety of reasons, including a

perception that chances of rehousing are low, or that properties available do not meet their needs. Conversely, some households may choose to register whose problems might be better solved in ways other than the allocation of a social rented housing unit. It was therefore agreed from the outset that the analysis of the Housing Register information would be supported by data from official national surveys providing evidence on the incidence of needs of different kinds at a broader national and regional level. This could provide some cross-check on numbers, particularly for the LA-level model. Analyses were therefore undertaken of both the Survey of English Housing (SEH) and the English House Condition Survey (EHCS). These two surveys measure some types of need in a similar way, while covering a somewhat different range of needs.

- 6.2.3 Table 6.1 summarises the findings from the analysis of SEH, with needs incidence expressed as a percentage of households. The table compares SEH figures for regions but also shows WoE separately from the rest of the South West. Although two years' data are pooled in the former case, the sample numbers for WoE are relatively low and subject to some sampling error. SEH figures excluding condition problems are compared with figures including house condition problems drawn from EHCS.
- 6.2.4 Six categories of need are identified in Table 6.1, two dealing with financial difficulties with mortgages or rents<sup>1</sup> respectively, one combining sharing and concealed households, one overcrowding (bedroom standard), poor house condition (based on EHCS) and a unsuitability. The affordability problems affect 1.1% of households in WoE (1.2% nationally); sharing/concealment 0.76% (1.7%); crowding 2.1% (2.4%), and unsuitability 0.9% (1.2%). Households with any of these needs (ignoring house condition) amounted to 4.7% in WoE (6.0% nationally). House condition problems would add about 4.4% (regional figure; against 3.6%) to these proportions. So on this basis backlog needs may be slightly lower in WoE than in the rest of South West but broadly similar to national figures. The WoE figures give a broad picture of the types of housing need arising which is supported by the more detailed local evidence.

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<sup>1</sup>The treatment of insecurity/unaffordability is slightly different in the SEH analysis than in the local Housing Register count; in the former, private households on 'full Housing Benefit' are treated as not having an affordability problem, whereas in the HR count they are treated as having a need as set out in the Guidance. It should be noted that the HB system for private renting is in a state of transition to a 'Local Housing Allowance' system, which arguably may change the situation somewhat. The treatment adopted in the SEH analysis was considered an appropriate, prudent approach to measuring households at risk of loss of tenancy under the then prevailing system. However the SHMA Guidance defines Private Renters in receipt of Housing Benefit as being in need therefore the numbers from the SEH are a conservative estimate of overall need.

6.2.5 Other detailed results from the EHCS analysis are not reported, as these are not exactly comparable. However, they broadly confirm the order of magnitude of the SEH numbers for concealed/sharing households and overcrowding, while suggesting a somewhat higher unsuitability incidence. Although EHCS figures for the incidence of more serious condition problems (filtered for affordability) are shown in the table, these are not included in the baseline backlog estimates, because it is assumed that generally 'in situ' solutions for these problems would be appropriate and therefore this does not contribute to the need for additional affordable housing units.

**Table 6.1: Existing Needs Analysis in Survey of English Housing 2004/05-2005/06 (percent of households)**

Region	Serious Mort Pay Difficulty	Serious Rent Pay Difficulty	Sharing / concealed	Overcrowding < Bedstd	Condition Problem (EHCS)	Unsuitable Housing	Any Need Exc Cond	Any Need Inc Cond	Ratio S.E.H.: Wtg List
NEast	0.21%	0.51%	0.70%	1.47%	4.04%	1.00%	3.66%	7.70%	0.50
YH	0.26%	0.63%	1.28%	1.31%	3.48%	1.19%	4.35%	7.83%	0.50
NW	0.48%	0.47%	1.24%	1.99%	3.16%	1.21%	4.90%	8.06%	0.96
EM	0.61%	0.48%	0.92%	1.40%	4.10%	1.14%	4.36%	8.46%	0.73
WM	0.57%	0.29%	1.68%	2.69%	3.29%	1.29%	6.13%	9.42%	1.27
SW	0.72%	0.67%	1.61%	1.46%	4.38%	1.02%	5.12%	9.50%	1.02
EE	0.52%	0.58%	1.07%	1.42%	2.62%	0.85%	4.23%	6.86%	0.92
SE	0.84%	0.85%	1.95%	1.59%	3.05%	1.08%	6.01%	9.07%	1.43
GLond	0.79%	0.85%	3.51%	6.61%	4.68%	1.58%	11.97%	16.65%	1.62
England	0.60%	0.62%	1.71%	2.42%	3.60%	1.17%	6.04%	9.64%	1.05
WoE	0.34%	0.80%	0.76%	2.10%		0.90%	4.68%		
RoSW	0.87%	0.62%	1.94%	1.21%		1.06%	5.29%		

Source: special analysis of SEH data for 2004/05 and 2005/06. Definitions of need categories including filters applied are given in Box 6.1.

6.2.6 The last column of Table 6.1 illustrates the ratio between need measured from SEH and the recorded Waiting List number from HSSA returns. This shows that needs in the West of England area are greater relative to waiting list numbers in the South West and other southern regions.

