



JOINT HOUSING ASSESSMENT FOR SOUTH WARWICKSHIRE

HOUSING NEEDS OF WARWICK DISTRICT

FINAL REPORT

August 2006



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FOREWORD

The authors are grateful to all the people who have co-operated and contributed to the Housing Assessment For South Warwickshire 2006.

In particular we would like to thank:

- The Project Steering Group - Sally Jones, David Jones and Renata Mosz
- All the residents of the two Districts who gave their time to be interviewed or completed postal questionnaires

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August 2006

EXECUTIVE SUMMARY

Approach

This report presents a household analysis and housing needs modelling procedure for the Warwick District. This forms part of a combined district wide Housing Market Assessment covering Stratford-on-Avon and Warwick District Councils undertaken by **Outside** in July 2005.

The overall purpose of the Assessment is to guide the strategies, policies and decisions of the Councils, their partners and other agencies in addressing housing, accommodation and related issues at both the sub-regional and individual District level.

The study used a mixed methodology. This included a household survey, conducted using both face-to-face interviews and postal questionnaires, as well as analysis of a wide variety of secondary data sets and a review of relevant literature.

Findings from the household survey are based on an achieved sample of 2,007 respondents. Of these 1,000 were derived from face-to-face interviews and 1,007 from a postal response. The survey response was grossed up to 57,296 (the total number of households in the Warwick District).

The response rate from the postal questionnaire (25.2%) was around what would be expected for a survey of this nature.

Statistical analysis of the data indicated the household survey is representative, statistically valid and highly robust at both the District and sub-district level. The survey sample was also found to be generally representative of the District in terms of housing tenure and housing type.

The approach employed in this study to housing needs modelling and to the process of Housing Assessment reflects all current government guidance.

Households

Warwick District has a resident population of 130,062 in 57,296 households.

There is a mixture of housing types with the District; Warwick had the best mix of house types whilst over half the District's flats/maisonettes are located in Leamington Spa.

There is over eighty percent owner-occupation in the District. Levels of social housing across the District are similar and in all areas the social rented sector is larger than the private rented sector. Leamington Spa has the highest proportion of private rented properties.

The proportion of single parent households in the District (4.5%) is lower than the national average (6.2%). One in four of the District's households are single parent households and more than half of those living in these households are aged over 60.

88.2% of the Warwick District population is White British, whilst 7.1% of the population are non-White. The Asian/Asian British community is the largest BME group accounting for 4.7% (5,897) of the total population. Most of this group (88.5%) are of Indian ethnic origin. The proportion of Indian residents is high relative to regional and national levels, whilst the proportion of Pakistani and Black/Black British residents is much lower.

The age distribution of the white community is more evenly distributed than the Asian/Asian British population, which has higher proportions of people in their twenties and thirties and relatively lower proportions of older people. Differences in the population distribution of the two groups reflects the changes in Warwick District's ethnic composition as BME populations have settled in the district over the past two or three generations.

The average household size amongst the Asian/Asian British population (3.18) is higher than the District average (2.27).

At least 9,891 (7.6%) of the total household population have a limiting long-standing illness (LLSI). The most common limitation is a physical disability that does not require the use of a wheelchair

(45.8% of household members with an LLSI were limited in this way). The most commonly required adaptations are stair or vertical lifts and bathroom adaptations.

Of those households containing at least one member that has mobility issues within their home (9,123), one in five live in dwellings that have been adapted.

Overall, 34.9% of households captured in the survey were in receipt of one or more forms of financial assistance. The main financial supports received among survey respondents were Council Tax Benefit (11.9%), Housing Benefit (8.5%) and Child Tax Credit (8.0%).

Affordability

The cost of an entry-level property in the Warwick District is £179,856.

Over 95.0% of single person households and more than 90.0% of two or more person households earn less than that required for a mortgage on an entry-level property in the District. Nearly all of those living in social rented properties are unable to afford a mortgage on an entry-level property and none of them can raise a large enough deposit for such a property. Those renting in the private sector are in only a slightly better position to buy with still over ninety percent unable to gain a high enough mortgage and over eighty percent lacking the deposit needed for an entry-level property.

The equity on the properties available to owner-occupiers gives some indication of the ability of households to move within the area. 39.8% of owner-occupiers had less than £10,001 in equity to put down as a deposit on their next property.

Nearly 40.0% of owner-occupiers would not have enough equity in their property for a deposit on an entry-level property in the District and over 90.0% would now be unable to raise a large enough mortgage. This gives some indication of how much property prices have increased relative to income.

