

**MELTON BOROUGH
HOUSING NEEDS SURVEY
UPDATE**

FINAL REPORT

2006



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1 INTRODUCTION

1.1 Government Guidance

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

1.2 The 2004 Study

1.2.1 DCA conducted a wide ranging needs assessment study in the Borough between June 2004 and November 2004. This study examined housing requirements in both market and social sectors.

1.3 The Update Study Objectives

1.3.1 The objectives of this update study were to:-

- re-analyse the change in the housing market locally to provide current house prices and private sector rental costs to be able to re-assess income thresholds for access to market housing;
- re-analyse the housing survey database and utilise the information into the Assessment Model recommended in the Good Practice Guidance issued in March 2000;
- re-analyse the short, medium and longer term population forecasts for the Borough;
- prepare a report to provide affordable need forecasts to 2012 and outline data to cover the plan period to 2026;
- inform on-going Housing Strategy and other planning policies;
- support the development of the Local Development Framework for affordable housing and for negotiation in accordance with Circular 6/98 and PPS3. This will also contribute to the development of the Regional Spatial Strategy;
- inform assessment of the housing market. However whilst the guidance on Housing Market Assessments is still in draft form, the report has produced an updated dwelling stock balance analysis across all tenures.

1.4 Definitions

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

1.4.2 Affordability in our view is defined by the relationship between local incomes and the local general housing market.

1.4.3 DCA have used the definition of affordable housing as per PPS3 is as follows:-

“Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.*
- *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision..”*

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

- *social rent;*
- *shared ownership with grant (now HomeBuy);*
- *shared equity where land value is retained to provide housing for sale at below market levels and where control of the ‘equity discount’ can be retained as long as they are needed;*
- *discounted market rented housing.*

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

1.5 Methodology

1.5.1 The study consisted of the following elements:-

- i. Up-dating of the existing base of primary data gathered in 2004 to the 2006 household population level. The 2004 survey gathered information on housing needs to 2009 and is still currently valid;
- ii. A housing market survey utilising the Land Registry and Halifax databases and a telephone survey of estate agents on the cost of access level property and on the supply and cost of private rented housing;
- iii. Secondary data analysis drawing upon HSSA and Housing Register data on the flow of social stock and need, 2001 Census, household and population projections and other national research including the Housing Potential Study (HLLA) conducted by Baker Associates.

1.5.2 In the previous 2004 Housing Needs Survey, the final postal response rate was 2,232. This sample size is robust and is well above the 1,500 level identified as a normal sample in the DCLG (Department for Communities and Local Government) Guidance.

2 THE BOROUGH HOUSING MARKET

2.1 Introduction

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

2.2 National Picture

- 2.2.1 House prices in the second quarter of 2006 have increased by 2.6% compared to the first quarter where a change of 1.6% was reported. The overall sound UK economic background and the lowest mortgage rates since the 1950s have boosted housing demand for a sustained period but turnover has reduced substantially, prices have stabilised and some property types have reduced in the first and second quarter of 2006.
- 2.2.2 The Housing Potential Study (HLAA) by Baker Associates, published in 2006, conducted a review of housing market conditions. This reveals that since the housing market hit a peak in July 2004, the demand between mid 2004 and late 2005 reduced for all property type due to rising interest rates.
- 2.2.3 UK house price inflation for the year ending 30th June 2006 was recorded by the Halifax Index at 9.4% and Land Registry at 7.3%.
- 2.2.4 The Halifax First Time Buyer (FTB) Annual Review of 2005 indicates that the average price paid by first time buyers in the East Midlands showed an annual increase of 3% in 2005 (£114,551). This is 195% more than the average price paid by first time buyers in 1995.
- 2.2.5 The affordability difficulties confronting first time buyers have significantly reduced the number entering the market. The average age of a first time buyer in 1995 was 31 and has increased to 33 in 2005, demonstrating that it is taking longer for individuals to gain the finance required to access the property market.

- 2.2.6 This is also reflected in the fact that there were an estimated total of 320,000 first-time buyers in 2005, the lowest annual total since 1980. The numbers of FTB's last year was 40% lower than on 2002 (532,000).
- 2.2.7 The average deposit required in the East Midlands was £17,228, 15% of the purchase price. In 1995 the average deposit was £4,287, 11% of the purchase price. 59% of all first time buyer purchases in the Region were flats (10%) and terraced houses (49%).