### **Box 6.1: Need Category Definitions and Filters used in SEH**

1. Serious Mortgage Payment Difficulties if either > 6mth arrears or 'find it very difficult' or 'falling further behind', and unable to buy based on income and local house prices, allowing for existing equity (<£20k) and age (<50).
2. Serious rental payment difficulties if service charge arrears > 3mth or affordability ratio (net) >50% or residual income ratio<1.0; only assigned to PR tenants and only if not on 'full HB' and not a FT student, and unable to buy as above..
3. Sharing/concealed: sharers, concealed families, or concealed singles>30, or sharing with another household, excluding students; filtered to exclude tenants able to buy; and owners able to buy and with significant equity (>£20k)
4. Overcrowding – below bedroom standard – excluding those able to afford to buy (including equity if owner) and under 50.
5. Unsuitability. (a) Families with children in high rise or caravan/boat, or (b) very elderly >75 or any with limiting illness/disability, and accommodation not suitable or very dissatisfied with home or. in higher flats (3rd floor & over) with no lift or security; or with very poor access to shops etc. and dissatisfied with area; restricted to (i) living in PRS unaffordable or (ii) in OO with no equity or affordability, and prefer to live in social sector or shared ownership.

6.2.7 The assessment of backlog need is based on a combination of the local register-based estimates and estimates derived from the SEH as described above. The incidence of need in SEH was estimated for different categories of Ward (based on CACI Ward Subgroups) for broad regions of England, and we took the resulting figures for ward groups in the broader 'south' region. These were then applied to the wards within WoE and aggregated back up to Zone and LA level. A final scaling adjustment was applied to reflect the difference in incidence shown in Table 6.1 above between WoE and the rest of the South. This provides an independent alternative to the local housing register based figures, with the resulting numbers shown in the fourth column of Table 6.2 below.

6.2.8 Further adjustments were made to the Housing Register figures, the results of which are also shown in Table 6.2. The figures in the first column of Table 6.2 are the total numbers of new applicants (excluding transfers) on the registers in 2007. The second column shows these numbers after filtering out households below the need threshold. This has the effect of reducing numbers by about a third on average (with a rather greater effect in Bristol). Further adjustments were then made: firstly to add back applicants with no fixed abode (NFA), where these

had not been allocated out to zones; secondly to add back half the applicants in need residing in WoE authorities other than the one whose register they were on (half to discount potential registration on multiple lists); thirdly to add applicants on the Zone Agent list for intermediate housing. The number added for the third category totalled 1941 across WoE, after filtering out applicants not approved, living outside WoE, registered on waiting lists, and with incomes above relevant thresholds to access the market (depending on size). The effect of these adjustments is to raise the locally-based backlog estimate to 18,959, still significantly lower than the SEH-based estimate but closer.

### **Box 6.2 Filtering the housing register**

Instead of setting a threshold **exclusion rules** were applied to the housing register to ensure that only those with a housing need were included in the backlog figure.

#### **The exclusion rules were:**

- Single people under 25 who only had points for sharing facilities;
- Households who only had points for insecurity of tenure, unless the authority had records to show that they were on housing benefit; and
- Households with no points for housing need but who may have had points for local connection or time on the list.

To avoid double counting of households on more than waiting list each authority produced information on the numbers of out of boundary applications and a percentage adjustment was applied to the whole list.

Owner occupiers who were on the register were included where there was an element of housing need and where they could not reasonably be expected to meet their own housing need in the market.

6.2.9 The final step was to take the average of the two estimates (from local registers and SEH) as the best estimate for the local backlog in 2007. This is shown in the final column of Table 6.2. This gives a total backlog of 21,500, with numbers for individual authorities ranging from 8,365 in Bristol to 1480 in Mendip. Housing Register numbers are higher than SEH-based numbers in North Somerset and West Wilts, and lower in the other authorities.

**Table 6.2: Comparison of Local Housing Register Existing Need with Estimates from SEH/EHCS**

Local Authority	HR Apps exc Trans total 2007	Applics > Thresh 2007	Adjusted Inc Inter, NFA, area	S.E.H. Based Estimate	Average of 2 ests 2007
B&NES	2,482	1,735	1,962	3,611	2,787
Bristol	8,364	5,104	6,931	9,800	8,365
North Som	4,091	3,435	3,830	3,409	3,619
South Glos	3,682	1,851	2,341	3,504	2,922
Mendip	1,193	767	1,099	1,858	1,478
W Wilts	3,780	2,688	2,797	1,864	2,330
<b>WoE</b>	<b>23,592</b>	<b>15,580</b>	<b>18,959</b>	<b>24,046</b>	<b>21,502</b>

Sources: Local Housing Register counts; Zone Agent list analysis; special analysis of needs in Survey of English Housing as per Box 5.1 assigned to WoE areas using ward subgroups by broad region.

6.2.10 Taking this as the base value for 2007, comparable figures for preceding years were then re-estimated using HSSA return numbers on waiting lists to indicate changes over time. The results of this procedure are shown in Table 6.3. overall the picture is one of a substantial increase in backlog needs over the period since 2002 of 43% within the WoE HMA.

**Table 6.3: Estimated Backlog Numbers for WoE Authorities 2002-07**

Local Authority	Backlog 2002	Backlog 2004	Backlog 2006	Backlog 2007	Increase % 2002-07
B&NES	1,115	1,544	2,562	2,787	150
Bristol	6,591	6,735	7,485	8,365	27
North Som	2,129	2,756	3,306	3,619	70
S Glos	2,676	3,779	3,509	2,922	9
Mendip	1,219	1,466	1,002	1,478	21
W Wilts	1,305	1,691	2,192	2,330	79
<b>WoE</b>	<b>15,036</b>	<b>17,972</b>	<b>20,055</b>	<b>21,502</b>	<b>43</b>

Source: composite baseline estimate for 2007 from Table 6.2; earlier years' based on HSSA Returns for Waiting List totals relative to 2007 values.