Half of households in Warwick District spend less than £451 per month on rent or a mortgage (52.7%), with owners paying more than renters. More than 1 in 4 households spend over 30% of their gross monthly incomes on housing costs and 13.0% spend over 50%. Amongst those renting the proportion spending more than half of their monthly income on housing costs is even higher and amongst social renters is as high as 40.0%.

Approximately 7.9% (4,542) of Warwick District's households are deemed to be experiencing fuel poverty (spending more than 10% of their income on fuel costs). This is lower than typical levels found in **Outside's** previous Housing Needs Studies.

5.6% of respondents felt their home was unsuitable for the needs of their household. The most common reasons given for unsuitability were overcrowding (30.4%), unsuitability for someone with mobility impairment or special needs (14.3%) and a poor neighbourhood or local environment (12.6%). One in ten of those who considered their home unsuitable indicated this had been the case for ten years or more (10.7%).

Housing Needs of Older People

The housing needs of older people covers a population spanning two or more generations. The lifestyles and expectations of the younger generation of older people are likely to be very different to the older generation of older people. Even within each age band there are a multiplicity of needs, demands and aspirations.

50.4% (4,384) of respondents aged over 75 live alone, compared to 23.0% (3,566) aged between 60 and 74. This has implications for care and support services within the District as it suggests that the older person may not benefit from care and support within the home from another member of their household if the need arose.

There are clear differences in type, size and tenure of accommodation between the two age groups. Although both groups still live predominantly in houses, higher proportions of those aged 75+ live in smaller accommodation like bungalows and flats. Those ages 75+ are also more likely to be renting from a social landlord.

2.8% (441) of households with at least one member aged 60 - 74 and 3.2% (281) of households with at least one member aged over 75 felt their home was not suitable. The main reason given for unsuitability amongst both groups was that the home was unsuitable for someone with mobility impairment or special needs.

Amongst older people, the incomes of those in social housing are noticeably lower than those who own their own homes. This is particularly the case amongst households with at least one member aged 75+. Of these older households, 97.7% renting from a housing association have incomes of less than £950 per month, compared to 60.4% of owner-occupiers.

Of those respondents who provided details of the equity in their current home, around 40% had over £100,000.

5.4% (1,041) of households with a member between 60 and 74 and 12.0% (880) of households with a member 75 or over can be defined as being in fuel poverty.

15.3% (2,336) of respondents aged 60 to 74 rising to 37.0% (2,889) of respondents aged over 75 stated they suffered from a long-standing illness or health problem. In both age groups, those who rent from a housing association are proportionally more likely to have a limiting long-standing illness. The most common limitation is a physical disability that does not require the use of a wheelchair.

The most frequently required adaptations required by households were stair lifts / vertical lifts, handrails / grab rails and bathroom adaptations. Amongst the 60-74 age group, access improvements and wheelchair adaptations were also mentioned by fairly high proportions respondents.

3.6% of households with at least one member between 60 and 74 and almost 10.0% of households with at least one member aged over 75 require care or support to enable a member to stay in their home. In addition 14.5% of 60 - 74 year olds rising to 19.4% of over 75s stated support in the current home would aid movement around the home.

The wide range of circumstances of older people households responding to the Local Housing Assessment 2005 suggests that a variety of options in terms of type, tenure, size and location of accommodation need to be available to this group. Support services to enable older people to continue to live in their home are required as well as repairs, improvements and adaptations.

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Housing Needs of Key Workers

The rich heritage and cultural attractions of Warwick make it a very desirable area to live. This, together with the high price of housing, means it is likely to attract higher earning social groups. The price of an entry-level property in the district starts at £179,856.

Analysis of secondary data shows that average incomes in the district are also high. However, a more detailed examination of the incomes available to different types of households and people working in different occupations reveals important differences.

15.0% of all households represented within the Housing Assessment 2006 contain at least one key worker. Amongst these households the most common type of key workers were Teaching professionals who accounted for 42.4% of the total, followed by Health associate professionals (25.5%) and Retails workers (11.5%).

4 out of 5 key worker households are couple households and more than half of these have dependent children.

Analysis of both survey and secondary data point to higher barriers to housing among lower paid key worker households, employed in Health related personal care, Retail and Tourism related industries. At least 1 in 5 households employed in these industries were found to be in social housing.

It is not only incomes that are low for some key worker occupations, but also the amounts of any savings available to put forward as a deposit towards buying a property. Survey data indicates that none of the households in this group would be able to afford properties at current market prices. The problem is exacerbated among single person households who altogether earn less than couples or other plural households.