2.3 Regional Picture

Table 2-1 House Price Inflation

	Change over year to 30 th June 2006 %	Change over quarter to 30 th June 2006 %
East Midlands ¹	+ 6.4	+ 1.4
East Midlands ²	+ 3.3	+ 2.9
Leicestershire ³	+ 0.6	+ 2.8

Source: ¹ Halifax House Price Index, © Copyright HBOS plc.

² Land Registry Index, © Crown Copyright (Land Registry)

³ Land Registry Index, © Crown Copyright (Land Registry)

- 2.3.1 The annual rate of house price inflation in the Halifax Index in the East Midlands Region at 30th June 2006 was 6.4%, lower than the UK average of 9.4%.
- 2.3.2 House prices in the East Midlands show a rise, increasing by 1.4% during the second quarter of 2006.
- 2.3.3 This is in comparison with Land Registry figures for the East Midlands region where the annual rate of house price inflation at 30th June 2006 was 3.3% and an increase of 2.9% was seen during the second quarter of 2006.
- 2.3.4 House prices in Leicestershire rose over the last year to 30th June by 0.6% as calculated by Land Registry. This is compared to the Borough of Melton where house prices rose over the last year by 7.6% as calculated by Land Registry.
- 2.3.5 The Housing Potential Study (HLLA) by Baker Associates revealed that the housing market in Melton performs above the East Midlands average and it is assumed that this trend will continue.

2.4 The Housing Market

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

Table 2-2 Average Region & County House Prices - All Buyers 2006

Property Type	East Midlands		Leicestershire	
	Land Registry Average Price	Halifax Average Price	Land Registry Average Price	Land Registry % of sales
Terraced	113,922	125,496	125,815	22.3
Semi-detached	135,852	143,283	149,279	40.4
Detached	227,485	238,408	251,632	33.5
Bungalows	*	176,446	*	
Flats & maisonettes	113,996	115,920	110,000	3.8
All properties	156,243	156,200	176,855	100.0

Source: Halifax House Price Index, 2nd Quarter 2006, © Copyright HBOS plc.
Land Registry Residential Property Price Report, 2nd Quarter 2006.
© Crown Copyright (Land Registry).
Land Registry figures do not identify bungalows separately.

2.4.2 The Halifax data refers to mortgage transactions at the time they are approved rather than when they are completed. Whilst this may cover some cases which may never proceed to completion, it has the important advantage that the price information is more up-to-date as an indicator of price movements and is on a more consistent time-base than completions data (such as the DCLG Index of house price inflation) given the variable time lags between approval and completion. The Land Registry data incorporates all sales transactions in the Region and more specifically in the Borough.

2.4.3 Prices vary between the different data sources and the Land Registry figures are expected to be lower in all cases given that these figures include non-mortgaged sales. The table below examines average house prices for the Borough recorded by the Land Registry against house prices and also the volume of sales for the Borough in 2006 and 2004, the timing of the previous Housing Needs Survey.

Table 2-3 Average House Prices and Sales - Melton Borough - All Buyers 2006

Property Type	2006		2004	Change
	Average Price	% of sales by Borough	Average Price	2004 – 2006%
Terraced	129,272	21.0	116,000	+ 11.4
Semi-Detached	153,520	37.8	128,793	+ 19.2
Detached	262,264	38.9	222,735	+ 17.7
Flats & maisonettes	93,400	2.3	88,690	+ 5.3
All properties	189,334	100.0	158,250	+ 19.6

Source: Land Registry Residential Property Price Report, 2nd Quarter 2006 / 2nd Quarter 2004.
© Crown Copyright (Land Registry)