**Table 6.4: Shares of Housing Register Cases by Type of Need for Woe Authorities (percent)**

<b>Need Category</b>	<b>Percent</b>
Homeless	7.9
Insecure/unaffordable	31.1
Crowded	15.1
Unsuitable	8.8
Sharing	18.2
Disability/Health	14.3
Disrepair	2.1
Social Factors	2.4
Total	100.0

Source: Local Housing Register analysis.

6.2.11 From Table 6.4 above it is clear that the primary cause of affordable need is insecurity and unaffordability, with overcrowding, sharing and disability also significant factors.

6.2.12 Measures of backlog need have therefore been taken from a number of different sources. The approach has been to use the most prudent figures, in order to ensure the results are robust and defensible. This approach has been emphasised in the decision to plan to meet backlog need over a 10 year period, rather than the 5 year period suggested by the Guidance. The Partnership took the view that meeting 20% of the backlog need each year would give rise to unfeasibly high demand for Affordable Housing which could not be met. There is also evidence that backlog need has not been met over the previous 7 years, and indeed has been rising in that time. Planning to meet backlog need over a 10 year period is therefore an improvement on the existing position, as well as being a significantly more cautious assumption which the Guidance would allow, and is thus robust.

### **6.3 Current Assessment of Affordability**

6.3.1 The process by which affordability is calculated is illustrated in a detailed step-by-step fashion in Box 6.3 below. The examples shown here are based on the Zonal-level model, for two representative Zones, one with very high prices and rents (Bath City North) and one with relatively low prices and rents (Weston-Super-Mare) in 2006. The detailed zonal results are discussed in more detail later in this chapter, but these examples illustrate the process with concrete numerical examples. The logic of the LA-level affordability model is the same,

although some detailed figures differ slightly. Box 6.3 deals with access to market housing, to buy or to rent.

### 6.3.2 The basic criteria of affordability used are as follows

- Ability to buy based on income is assessed primarily on the basis of the 'Lending Multiplier' relating the size of mortgage to gross household income. Multipliers of 4.0 for single earners and 3.4 for two earners are used.
- A secondary test is applied, that households should retain enough residual income, after paying tax, NI and housing costs, to keep them above a poverty line set at 1.2 times the 'Applicable Amounts' used in the Housing Benefit and Income Support systems. In practice, this constraint does not bite much in WoE in 2006 (although it does in years 2009-2011), but the relevant net income figures are shown in the Box 6.2.
- Households are assumed to be able to afford private renting if the rent is less than 30% of their net income after tax and National Insurance (which the partnership agreed effectively equates to the 25% of gross income criterion recommended in the SHMA Guidance). The same secondary residual income test is also applied.

6.3.3 It is appropriate to comment briefly here on the relationship between the affordability criteria agreed by the Partnership in February 2008 and used in the modeling, and the SHMA Guidance. For house purchase the Guidance recommends using lending multipliers but suggests figures of 3.5 (one earner) and 2.9 (two earners). However, it goes on to suggest that these may be varied in particular circumstances, and the Partnership agreed to do so, on three grounds. Firstly, WoE is generally a higher priced area and in this context somewhat higher multipliers may be affordable without putting households into financial difficulty. Secondly, analysis of the Regulated Mortgage Survey (RMS) and its predecessor Survey of Mortgage Lending (SML) indicates that in the South West and similar regions a lot of first time buyers have been borrowing at higher levels than 3.5.

6.3.4 Thirdly, the residual income test referred to above ensures households are not pushed into poverty. Finally, the Guidance also refers to a criterion of housing costs being 25% of gross income, particularly in relation to intermediate sector and renting. It can be seen from Box 6.3 that the ratio of payments to gross income is very close to this level using the net income in the model. The ratios for private renting are close in all cases. The ratios for purchase are a bit higher (around 28%) for single purchasers, but that is an inevitable consequence of the higher lending multipliers used rather than the ratio of gross incomes. The

relative multipliers themselves are also based on evidence from SML, where the ratio of 0.85 for two-earner versus one-earner multipliers seems fairly consistent.

- 6.3.5 In light of recent turmoil in the financial sector leading to difficulties in obtaining mortgages, we have reviewed our assumptions but believe that these remain realistic for the medium term. They are evidence based, albeit drawing on historic data. They are also prudent i.e. if anything they reduce rather than increase the number of households assumed to be in need of affordable housing. The Partnership will monitor the situation in relation to mortgages at least annually, and if these assumptions are adrift of the market they will be adjusted. However, any assumption which reduces the amounts that borrowers are able to secure (away from 95%) will reduce the number of households able to buy market housing and therefore may increase the demand for market rented housing.