Although key worker households whose members are employed as Teaching professionals, Health associated professionals and Police officers seem to be less at risk of facing housing affordability problems, the survey findings still suggest that only a minority of households would be able to afford an entry level property.

The survey results would appear to support economic reports for the district that indicate some concern regarding the increasing numbers of people working in essential occupations being driven out of the housing market by soaring prices.

Survey results show that a high proportion of key worker households who intend to or need to move seem to be interested on accessing shared ownership schemes or at least on knowing more about them.

Housing Moves

21.5% (12,340) of households moved to their present address within the last two years. 42.4% of recent movers were in-migrants to the District (5,230 households)

Of the households who moved internally within the District, 17.7% of moves within the last two years involved newly formed households within the District (2,182 households).

In-migration to Warwick District seems to have been increasing over the last ten years, but especially so in the last two. Over 40.0% of the in-migrants to the District are drawn from neighboring areas within the Midlands. Around 10% migrated from London and just over 11% from a previous address abroad.

Leamington Spa is the area within the District that received most migrants in the last two years. Almost half (46.1%) of all recent moves, whether moving from inside or outside the District, were to Leamington Spa.

Households who intend to leave the District within the next two years present slightly different reasons for wanting to move. New forming households mostly state the need to be nearer employment and house prices and costs as a reason. Although existing households also identify high house price and employment, the most common reason for moving was to be nearer family / relatives.

A history of recent moves to social housing shows the types of household that have taken up this type of accommodation.

- ✓ Of the new forming households that were established within the District over the last two years, 5.4% (118) moved into socially rented accommodation.
- ✓ Of existing households that moved within the District over the last two years (4,224), 0.7% moved to social housing from owner-occupation and 3.8% moved from private rented accommodation to social housing. The inverse movement, from social to private, recorded 7.6% moving into private rents and a very reduced 0.2% now owning their homes.
- ✓ Of in-migrant households into Warwick District over the last two years (5,230), 6.0% moved into social housing and 41.7% moved into the private rented sector.

The interest in shared housing/equity schemes is important in Warwick District as a chance for movers to reduce the cost of buying a home and thus make housing more affordable in the District. 11.6% of existing movers and 40.1% of new forming households expressed interest in shared housing / equity schemes and a further 15.1% and 30.1% respectively would like to know more. The high interest from new forming households is probably linked to more information about these schemes but also to worries about house prices and employment.

A comparison of planned mover demands with the released supply shows that there appears to be:

- ✓ An overall shortage of social rented accommodation
- ✓ A specific shortage of one and two-bedroom flat /apartments
- ✓ A shortage of two-bedroom semi-detached and detached housing
- ✓ A specific shortage of all desired types of detached housing

- ✓ A surplus of terraced, mainly three-bedroom houses

Need for Affordable Housing

Like much of the country Warwick District has a net shortage of affordable housing. The Housing Needs Assessment undertaken for the District in July 2005 indicates a shortfall of 821 affordable homes per annum.

During the year 2003/04, a total of 87 affordable homes were completed. Of the total affordable dwellings completed between 1996 and 2004, 714 were housing association dwellings and 16 were local authority dwellings.

In addition to traditional social housing, affordable housing can also be delivered in a number of other ways, such as discounted market housing or shared equity schemes. In Warwick, discounted market housing would only enable a small proportion of households previously unable to afford entry-level property to enter the housing market. An entry level home, costing £179,856 and discounted by 25%, would allow 4.1% of two income households to purchase a property.

The income requirements for a two person household purchasing a 30% share of an entry-level property would be reduced by 33.5% This would enable 8.3% of two income households previously unable to purchase a property to enter the housing market.

The proportion of new and existing households that expressed an interest in shared ownership was 18.9%. This would suggest that at least 155 new affordable homes per annum could be provided as shared ownership instead of traditional social housing.

Examination of households' preferences for size and type of dwelling demonstrate that priorities for development are three bedroom semi-detached properties and two-bedroom flats/apartments.

Across the District the numbers of affordable units required are largely proportionate with the size of existing communities.

The need for higher levels of affordable housing than have been delivered in the past should be taken into account in setting appropriate planning targets for future development.

By maintaining the Housing Needs Model and updating it annually, it will be possible to monitor the District's success in terms of reducing the shortfall in affordable housing in Warwick.