- 2.4.4 The overall house price increase in the Borough is 19.6% since the previous survey. The price of terraced houses and flats - the entry level stock, have increased by 11.4% and 5.3% respectively. Prices of semi-detached houses have increased by 19.2% and detached houses by 17.7% from the last survey to June 2006.
- 2.4.5 The largest volume of sales in the Borough were detached houses (38.9%) selling at an average price of £262,264. Semi-detached houses average £153,520 and are 37.8% of sales. Terraced houses sell at an average price of £129,272 and account for 21.0% of sales. Flats / maisonettes account for just 2.3% of sales across the Borough with an average price of £93,400. Due to the average price and high volume of sales, terraced houses are assessed to be the main access property for first time buyers.
- 2.4.6 The sales level of terraced properties in 2006 (21.0%) is lower than the 2004 level (24.1%). The sales level of flats / maisonettes has decreased, from 5.9% of sales in 2004 to 2.3% of sales in 2006. The sales levels of detached houses and semi-detached houses in 2006 are higher than 2004 sales levels.
- 2.4.7 The table below examines average house prices for Melton, against the surrounding local authority areas of Rutland, South Kesteven, Rushcliffe, Charnwood and Harborough, recorded by the Land Registry.

Table 2-4 Average House Prices and Sales - All Buyers 2006

Property Type	Melton	Rutland	South Kesteven	Rushcliffe
Terraced	129,272	165,159	128,896	139,811
Semi-detached	153,520	168,121	140,661	187,426
Detached	262,264	303,141	227,937	284,574
Flats & maisonettes	93,400	136,099	99,038	123,326
All properties	189,334	237,906	173,736	213,081

Property Type	Charnwood	Harborough	Sub-Regional Average
Terraced	124,485	158,166	148,334
Semi-detached	145,774	170,001	163,922
Detached	265,527	281,145	282,171
Flats & maisonettes	112,751	91,685	117,155
All properties	173,748	221,989	203,591

Source: Land Registry, 2nd Quarter 2006, © Crown Copyright

- 2.4.8 The average price of all properties across all six Local Authorities is £203,591 and average prices in Melton Borough (£189,334) are 7.0% lower than this figure. The average prices range from the highest in Rutland (£237,906) to the lowest average price of £173,736 in South Kesteven.

- 2.4.9 Terraced house prices in the Borough at £129,272 are 12.9% lower than for the sub-region as a whole, with the highest price for terraced houses being in Rutland (£165,159, 27.8% higher than in Melton). The average price of a terraced house in Charnwood, the least expensive area, at £124,485 is 3.7% lower than in Melton Borough.
- 2.4.10 The average price of flats and maisonettes are 45.7% higher in Rutland (£136,099) than in Melton (£93,400). The lowest average price of flats / maisonettes is found in Harborough at a price of £91,685, this is 1.8% lower than in Melton.
- 2.4.11 The differences in the average prices of properties, particularly in the entry level stock of terraced houses and flats, is assumed to have an effect on in-migration to Melton from the surrounding areas. For example there is likely to be a higher level of in-migration (particularly from new forming households looking for cheaper housing) to Melton from the areas of Rutland and Rushcliffe, as the average price of properties in Melton is lower than these areas, attracting movers to the Borough.

2.5 Sub-Area Structure

- 2.5.1 In order to further analyse house prices in the area the Borough has been divided into five sub-areas, consistent with the 2004 Survey. The five areas analysed are shown in the following table.

Table 2-5 Sub-Area Breakdown

Areas	Including
Melton Mowbray	Melton Town
Rural North	Bottlesford Croxtan Kerrial Long Clawson Stathern
Rural East	Waltham-on-the-Wolds Wyndham
Rural South	Gaddesby Somerby
Rural West	Asfordby Frisby-on-the-Wreake Old Dalby

2.6 Entry Level Prices in the Borough

- 2.6.1 Entry to the market is clearly dependent on availability, a factor, which is particularly critical for low income households who can only enter the market in any numbers where there is an adequate supply of affordable dwellings.
- 2.6.2 First-time buyers as new entrants to the Housing Market do not purchase houses at average prices as they do not have average incomes. Although average prices are useful for comparisons in general they are not the purchase levels used in assessing the ability of households to access local markets.
- 2.6.3 In broad terms new purchasers of either flats or terraced properties buy in the lowest quartile of prices i.e. the bottom 25%. The only comparison available has therefore been made, from Land Registry data which is at Borough wide level. In Melton this is £113,000, 59.7% lower than the average of £189,334 in Table 2-3.