### Box 6.3: Worked Examples of Affordability Calculations

<b>Local Authority</b>	B&NES	B&NES	North Somerset	North Somerset	
<b>Zone</b>	Bath North	City North	Weston-super-Mare	Weston-super-Mare	
<b>Household</b>	Single	Couple	Single	Couple	
<b>Dwelling</b>	1 Bedrm	2 Bedrm	1 Bedrm	2 Bedrm	
<b>Year</b>	2006	2006	2006	2006	
<b>Market Purchase</b>	<b>Factor</b>				
Threshold (entry-level) House Price	148,800	162,518	85,560	104,160	
Deposit	5.0%	7,440	8,126	4,278	5,208
Mortgage	95.0%	141,360	154,392	81,282	98,952
Lending Multiplier	4.0	3.40	4.0	3.4	
Threshold Income to Buy (£ p.a. gross)	35,340	45,409	20,321	29,104	
- annual net income at threshold	25,726	34,522	15,663	23,597	
Threshold Income Amount per month	2,945	3,784	1,693	2,425	
Alternative Net Income Threshold (Residual Income)	1,429	1,532	894	1,038	
Net Income Amount per month	2,144	2,877	1,305	1,966	
Threshold Income Amount per week	680	873	391	560	
Net Income Amount per week	495	664	301	454	

Mortgage Interest	5.17%	7,308	7,982	4,202	5,116
Mortgage Repayment (25 yr term)	2.05%	2,893	3,160	1,664	2,025
Total Mortgage Payment p.a.	7.22%	10,201	11,142	5,866	7,141
Monthly Mortgage Payment		850	928	489	595
Payment as % of Gross Income		28.9%	24.5%	28.9%	24.5%
Payment as % of Net Income		39.7%	32.3%	37.4%	30.3%
Percent of under-35 households that type can buy		24.6	43.0	44.5	64.9
Ratio Threshold to Local Mean Income		1.16	1.49	0.069	0.95

**Box 6.3 cont'd**

<b>Local Authority</b>	BANES	BANES	North Somerset	North Somerset
<b>Zone</b>	Bath City North	Bath City North	Weston-super-Mare	Weston-super-Mare
<b>Household</b>	Single	Couple	Single	Couple
<b>Dwelling</b>	1 Bedrm	2 Bedrm	1 Bedrm	2 Bedrm
<b>Year</b>	2006	2006	2006	2006
<b>Market Rent</b>	<b>Factor</b>			
Threshold (entry-level)				
House Price	148,800	162,518	85,560	104,160
Market Rent Amount p				
a	7,299	9,078	6,078	6,933
- amount per month	608	756	507	578
- amount per week	140	175	117	133
Rent as % of Market Value ('Gross Rate of Return')				
	4.9%	5.6%	7.1%	6.7%
Threshold Income to				
Rent (£ p.a. gross)	30,128	35,294	24,609	25,594
Alternative Net				
Income Threshold (Residual Income)	12,954	15,444	12,954	15,444
- model, annual net amount	22,234	27,744	18,537	21,245
Threshold Income				
Amount per month	2,511	2,941	2,051	2,133

Net Income Amount per month	1,853	2,312	1,545	1,770
Threshold Income per week	579	679	473	492
Net Income Amount per week	428	534	356	409
Payment as % of Gross Income	24.2%	25.7%	24.7%	27.1%
Payment as % of Net Income	31.3%	31.2%	31.3%	31.2%
Percent of under-35 households that type can Rent	31.1	59.7	35.9	72.1
Ratio Threshold to Local Mean Income	0.98	1.15	0.80	0.83

## 6.4 Current and Recent Affordability

6.4.1 Looking at affordability to buy and to rent, compared with benchmarks and over time Table 6.5 presents estimates of the proportion of younger households able to buy or rent in the market over the period 2002-2007, based on the LA-level affordability model. These ability to buy estimates are adjusted for access to wealth. This reflects the number of first time buyers who are assisted, generally by parents or other relatives, with a higher level of deposit than they could otherwise afford. The data used to make this wealth adjustment is taken from information about recent first-time buyer purchases and is therefore fully evidenced. Making this adjustment reflects the real position and increases the prudence of the model.

**Table 6.5: Proportion of Younger Households Able to Buy or Rent in Market by WoE Local Authorities and wider regions 2002-2007 (percent of under-35 households)**

Area	2002	2004	2006	2007
B&NES	47.1	44.7	40.9	39.7
Bristol	40.4	39.0	35.4	34.2
North Som	65.5	55.3	52.2	49.4
South Glos	52.3	50.8	46.7	45.3
Mendip	56.2	49.9	44.7	41.9
West Wilts	60.5	49.4	50.0	46.9
WoE Sub-region	51.0	46.6	43.3	41.4
R o Sth West	55.2	49.1	44.5	42.6
Rest of South	52.5	49.0	45.4	43.1
London	33.9	32.9	28.5	26.6
Mids & North	64.6	58.2	50.1	48.2
England	55.7	51.0	45.1	43.1

Source: LA level affordability model; cheaper of buying in market (adjusted for access to wealth) or renting in private market.

6.4.2 In 2002 a majority (51%) of younger households in WoE could afford to access the market. By 2004 this had fallen to under 45%, and there was a further fall to 43% by 2006 and 41% in 2007. Access to buy was worse in WoE than in Rest of South West throughout the period, although the difference narrowed as conditions deteriorated further in the rest of the region. In all of these years, affordability was worse in WoE than in the rest of the south outside London, and worse than in England as a whole, although England deteriorated sharply in 2006.

6.4.3 Within WoE, the percentage of households able to buy or rent market housing is lowest in Bristol, due to lower income levels, and highest in North Somerset. In 2007 the % in Bristol stood at only 34%, not much above the level in London only three years earlier. Only two WoE LA's had affordability at or above the 50% level in 2006, North Somerset and West Wilts, while none were above this level in 2007.