1. APPROACH

1.1 Aims and objectives

- 1.1.1 In July 2005, **Outside** was appointed to undertake a combined district wide Housing Assessment for both Warwick and Stratford-on-Avon District Councils. Significant changes in local housing markets alongside the increasing preference for sub-regional assessments meant that a new co-ordinated South Warwickshire study was appropriate. This report presents the household analysis and the housing needs modelling procedure for the Warwick District.
- 1.1.2 The overall purpose of the Assessment is to guide the strategies, policies and decisions of the Councils, their partners and other agencies in addressing housing, accommodation and related issues at both the sub-regional and individual District level.
- 1.1.3 The key objectives of the Study as identified in the Project Specification can be summarised as follows:
- (i) to provide a detailed, justified and statistically valid picture of the current total pattern of housing and residential accommodation needs and demands across South Warwickshire and each of the Council areas
 - (ii) to provide evidence of the reasons behind demand and need rather than merely describe its nature and extent
 - (iii) to include forecasts in detail for the next five years and indications of projected need over the period to 2016
 - (iv) to benchmark the findings against national or regional data where possible, in particular taking account of all housing-related research associated with the South Housing Market Area and previous surveys for each Council
 - (v) to ensure the database is produced in such a way as to enable regular updating by the Councils
- 1.1.4 The Housing Assessment 2005 used a mixed methodology to address these aims and objectives. The approach brought together both primary and secondary data:
- (i) **Secondary data and literature search** - review and analysis of key data sources and relevant literature including previous housing needs surveys and relevant sub-regional and regional research
 - (ii) **Residents** - a hybrid survey approach was employed consisting of 1,000 face-to-face interviews with resident households plus a postal survey of 4,000 Warwick District residents. This was to enable detailed analysis at the sub-district level.
- 1.1.5 Although different methods were used to research individual elements, this report brings together the findings from each aspect under thematic headings rather than differentiating the findings by methodology.

1.2 Secondary data analysis and literature review

- 1.2.1 A range of secondary data and relevant literature was collated and analysed to inform the Housing Assessment and to set the study in context. These items fall into four broad groups:

- 1.2.2 Population
Projections from the Office of National Statistics and from Warwickshire County Council to assess future population growth and new household formation.
- 1.2.3 Housing and earnings
Local, regional and national data; house price information collated from building societies and the Land Registry, rental data from estate agents and letting agencies, CORE.¹
- 1.2.4 2001 Census
To make comparisons with the survey data by tenure, house type, household size and ethnicity and, where necessary, re-weight the data to ensure the findings are representative of the population.
- 1.2.5 Other information/data
Previous housing needs studies, Gypsies and Travellers research and work by CURS on the South Housing Market Area.

1.3 Survey of resident households

- 1.3.1 Our normal practice for a Housing Assessment is to undertake some or all of the household survey by face-to-face interview. Face-to-face interviews are better for Housing Assessments because they:
- are less prone to bias
 - guarantee a response rate
 - enable the collection of information from concealed households
 - enable greater exploration of respondents' attitudes
- 1.3.2 A postal survey cannot provide a guaranteed response rate (it has to be assumed based on previous experience) and has greater bias due to lower response rates; on the other hand they are considerably cheaper.
- 1.3.3 Based upon the requirement that the survey provide detailed analysis at the sub-district level, a hybrid survey of 1,000 face-to-face interviews and 4,000 postal questionnaires was commissioned.
- 1.3.4 The interview schedule included the following topics (a copy of the face-to-face interview schedule is provided at Appendix 9.2):
- housing characteristics - tenure, house type, number of rooms and facilities; property condition and adequacy of current housing; amenities, forms of heating and energy efficiency levels; adaptations
 - household characteristics - income, equity, employment; housing costs; composition by gender, age and ethnicity; special needs, key workers
 - respondents' housing history in terms of tenure, location and reasons for moving
 - characteristics, moving intentions and requirements of existing and new forming households
- 1.3.5 To draw a random probability sample across the District the local Land and Property Gazetteer was utilised as a sample frame. A letter was sent to all households selected for face-to-face interview prior to being visited (a copy is included at Appendix 9.1). Up to three calls were made at each address at different times on different days before the household was recorded as a non-response and a further household selected.

¹ CORE (Continuous Recording) is a system developed jointly by the National Housing Federation (NHF) and the Housing Corporation. CORE is used to record information on both Registered Social Landlords (RSL) lettings and sales in England.

1.3.6 Simultaneously, postal questionnaires were sent along with a covering letter to those addresses separately selected for the postal response (a copy is included at Appendix 9.3).

1.4 Sample representativeness

1.4.1 The District wide Housing Assessment is based upon a commissioned hybrid survey of 1,000 face-to-face interviews and 4,000 postal questionnaires. In order to achieve 1,000 successful interviews, 2,000 addresses were selected for interview.