- 2.6.4 DCA have therefore undertaken a survey of the local estate agents to ascertain the cost of the cheapest units available both for private rent and for sale in each of the 5 sub-areas. Due to the lack of supply available in the current housing market some samples are small and in some cases no data was available.

Table 2-6 Entry Level Prices in the Borough – June 2006

Property Type	Melton Mowbray	Rural North	Rural East	Rural South	Rural West	Borough - wide
1-Bed Flat	67,475	-nd-	-nd-	-nd-	-nd-	67,475
2-Bed Flat	69,975	-nd-	-nd-	-nd-	-nd-	69,975
2-Bed Terraced	103,950	115,000	124,975	162,500	109,998	111,825
3-Bed Terraced	111,950	125,000*	137,475	175,000*	128,317	120,417

Source: DCA House Price Survey August 2006

* Low Volume of Data nd - no data

- 2.6.5 Although the average price of terraced houses according to the Land Registry survey is £129,272, access sales levels vary across the Borough with the lowest access prices, for a 2-bed property, starting at around £103,950 in Melton Mowbray, rising to £162,500 in the Rural South area. 3-bed terraced properties can be accessed at £111,950 in Melton Mowbray rising to £175,000 in the Rural South area as shown in Table 2-6 above.
- 2.6.6 The survey of local estate agents found that the stock of flats / maisonettes was very low in Melton Borough, with this property type only being located in the Melton Mowbray area. These findings are similar to those in the 2004 Survey where the estate agency survey found a limited number of flats and maisonettes. Flats / maisonettes can be purchased at £64,475 for a 1-bed property in Melton Mowbray, rising to £69,975 for a 2-bed property.

2.7 The Private Rented Sector

2.7.1 The evidence available on the private rented sector is largely empirical. Some of the main private renting agencies operating in the Borough were approached. From these estate agency sources, the prevailing private sector rent levels are set out below. Low volumes of data were found in many parts of the private rented sector in the Borough.

Table 2-7 Average and Entry Level Rent in the Borough (£/month) – August 2006

Property Type	Melton Mowbray		Rural North		Rural East		Rural South		Rural West		Borough - wide	
	Average	Entry	Average	Entry	Average	Entry	Average	Entry	Average	Entry	Average	Entry
1-Bed Flat	365	335*	-nd-	-nd-	-nd-	-nd-	-nd-	-nd-	-nd-	-nd-	365	335
2-Bed Flat	396	360	-nd-	-nd-	-nd-	-nd-	-nd-	-nd-	-nd-	-nd-	396	360
2-Bed Terraced	451	402	464	450*	463	453*	456	398*	453	395*	456	419
3-Bed Terraced	452	398*	470	460*	525	505*	538	500*	539	525*	499	478
2-Bed Semi-Detached	480	470*	480	460*	489	455*	525	500*	490	475*	490	472
3-Bed Semi-Detached	538	500*	589	555*	536	505*	594	578*	547	528*	563	533

Source: DCA House Price Survey August 2006

* Low Volume of Data, -nd- no data available

- 2.7.2 Entry level rental costs in the private rented sector vary significantly by location within the Borough. The private rented sector can be accessed at £395 per month in the Rural West area rising to £453 in the Rural East area (see Table 2-7 above) for a two bedroom terraced property. For a 3-bed terraced, rents range from £398 p.m. in Melton Mowbray to £525 p.m. the Rural West area.
- 2.7.3 In the case of 2-bed semi-detached houses, the entry rent levels were £455 p.m. in the Rural East area rising to £500 p.m. in the Rural South area. For 3-bed semi-detached houses, entry rent levels ranged from £500 p.m. in Melton Mowbray, rising to £578 in the Rural South area.
- 2.7.4 The data on flats was very low, with data only found for the Melton Mowbray area, as shown in Table 2-7. In Melton Mowbray, 1-bed flats can be accessed from £335 p.m. and from £360 for 2-bed flats.
- 2.7.5 There is evidence to suggest that landlords would not accommodate Housing Benefit / Income Support cases; however the decision does rest with the individual landlord concerned.
- 2.7.6 A range of property types are available in the sector as a whole and are found in a variety of locations within the Borough. It would appear that the difference in rent level between furnished and unfurnished property is marginal with respondents indicating they do charge only slightly more for furnished accommodation. They indicated that the difference in cost was marginal, although many agencies do not deal with furnished property due to the fire regulations involved.