6.4.4 Table 6.6 provides more details on the affordability profile in 2006 at LA level. The following are compared: proportion of younger households able to buy on the basis of income alone; the proportion able to buy when adjusted for access to wealth; and the proportion able to rent in the private market. Whichever is the greater of these latter two becomes the effective threshold determining the need

for some form of assistance to gain entry to housing. The proportion of younger households who can afford to buy or rent in the market stands at 43% for WoE, compared to 45% for England. WoE is also marginally below the level for the rest of the region and for the rest of the south. Private renting appears to be more affordable than purchase in B&NES, Bristol and South Glos, although the difference is only marginal in two cases. This is taking averages across all household types and across the LA as a whole; there is more variation between zones.

6.4.5 This is an instance where the more detailed zonal level model may be expected to give slightly different answers to the broader LA-level model, because private renting may be significantly cheaper in certain zones and/or this may interact with different income distributions in different zones. Although the headline average affordability rate for WoE is the same in both models, the average score deviates somewhat for some districts: zonal-based affordability is 2% higher in Bristol and 4% higher in North Somerset, while being 3% lower in South Glos. Further details on zonal results are included in the appendices.

**Table 6.6: Affordability Measures to Buy or Rent in Market by Local Authority 2006 (percent of under-35 households; ratio)**

Area	% able to buy (income)	% able to buy wealth-adj	% afford private rent	% afford either	% able to buy working	Price: Earnings Ratio Lr Qtl
B&NES	33.0	40.2	40.9	40.9	41.8	9.19
Bristol	29.1	33.9	35.4	35.4	38.9	8.35
N Somerset	46.3	52.2	47.6	52.2	56.9	8.11
South Glos	40.2	46.5	46.7	46.7	48.9	8.69
Mendip	38.0	44.7	41.9	44.7	48.0	9.43
West Wilts	44.1	50.0	43.0	50.0	54.1	8.25
WoE Sub-region	36.8	42.7	41.6	42.7	46.4	8.58
R o South West	34.9	42.0	42.5	42.5	45.5	9.46
Rest of South	37.3	44.9	41.9	44.9	47.5	9.11
London	22.6	28.5	19.3	28.5	31.3	9.90
Midlands & North	44.8	48.9	47.5	48.9	58.1	6.80
England	38.5	44.1	41.3	44.1	50.0	8.13

Source: LA –level affordability model. Note that the percentage able to afford either solution does not always equate to the higher figure in the two previous columns, as it is an average value across the constituent authorities, containing a mixture of cases, some where private renting is more affordable and some where owner occupation is more affordable (see table 6.7).

- 6.4.6 The table also shows another indicator, the percentage of working households able to buy. This may be useful for comparison with other analyses, such as those of Wilcox, which focus on working households. The final column shows the ratio between lower quartile house price and lower quartile earnings, the Government's preferred House Price to Income Ratio (HPIR) measure of affordability. This indicator also shows that WoE, and especially certain districts such as Mendip and B&NES, have a very adverse position, and this also applies to the wider South West region.
- 6.4.7 However there are some reservations about the use of this indicator. Comparisons at LA level with our preferred affordability measures to buy and rent shows a surprisingly low correlation between the measures. The correlations between the lower quartile House Price to Earnings Ratio (HPER) and our measures are  $-0.623$  for income-based affordability,  $-0.426$  for wealth-adjusted ability to buy, and  $-0.388$  for ability to rent privately. Our measures take fuller account of variations in household composition, economic activity, -part-time working and other factors which affect household incomes, and are more relevant to the assessment of affordable housing needs.
- 6.4.8 There is as expected more variation in affordability conditions between zones within WoE. The headline affordability of market access indicator varies by a factor of 2, from 28% in Bristol North to 54% in Westbury (Wilts) (Table 6.7). The least affordable zones include lower income areas within Bristol (North, Inner East, East and South) and areas with very high house prices (Bristol Inner West, Bath City North). Other areas appear in the upper part of this table because they have above-average prices and below-average incomes (Bath City South, Wells & Rural, Bradford-on-Avon).
- 6.4.9 Zones with better affordability include obviously affluent areas where average salaries are high: Chew Valley, South Glos Rural and West Wilts Rural. Other areas may not have such an affluent image but the income measures still show them in a positive light while their house prices are close to average: Thornbury, Yate-Sodbury, Norton-Radstock. Westbury and Warminster have average incomes but relatively low prices, perhaps due to a combination of location away from the core cities and significant supply. It must be remembered, however, that average salaries can mask a very high range of incomes from the very low to the very high, and that there may be significant numbers of households in these zones with incomes at the lower end of the scale.