1.4.2 A random sample of 4,000 addresses was drawn across the District alongside 2,000 addresses selected for face-to-face interview. For the face-to-face interviewing the sample was randomly allocated to two address lists A¹ to Aⁿth and B¹ to Bⁿth. A fieldworker called at each A list address first and if after three calls at different times on different days a non-response was recorded at that address the fieldworker moved on to the B address with the corresponding number.

1.4.3 The response rate for the District is shown in Table 1. The total number of respondents is 2,007, 1000 of which were derived from face-to-face interview and 1,007 of which were provided via a postal response.

Table 1 Response distribution by method of collection

District	Face-to-face interviews	Postal questionnaires sent out	Postal questionnaire replies	Total
Kenilworth	193	800	223	416
Leamington Spa	195	800	182	377
Warwick	195	800	198	393
Whitnash	214	800	213	427
Other - Rural	203	800	191	394
Warwick District	1,000	4,000	1,007	2,007

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1.4.4 A sample of interviews undertaken by each member of the fieldwork team was back checked to ensure fieldwork quality.

1.4.5 Response to the postal element of the survey research was 25.2%. By employing a hybrid survey approach this average response from postal returns was bolstered by additional face-to-face interviews.

1.4.6 The data from the survey research was entered into a statistical analysis package (SPSS) for analysis purposes. The survey response was grossed up to 57,296 the total number of households for Warwick District as stated within the Housing Investment Programme Housing Strategy Statistical Appendix.

Table 2 Weighting and confidence levels

District	Housing Assessment	Weighting factor	Confidence interval (%)
Kenilworth	416	23.70	+/- 4.90
Leamington Spa	377	59.44	+/- 5.15
Warwick	393	32.79	+/- 5.04
Whitnash	427	8.87	+/- 4.84
Other - Rural	394	21.21	+/- 5.04
Warwick District	2007	28.55	+/- 2.23

- 1.4.7 The final column in Table 2 shows the confidence interval for each of the 4 settlement areas represented above and the remaining rural area at the 95% confidence level². These confidence levels are more than acceptable for a survey of this kind. The confidence intervals vary between sub-area, a result of varying response rates within the postal element of the survey. However, the number of responses in each sub-area is substantial enough to allow survey findings to be presented at the sub-district level. The confidence interval for the District as a whole is +/- 2.23%. Consequently this means that the survey can be seen to be representative, statistically valid and highly robust at both the District and sub-district level.
- 1.4.8 In terms of survey representativeness there are two main factors to take into consideration: household tenure and housing type. Table 3 shows the representativeness of the Housing Assessment for Warwick District as a whole compared with the 2001 Census. The split of private housing to social housing is very similar to that in the 2001 Census, 87.6%/12.4% compared to 83.7%/16.3%.

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Table 3 Comparative responses on tenure

District	Housing Assessment (%)	2001 Census (%)
Owner occupied	80.5	73.2
Renting - privately	7.1	10.5
Renting - social	11.5	14.2
Other	0.8	2.0
Detached	22.8	25.6
Semi-detached	32.5	32.9
Terraced	23.8	22.4
Flats	15.6	18.9
Other	5.3	0.2

² Note: the accuracy of sample estimate is determined by the size of the sample no the sampling fraction or size of the population from which it is drawn

Table 4 Comparative response on household type

District	Housing Assessment (%)	2001 Census (%)
Single person less than 60 years old	11.4	16.3
Single person over 60 years old	14.3	14.4
Single parent with at least one dependent child	5.2	4.7
Couple with at least one dependent child	20.7	20.5
Couple with non-dependent children	13.4	5.7
Couple with no children	28.6	19.4
Other	6.5	18.9
Total	100.0	100.0

1.4.9 Table 4 shows the comparability of the Housing Assessment to the 2001 Census in terms of household type. Although generally comparable in terms of proportional representation across the various household types, differences in the categories applied in the 2001 Census mean that the 'other' category and the 'couple with non-dependent children' category represents a greater and lesser proportion of households within the 2001 Census than within the Survey.