2.8 Conclusions

- 2.8.1 The annual rate of house price inflation in the Halifax Index in the East Midlands Region at 30th June 2006 was 6.4%, lower than the UK average of 9.4%.
- 2.8.2 The Land Registry average price for all dwellings in Melton Borough during the 2nd Quarter of 2006 was £189,334.
- 2.8.3 The largest volume of sales in the Borough were detached houses (38.9%) selling at an average price of £262,264. Semi-detached houses average £153,520 and are 37.8% of sales. Terraced houses sell at an average price of £129,272 and account for 21.0% of sales. Flats / maisonettes account for just 2.3% of sales across the Borough with an average price of £93,400. Due to the average price and high volume of sales, terraced houses are assessed to be the main access property for first time buyers.
- 2.8.4 The increase in the price of terraced houses (11.4%) is in excess of wage inflation in the two year period since the previous survey, as illustrated in Section 3.5. Incomes in the County of Leicestershire are assessed independently to have increased by 8.27% for the two years between April 2004 and April 2006.
- 2.8.5 House prices have increased between quarter 2, 2004 to quarter 2, 2006 by 5.3% for flats / maisonettes and 11.4% for terraced properties. An income of around £32,900. is needed to buy a two bedroom terrace in Melton Mowbray rising to £51,500 in the Rural South area and a three bedroom terraced house would require an income of £35,500 in Melton Mowbray rising to £55,400 in the Rural South area.
- 2.8.6 Similar cost variation applies in the private rented sector across the Melton Borough. Based on rent at 25% of gross income a two bed terraced property in the Rural West area requires £19,000 per annum rising to £21,700 in the Rural East area. A 3-bed terraced requires an income of £19,100 in Melton Mowbray rising to £25,200 in the Rural West area.
- 2.8.7 Mortgage interest rates are at their lowest level for over 40 years and people who cannot enter the market under these circumstances may never be able to do so, short of some collapse in the market or a significant change in their income level. Further house price increases above wage inflation in 2006 / 07 would make access to market housing more difficult to achieve and would impact on households with marginal incomes significantly.
- 2.8.8 Entry to market housing has therefore become more difficult for new households than it was in 2004; increasing the need for subsidised housing especially in the higher priced areas of the Borough.

3 HOUSING COSTS AND INCOME

3.1 Introduction

3.1.1 The ability of a household to satisfy its own housing requirement is fundamentally a factor of the relationship between local house prices and households income. This section of the report assesses the income levels required to access the cheapest units available in reasonable supply from the research detailed in Section 2.6, and the change in incomes from the previous survey in 2004 utilising national secondary data.

3.2 Purchase Income Thresholds

3.2.1 This section of the report assesses the income levels required to enter the market through the lowest quartile stock, (flats and terraced houses) available in reasonable supply from the research detailed in Section 2 and the change in incomes from the 2004 survey utilising national secondary data.

3.2.2 The cheapest entry level prices of the smallest units were assessed to enable threshold income levels to be calculated. These are based on 95% mortgage availability and a 3x gross income lending ratio the levels recommended in the Good Practice Guidance (2000). Table 3-1 below outlines the income ranges needed to enter the market in the main settlements in the Borough.

Table 3-1 Purchase Income Thresholds 2006

Area	Income Thresholds (£)			
	1 bed Flat	2 bed Flat	2 bed Terraced	3 bed Terraced
Melton Mowbray	21,400	22,200	32,900	35,500
Rural North	-nd-	-nd-	36,400	39,600
Rural East	-nd-	-nd-	39,600	43,500
Rural South	-nd-	-nd-	51,500	55,400
Rural West	-nd-	-nd-	34,800	40,600

3.2.3 The increase in average prices has a direct and significant impact on the income requirement to access owner occupation. The change in the average income requirement to access the average house price across the Borough from June 2004 to June 2006 is shown below in Table 3-2, this data is taken from Land Registry reflecting average property prices since the previous survey.