**Table 6.7: Affordability Related Indicators for all zones in 2006**

<i>Zone name</i>	% able to buy wealth adjusted	% able to buy (income)	% able to rent	Average household income	Average rent	Threshold price
Bristol North	27.7	23.7	27.7	477	128	108857
Bristol Inner East	29.7	25.8	29.7	440	142	97650
Bath City North	31.4	23.8	31.7	586	175	162518
Bath City South	32.3	25.4	32.5	585	154	132060
Bristol Inner West	30.2	24.9	33.3	652	177	171745
Bristol South	33.7	29.6	33.7	515	136	108810
Bristol East	37.1	32.8	37.1	513	130	109740
Glastonbury/Street & Rural	40.2	33.9	40.2	583	135	115929
Wells & Rural	39.8	33.2	40.7	587	139	132200
Bradford on Avon	38.0	31.7	44.2	597	141	131967
Keynsham	44.6	37.3	44.6	658	141	121319
Bristol North West	39.2	33.6	45.4	719	164	150288
Bathavon	43.3	35.0	45.6	735	154	140058
Frome & Rural	46.0	46.0	46.0	619	134	111423
Kingswood	45.5	39.3	47.5	625	130	116245
Clevedon-Yatton	47.8	42.0	47.8	671	141	116250
Weston-Super-Mare	47.9	42.5	47.9	586	133	104160
Portishead-Gordano	46.5	40.3	47.9	735	150	130386
Melksham	48.3	43.1	48.3	585	128	108996
Trowbridge	48.3	43.1	48.3	580	130	102300
North Fringe	46.7	40.6	48.4	640	131	118529
Shepton Mallet & Rural	48.9	42.6	48.9	630	136	104579
Nailsea-Backwell	49.8	43.5	49.8	784	153	132279
Norton/Radstock	50.0	43.3	50.0	659	129	111598
West Wilts Rural	50.1	44.0	50.1	701	143	116250
Yate/Sodbury	47.4	41.4	50.8	674	126	114530
Chew Valley	47.6	39.6	51.3	775	139	129596
Thornbury	46.6	40.4	52.4	686	127	121644
Westbury	54.2	48.9	54.2	578	126	94860
South Glos Rural	50.8	44.0	55.3	719	131	119966
Warminster	56.9	51.5	56.9	604	127	96906
WOE Subregion	41.5	35.9	42.6	608	140	119708

Source: zonal affordability model.

Notes: The fourth column shows the total percentage of households who can meet their own housing need, and is equivalent to the higher figure in the previous two columns. The fifth column shows average household incomes per week, the sixth market rents on a two-bedroom property and the final column shows the threshold price for buying in that zone. The zones at the top of the table are those where the smallest percentage of households can afford to buy, those at the bottom of the table the zones where the greatest percentage of households can afford to buy, based on the price of a 2-bedroom property and on average salaries. It was noted earlier in this chapter that average salaries can cover a very wide range, and there may well be significant numbers of households even in the more affordable zones who cannot afford to buy.

## 6.5 Backlog of need for intermediate housing

6.5.1 The figures below show the backlog of need for intermediate housing, taken from the filtered zone agent data.

**Table 6.8: Backlog of need for intermediate housing by Local Authority (2008)**

Local Authority	Need	
B & N E S	179	9.2%
Bristol	935	48.2%
N Somerset	333	17.2%
S Glos	287	14.8%
Mendip	115	5.9%
West Wilts	92	4.7%
Total	1941	100.0%

Source: Zone Agent data for early 2008 filtered

6.5.2 It is clear that there is a reasonable level of demand for intermediate housing from those with a housing need.

## 6.6 An analysis of need for intermediate affordable housing and demand for low cost market housing

6.6.1 This section includes additional evidence on the demand for intermediate affordable housing, drawing on data obtained from the Zone Agent covering the sub-region. The analysis below gives an interesting insight into the need for intermediate affordable and low cost market housing but it is important to be clear that this is only a snapshot. Furthermore, in order to give as complete a picture as possible, data has been taken from the unfiltered zone agent list. Not all of the households on the unfiltered list have a housing need, for example the data includes households earning up to £60,000 per year, as per current government policy in relation to some first time buyer initiatives. However, most intermediate affordable products are aimed at households earning considerably less than this, perhaps £20,000 to £25,000. Details of how the affordability calculations work for one of the main intermediate options, New Build HomeBuy, are shown through worked examples in Box 6.4 at the end of this section. The Zone Agent handles applications for intermediate affordable housing options, including New Build HomeBuy (NBHB), Open Market HomeBuy (OMHB), Intermediate Rent (IRENT), First Time Buyer Initiative (FTBI), Key Worker Living (KEYW), Resales of Shared Ownership/HomeBuy (RESALE), and Starter Homes (SHB). The Zone Agent system is fairly recent in its operation in this region, and

the database holds applications since 2006, the majority having applied in 2007. By Early 2008 when the special count for this report was taken, 3,152 applicants were on the system who currently live in the six WoE authorities. All but 10% had already been approved as eligible under the various schemes.

6.6.2 Table 6.9 shows the percentage of these cases willing/eligible to be considered under each of the schemes – clearly many applicants express interest in more than one scheme, with most (90%) registering for NBHB, three-quarters (73%) interested in OMHB, and nearly as many in the First Time Buyer Initiative (71%) and in Resales of Existing LCHO dwellings (64%). Smaller numbers express interest in Intermediate Rent (22%), Starter Homes (24%) or Key Worker Living (16%) – in the latter case eligibility is restricted, while in the case of Intermediate Rent there has been little provision of this kind so far in WoE. Since this analysis has been carried out other initiatives such as rent to buy have been brought forward but these are unlikely to affect the overall scale of demand.