1.5 Report structure

- 1.5.1 Both the *Local Housing Needs Assessment Guidance* (2000) and the *Housing Market Assessment (HMA) Manual* (2004) present the housing market as a system comprising stocks (stocks of dwellings and households) and flows (change in dwelling and household stock), in which the stocks are connected by the flows. This report is structured to be in line with this.
- 1.5.2 The report presents and analyses the information at the district level and where applicable breaks this down for Warwick District's four settlement areas and the broader rural area. Where relevant, secondary data is utilised as a comparator to provide context for and/or to validate the survey findings.
- 1.5.3 Section 2, *Housing Market Assessments*, presents the evolution of the guidance for Housing Assessments and sets out the modelling procedure.
- 1.5.4 Section 3, *Households*, presents secondary and survey data on:
- (i) Household composition - demographics, ethnicity, employment status and health problems and disabilities
 - (ii) Household income - including levels of income, sources of income, equity and fuel poverty
 - (iii) Housing costs by different tenures
 - (iv) Suitability of accommodation - reasons for unsuitability and housing adaptations
- 1.5.5 Section 4, *Housing Needs of Older People*, presents an analysis of the survey in terms of the specific housing needs of older people.
- 1.5.6 Section 5, *Housing Needs of Key Worker*, looks at the specific needs of key workers within the District in terms of a local definition of key workers.

- 1.5.7 Section 6, *Housing Moves*, sets out the planning and housing strategy context for the District before presenting a step-by-step guide to the District requirement for affordable housing.
- 1.5.8 Section 7, *Need for Affordable Housing* sets out the planning and housing strategy context for the District before presenting a step-by-step guide to the District requirement for affordable housing.
- 1.5.9 Finally, Section 8, *Delivering Affordable Housing*, proposes the size, type, tenure and location of affordable housing in the District.

2. HOUSING MARKET ASSESSMENTS

2.1 Introduction

- 2.1.1 This report contains the first comprehensive survey of housing need carried out by **Outside** on behalf of Warwick District Council and Stratford-on-Avon District Council. The study follows guidance set out by the Office of Deputy Prime Minister³ both in *Local Housing Needs Assessment: A Guide to Good Practice* (July 2000) and the new draft consultation guidance, *Housing Market Assessments* (2005).
- 2.1.2 This *new* guidance aims to consolidate the key elements of existing guidance on housing market and housing needs assessment. Key guidance documents include:
- ☞ *Local Housing Needs Assessment: A Guide to Good Practice*, Bramley et al (DETR 2000);
 - ☞ *Housing Market Assessment Manual*, DTZ Pieda Consulting (ODPM, 2004);
 - ☞ *Local Housing Systems Analysis Best Practice Guide*, Maclennan et al (Communities Scotland, 2004); and
 - ☞ *Local Housing Needs Assessment: A Good Practice Guide*, (Welsh Office, 1999).

2.2 Best practice and government guidance

- 2.2.1 In terms of housing need, our approach is grounded in the government guidance published in July 2000;⁴ all our housing needs studies to date have been founded in the guidance. Our methodology reflects best practice in terms of definitions and assumptions, questionnaire surveys and the development of a housing needs model.
- 2.2.2 Since February 2004, we have also adopted the Housing Market Assessment Manual⁵ as our approach to housing markets and housing demand. This has enabled us to set our housing needs studies in the context of the wider housing market and look beyond the formal administrative boundaries in which local authorities operate. In addition, our decision to draw upon both the housing needs guidance and the HMA Manual over the last fifteen months has ensured that we are prepared for the new Local Housing Assessment Guidance.
- 2.2.3 In March 2004, the Office of the Deputy Prime Minister appointed the Cambridge Centre for Housing & Planning Research to update and replace the housing needs guidance issued in 2000. The aim is to deliver a broader based assessment of the wider housing market and not just the need for social rented housing that dovetails with the Housing Market Assessment Manual. It will also take into account the role of Regional Housing Strategies and Regional Housing Boards, as well as guidance on planning policies for affordable housing. The new guidance has recently been re-issued in draft form⁶ along with a revised PPS3. It also highlights the importance of considering the housing needs of gypsies and travellers through either surveys or focus groups.
- 2.2.4 We ensure that the questions asked in our interview schedules and questionnaires are compliant with national benchmark standards for government surveys;⁷ we follow

³ Note: at the time of publishing this Government Department was titled DETR

⁴ Bramley, G. et al, *Local Housing Needs Assessment: A Guide to Good Practice*, DETR, 2000

⁵ DTZ Pieda, *Housing Market Assessment Manual*, ODPM, February 2004

⁶ *Housing Market Assessments: Draft Practice Guidance*, ODPM, 2005

⁷ Harmonised Concepts & Questions for Social Data Sources, National Statistics

Government Statistical Service (GSS) practice relating to harmonised questions and concepts or use the Survey of English Housing (SEH) as a guide where harmonisation questions have not been agreed. Harmonisation covers the questions asked (inputs) and the way results are grouped together into categories (outputs).