**Table 6.9: Schemes considered by households seeking intermediate and low cost market housing through zone agent by Local Authority of origin 2008 (percent)**

Local authority of origin	Number on Zone Agent list	New build home Buy %	Open market home Buy %	Intermediate rent %	1 <sup>st</sup> time buyer initiative %	Key worker %	Resale of shared ownership home %	Starter homes %
<b>B&amp;NES</b>	328	92	77	29	73	23	68	30
<b>Bristol</b>	,	89	71	20	74	17	61	23
<b>North Somerset</b>	548	91	69	23	65	13	67	21
<b>South Glos</b>	452	91	75	21	70	13	67	23
<b>Mendip</b>	187	93	83	30	74	16	70	29
<b>West Wilts</b>	165	84	72	22	67	13	56	27
<b>West of England HMA</b>	3,152	90	73	22	71	16	64	24

Source: unfiltered zone agent data for early 2008

6.6.3 Other characteristics of Intermediate Housing need and low cost market demand can be analysed from the Zone Agent register. Table 6.10 shows a number of household characteristics, averaged by LA of origin. Average incomes are just under £23,000, with limited variation between the LAs. 18% have less than £15,000 and 81% have less than £30,000. The average age is 35, although this is markedly higher in Mendip and West Wilts and a bit higher in North Somerset and South Glos. 15% are aged 16-24, 49% aged 25-34, and only 2.3% are over 60.

**Table 6.10: Average Characteristics of Households Seeking Intermediate Housing and Low Cost Market Housing Through Zone Agent by Local Authority of Origin 2008**

LA Area Live IN	Hhd Income	Age	Hhd Size	Min Bedrms	Key Worker	Previous Owner	Ethnic Minority	L T Disabled	No of LA's Consider
<b>B&amp;NES</b>	23,466	33	2.02	1.86	25.9%	7.3%	10.7%	3.4%	2.18
<b>Bristol</b>	23,024	33	1.85	1.78	20.4%	3.7%	13.0%	4.2%	1.79
<b>North Somerset</b>	22,545	36	2.26	2.03	18.4%	8.4%	2.7%	5.3%	1.54
<b>South Glos</b>	22,800	36	2.14	1.95	17.3%	8.6%	6.0%	6.4%	2.29
<b>Mendip</b>	23,288	44	2.42	2.04	20.3%	9.1%	1.6%	6.4%	1.75
<b>West Wiltshire</b>	21,408	44	2.42	2.14	19.4%	6.7%	3.6%	2.4%	1.84
<b>West of England HMA</b>	22,887	35	2.04	1.89	20.1%	6.1%	8.8%	4.7%	1.86

Source: Unfiltered zone agent data for early 2008. Note: Filtered zone agent data can be found in Appendix 3.

6.6.4 Many applicants to the Zone Agent are clearly willing to consider living in a number of different local authority areas – the average is just under two LAs being considered. An alternative count has been generated of applicants by areas which they would consider, dividing by the number of LAs mentioned so that the total is not inflated. The maximum number could be all 15 LAs in the Zone Agent area. This alternative adds up to 3,314, indicating that there are a small number of the households (net 162) in the wider region seeking to move into the WoE area.

- 6.6.5 The share of Zone Agent unfiltered list is relatively high for Bristol, accounting for 47% of applicants by area of origin or 43% in terms of areas willing to consider. North Somerset has the second highest number of cases by origin, but is slightly less popular as an area which households are willing to consider. South Glos has the third highest number of applicants by origin and is rated highly as an area to consider. Numbers are relatively modest in Mendip and West Wilts (5-6% each).
- 6.6.6 The average bedroom size is lower in Bristol and higher in North Somerset, Mendip and West Wiltshire. Size requirements for Affordable Intermediate Housing are discussed further in chapter 9.
- 6.6.7 20% of List applicants are key workers, and this is most common in B&NES. Current home owners account for 7.5% of cases while previous homeownership applies to 6.1% (but this is much less common in Bristol). Analysis of the regional figures for the Survey of English Housing suggests that some of the demand from current and previous home owners arises as a result of relationship breakdown; however it is not possible from the data analysed to confirm the extent to which this is also the case for those on the zone agent list.
- 6.6.8 Ethnic minorities make up 8.8% of the List, above their share of the sub-regional population, and this rises to 13% in Bristol. Just under 5% have a long term disability. Willingness to consider multiple authority locations is greater in South Glos and B&NES.
- 6.6.9 Table 6.11 tabulates these average characteristics by current tenure or living status of households. The most common situation is being a private tenant (40%), followed by living with family or friends (33%). Only 9.3% are current social tenants, despite active marketing of intermediate housing opportunities to this group. The living with family/friends group tend to be younger, lower income and smaller households than the private tenants.

**Table 6.11: West of England: Average Characteristics of Households Seeking Affordable Intermediate Housing and Low Cost Market Housing Through Zone Agent by Current Tenure/Living Status 2008**

Tenure/living status	Hhd Income	Age	Hhd Size	Min Bedrooms	Key Worker	Ethnic Minor	L T Disab	N of LA Consid	% of All
Council tenant	24,765	34	2.88	2.41	19.8%	26.1%	7.2%	1.84	3.5
Current home owner	17,823	43	2.31	2.19	19.5%	2.5%	14.8%	1.90	7.5
Existing shared owner	21,337	39	2.49	2.25	22.6%	0.0%	5.7%	1.66	1.7
Housing Association Tenant	24,678	39	2.74	2.29	19.8%	22.0%	6.0%	2.08	5.8
Living with family/friends	22,138	29	1.63	1.65	15.5%	6.8%	2.7%	1.82	33.2
Other	22,153	34	1.85	1.89	24.7%	11.0%	4.1%	1.84	2.3
Private tenant	24,178	35	2.15	1.92	23.1%	8.2%	4.1%	1.86	39.8
Renting from employer	23,283	36	2.09	1.78	34.8%	8.7%	0.0%	1.70	0.7
Temp accommodation	20,326	33	3.43	2.57	0.0%	0.0%	0.0%	1.86	0.2
Tied	23,487	41	2.50	2.17	16.7%	0.0%	0.0%	4.00	0.2
Unknown	21,621	39	2.03	1.88	24.4%	11.3%	5.0%	1.85	5.1
<b>Total</b>	<b>22,887</b>	<b>35</b>	<b>2.04</b>	<b>1.89</b>	<b>20.1%</b>	<b>8.8%</b>	<b>4.7%</b>	<b>1.86</b>	<b>100.0</b>

Source: unfiltered zone agent data for early 2008

6.6.10 Box 6.4 provides worked examples of affordability of New Build Home Buy (NBHB) as used in the model for two representative Zones and two different household types. The Guidance indicates that the estimates of need should use reasonably available models of Intermediate housing in the modelling of need which has been discussed and agreed by the Partnership. The model used for the basis of this analysis is 40% equity tranche and rent at 1% of retained equity. This corresponds to the examples used in Box 6.4, which looked at affordability of market purchase and renting. Affordability criteria in general were discussed earlier in this chapter. For NBHB, which involves a rental payment, we apply the same criterion as for private renting, a payment: net income ratio of 30%. The examples show gross ratios around the agreed 25% gross income mark.

### Box 6.4: Worked Examples of Affordability of New Build HomeBuy

<b>NEW BUILD HOMEBUY</b>					
<b>Local Authority</b>		BANES	BANES	North Somerset	North Somerset
<b>Zone</b>		Bath City North	Bath City North	Weston-s-Mare	Weston-s-Mare
<b>Household</b>		Single	Couple	Single	Couple
<b>Dwelling</b>		1 Bedrm	2 Bedrm	1 Bedrm	2 Bedrm
<b>Year</b>		2006	2006	2006	2006
<b>Market Purchase</b>	<b>Factor</b>				
Price of New RSL Home		178,752	226,233	109,200	138,206
Share Purchased	40.0%	71,501	90,493	43,680	55,283
Deposit	0.0%	0	0	0	0
Mortgage	100.0%	71,501	90,493	43,680	55,283
Lending Multiplier (implicit)		2.5	2.7	2.7	3.0
Threshold Income to Buy (£ p.a. gross)		28,125	33,479	16,060	18,209
- model, annual net amount		20,892	26,528	12,809	16,297
Alternative Net Income Threshold (Residual Income)		11,362	13,668	7,743	13,668
Threshold Income Amount per month		2,344	2,790	1,338	1,517
Net Income Amount per month		1,741	2,211	1,067	1,358
Threshold Income Amount per week		541	644	309	350
Net Income Amount per week		402	510	246	313
Mortgage Interest	5.17%	3,697	4,678	2,258	2,858

Mortgage Re-Repayment (25 yr term)	2.05%	1,463	1,852	894	1,131
Total Mortgage Payment p.a.	7.22%	5,160	6,531	3,152	3,990
Monthly Mortgage Payment		430	544	263	332
Rental Payment	1.000%	1,073	1,357	655	829
Total Payment		6,232	7,888	3,807	4,819
Payment as % of Gross Income		22.2%	23.6%	23.7%	26.5%
Payment as % of Net Income (target 30%)		29.8%	29.7%	29.7%	29.6%
Percent of under-35 households that type can buy		34.2	63.0	55.2	86.0
Ratio Threshold to Local Mean Income		0.92	1.10	0.53	0.60

Note that no deposit is shown as being required on HomeBuy. This was correct at the time of that the modelling was carried out in May 2008, although subsequent market conditions have thrown this into some doubt. As the market recovers it is likely that this position will be recovered, given the low loan to value ratio of a mortgage supplied which has first charge over the whole value of the property.

6.6.11 Appendix Four includes a worked example of affordability for Open Market Homebuy (OMHB). Need for NBHB and OMHB overlaps, although there may be different factors affecting demand, such as location and type of housing. The model focuses on need for NBHB as this translates into new supply; OMHB may help to relieve some of the pressure on new supply by making best use of existing accommodation. The OHMB model used in the affordability example in Appendix Four is based on a 60% purchase with nil deposit. Lending multipliers are slightly higher, at around 3.4. Payment as a percentage of gross income is around 25%, the level recommended in the Guidance.

## 6.7 Summary

6.7.1 This chapter has focused on current unmet housing needs. The backlog of need for affordable housing is 21,500 across the SHMA, with backlogs in individual local authorities ranging from just under 1,500 (Mendip) to over 8,000 (Bristol). The backlog need is estimated to have increased by almost 50% between 2002 and 2007. This increase is explained, in part, by worsening affordability. In 2002, just over 50% of younger households in the SHMA could afford to buy or rent in the market, by 2007 this was down to just over 40%. This is lower than

the corresponding figures for the rest of the South West and for England as a whole, and similar to those for the rest of the South, outside London.

- 6.7.2 Backlog need is made up of need for social rented accommodation and need for affordable intermediate. 1,941 households can afford an intermediate solution, leaving the backlog of need for social rented at 19,560.
- 6.7.3 This chapter also looks at the demand for affordable intermediate and low cost market housing. Unfiltered zone agent data shows over 3,000 applicants with an interest in intermediate/low cost market housing products, although not all of these will count as in housing need. Average incomes for this group were under £23,000; worked examples of affordability show that there are some areas in the SHMA where New Build Home Buy is affordable at this level of income.