2.3 Need, demand & affordability

2.3.1 Housing assessments are crucial to decision-making and resource-allocation processes for local authorities. From a land-use planning perspective, housing needs assessments are legally necessary to support affordable housing policies in local plans, particularly to secure developer contributions to affordable housing via s106 agreements.

2.3.2 Other reasons for undertaking local housing assessments include:

- ☞ informing local and regional spatial planning and housing strategies
- ☞ assisting authorities with decisions on social housing allocation priorities, private sector renewal options and the valuation of new-build low cost home ownership units
- ☞ informing the development of housing policies on stock conversion, demolition and transfer

2.3.3 The role of local housing assessments can be summarised thus:

“Assessments are...key to investment decisions; helping authorities to look at local housing markets when new settlements are planned, particularly where catchments cover several local authority areas. In these situations, understanding the housing market will help authorities to assess housing demand and need in relation to new settlements. It will also help authorities to justify a certain level of affordable housing whilst ensuring that the dwelling mix reflects the profile of local housing demand and need; and in relation to planning policies for affordable housing, aiding an appreciation of how housing need translates into different sizes and types of affordable housing (i.e. intermediate market, social rented) so that they can negotiate appropriate mixes on new sites.”⁸

2.3.4 Overall, one can talk of the housing requirements of a district and these requirements are made up of both demand and need. Households that can enter the general market without intervention of any sort are defined as demand. This is the same as the economic definition of demand in that demand will become apparent in the general housing market and has a cost relationship with supply. On the other hand, households that are unable to enter the general market without some form of intervention by public service providers are defined as need. From the point of view of social housing providers, need is more significant. From the point of land use planning, both demand and need are relevant.

2.3.5 Need in this case, also encompasses aspirations. Much of recent government policy, not only in housing, seeks to empower citizens by taking into account the needs they identify for themselves, as opposed to those identified by “experts”. These aspirations are recognised as a legitimate basis for policy-making and have to be taken into account when assessing the housing requirements of an area.

2.3.6 The methodology proposed here aims to identify the professional view of need, expressed demand and individuals’ aspirations, as recommended by ODPM. This is done by collecting and analysing:

- (i) household characteristics in terms of size, current property condition and income;

⁸ *Local Housing Assessment, A Practice Guide (Discussion Draft)*, March 2005, p8

- (ii) respondents' views on suitability of current housing and preferences for moving or modification;
 - (iii) respondents' housing history as a predictor of future behaviour.
- 2.3.7 The concept of affordability is critical in the needs assessment process. **Outside** use the approach recommended by ODPM and base our model of affordability on the relationship between gross household income and local supply.
- 2.3.8 Affordable housing is that housing which is provided to meet the *needs* of the local population although there is some debate about a specific definition of affordable housing. At a national level, neither *Planning & Affordable Housing Circular 6/98* nor *Planning Policy Guidance No. 3: Housing 2000 (PPG3)* provides a formal definition of affordable housing. Affordable homes are described as:
- "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."*⁹
- 2.3.9 The consultation paper on PPS3¹⁰ provides a new tighter definition. It states that affordable housing is:
- Non-market housing, provided to those whose needs are not met by the market for example homeless persons and key workers. It can include social-rented housing and intermediate housing.*
- 2.3.10 In addition, affordable housing should:
- *meet the needs of eligible households, including availability at low enough cost for them to afford, determined with regard to local incomes and local house prices; and*
 - *include provision for the home to remain at an affordable price for future eligible households, or if a home ceases to be affordable, any subsidy should generally be recycled for additional affordable housing provision.*

2.4 Estimating need

- 2.4.1 This section of the report outlines the principles and procedure for estimating current unmet housing need and the number of future households that may be unable to afford to meet their housing needs within the housing market. As stated within the *new* Draft Practice Guidance estimates of housing need are legally required to support affordable housing policies in local development documents. Outlined in the sub-section below is the procedure utilised in accordance with ODPM guidance on how to calculate housing need.
- 2.4.2 Housing need refers to **households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market**¹¹.
- 2.4.3 Those in unsuitable housing are defined in the *new* guidance through a series of criteria. These are presented in Table 5. Households who are not in housing need but would like affordable housing are excluded from this modelling section of the Housing Market Assessment.

⁹ Planning & Affordable Housing Circular 6/98

¹⁰ Consultation Paper on a New Planning Policy Statement 3 (PPS3), ODPM, December 2005

¹¹ *Housing Market Assessments*, Draft Practice Guidance, December 2005, ODPM

Table 5 Unsuitable housing criteria

Main category	Sub-divisions
Homeless households or with insecure tenure	Under notice, threat of notice or lease coming to an end
	Too expensive, and in receipt of housing benefit or in arrears due to expense
Mismatch of housing need and dwellings	Overcrowded according to the bedroom standard
	Too difficult to maintain even with equity release
	Couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household
	Households containing people with mobility impairment or other special needs living in unsuitable dwelling which cannot be made suitable in-situ
Dwelling amenities and condition	Lacks a bathroom, kitchen or inside WC and household does not have the resources to make fit
	Subject to major disrepair or unfitness, and household does not have the resources to make fit
Social needs	Harassment or threats of harassment from neighbours or others living in the vicinity which cannot be resolved except through a move

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- 2.4.4 The degree to which households can afford market housing is based upon the ratio between household incomes and housing costs. The needs assessment uses gross household incomes and entry-level house prices to estimate housing need for affordable housing. This involves assessing whether or not current households who are in unsuitable housing can afford suitable market housing and also applying affordability analysis to newly forming and concealed households to establish numbers of actual and potential households who are likely to be in need of affordable housing.
- 2.4.5 Modelled estimates should not include affordability measures to test whether households can afford their existing accommodation. Only households in arrears or in receipt of housing benefit should be regarded as being in housing need, on the grounds that they fail the corresponding unsuitability criterion. Otherwise, households should be assumed to be managing to afford their current housing.
- 2.4.6 A household is considered able to purchase a home if it costs 3.5 times the gross household income for a single earner household or 2.9 times the gross household income for a dual earner household. If possible, any allowance for existing equity that could be used towards the cost of home-ownership should be taken into account.
- 2.4.7 The size of mortgage required should be compared to the entry-level price of a property of an appropriate size for the household (this is based on the size of the household whereby the bedroom standard can be applied and also the degree to which 'ideal' sized properties are available). Lower quartile house prices should be used to approximate entry-level prices.
- 2.4.8 Housing Assessment practitioners also need to be able to assess whether or not a household can afford to rent a home. The guidance outlines that a household can be considered able to afford market housing in cases where the rent payable is no more than 25% of their gross

household income. Rent payable is defined as the entire rent due, even if it is partially or entirely met by housing benefit. The income of households living within another household (or from all of the members of a multi-adult household) should be included if they intend to remain living together for at least the next six months.

- 2.4.9 The section below identifies the stages in the quantitative assessment of housing need at either a market level or local authority level.

2.5 The modelling procedure

- 2.5.1 The main output within the guidance is the Basic Needs Assessment Model (BNAM). The model within the *new* Draft Practice Guidance is based upon that developed by Bramley *et al* (DETR 2000) and is presented in Table 6. The changes made to the model aim to improve clarity and consistency to the modelling procedure.

Table 6 Housing needs assessment model

Model outline
CURRENT NEED (times a yearly quota)
<i>Minus</i>
AVAILABLE STOCK TO OFFSET NEED (times a yearly quota)
<i>Plus</i>
NEWLY ARISING NEED
<i>Minus</i>
FUTURE SUPPLY OF AFFORDABLE UNITS
<i>Equals</i>
NET SHORTFALL (OR SURPLUS) of affordable units p.a.

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- 2.5.2 The model expresses housing need and housing supply in terms of annual flows (i.e., the number of units per year) over a prescribed period. Gross figures such as household formation and migration are inputs into the model, which after the subtraction of supply side elements from demand side, become net figures. The final outcome of this is the net annual shortfall (or surplus) of dwellings annually.
- 2.5.3 It is important to remember that the model produces aggregate estimates of current and projected future need and not information on individual households. In addition, the figures derived from the modelling procedure should also be interpreted with the same thinking that was used in their derivation. In other words, the number output is a product of a model and is thus an idealised and structured representation of the real.
- 2.5.4 This premise is built upon implicitly within the guidance. It states that:

“From a housing market assessment perspective, it should be borne in mind that no one methodological approach or use of particular datasets will result in a definitive assessment of housing need and demand. What is important is that the assessment adopts a pragmatic approach towards identifying housing need and demand and understanding how housing markets function, from which planning and housing policies can be developed.”¹²

¹² *Housing Market Assessments*, Draft Practice Guidance, December 2005, ODPM, p51

- 2.5.5 **Outside** acknowledge all government guidance in our approach to housing needs modelling and to the process of Housing Market Assessment.