Table 3-2 Average Income Requirements 2004 – 2006 (£)

Property Type	2004 (£)	2006 (£)	Change %
Terraced	37,200	40,900	+ 9.9
Flats	28,000	29,500	+ 5.4

2004 requirements relate to Land Registry price report, 2nd Quarter 2004

2006 requirements relate to Land Registry price report, 2nd Quarter 2006

3.2.4 Table 3-2 above shows that the Borough-wide level incomes at which the Housing Market can be accessed have increased since 2004. The income needed to access terraced properties has increased to £40,900 (9.9%) and access to flats / maisonettes requires an income of £29,500 compared to £28,000 in 2004, an increase of 5.4%.

3.3 Rental Income Thresholds

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

Table 3-3 Rental Income Thresholds 2006

Area	Income Thresholds (£)			
	1 bed Flat	2 bed Flat	2 bed Terraced	3-bed Terraced
Melton Mowbray	16,100	17,300	19,300	19,100
Rural North	-nd-	-nd-	21,600	22,100
Rural East	-nd-	-nd-	21,700	24,200
Rural South	-nd-	-nd-	19,100	24,000
Rural West	-nd-	-nd-	19,000	25,200

- 3.3.2 Similar cost variation applies in the private rented sector across the Melton Borough. Based on rent at 25% of gross income a two bed terraced in Rural West requires £19,000 per annum rising to £21,700 in the Rural North area. A 3-bed terraced house requires an income of £19,100 in Melton Mowbray rising to £25,200 in the Rural West Area. Due to low levels of data being found in Melton Borough for flats, the income data is very limited with data only being available for Melton Mowbray. To rent a 1-bed flat would require an annual income of £16,100 in Melton Mowbray rising to £17,300.

3.4 Secondary Research

- 3.4.1 The Joseph Rowntree Foundation published the results of a study undertaken across the Country examining the ability of working households, both existing and newly forming, to become homeowners. The study entitled 'Can Work – Can't Buy' conducted by Professor Steve Wilcox uses the Halifax database for House Prices of the lowest quartile prices for 4/5 room dwellings and calculates affordability ratios based on working household incomes from the New Earnings Survey. This study was updated in 2004 and, based on local prices for 2 and 3-bedroom dwellings and drawing on a range of data sources, provided a range of analyses of the difficulties of working households aged 20 to 39 in accessing home ownership in all areas at the end of 2003.
- 3.4.2 In 2005 the survey has been further updated to take account of local prices and increase in incomes, it broadly follows but refines the earlier analyses. This study named "Affordability and the Intermediate Housing Market" was conducted for the Joseph Rowntree Foundation and provides an analysis at local authority level of the capacity of younger working households to buy in their local housing market in 2004.
- 3.4.3 The Joseph Rowntree Foundation Study shows in the 2005 Report that Melton Borough has the 2nd highest house price-to-income ratio out of the 9 local authority areas in Leicestershire at 4.21 to 1.
- 3.4.4 It should be noted that in reaching these figures an income ratio higher than what usually applies has been taken into account, as the analysis assumes a maximum mortgage of 3.75 times household income for working households with one earner, and 3.25 times household income for households with two (or more) earners.

- 3.4.5 This is compared with the previous 2003 update which stated, "All ratios should be considered in relation to the ratio of mortgage advance to household gross earned income, which rarely exceeds 3.5 to 1". This ratio would only apply to professionals and it is more likely that the majority of local households would achieve mortgage ratios below 3.5 to 1 and closer to the average of the Council of Mortgage Lenders for first time buyers in 2004 of 3.03 to 1.
- 3.4.6 Table 3-4 highlights the data and house price to income ratio for Melton Borough and the East Midlands Region.

Table 3-4 Purchase Income Thresholds

Area	Working Households		
	2004 Prices for 3/5 bedroom dwellings (£)	Income £	Ratio
Melton	142,384	33,807	4.21
East Midlands	119,724	34,429	3.48

Source: Joseph Rowntree Foundation 2005 Update

- 3.4.7 House prices to income ratios across the 9 Leicestershire authorities range from 2.90 to 1 in Hinckley and Bosworth to 4.69 to 1 in Oadby and Wigston.
- 3.4.8 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. The CORE data for Melton shows the combined household incomes of new tenants in the social sector in 2004. The median income was £8,840 and 75% earned below £13,260.
- 3.4.9 The updated 2005 Joseph Rowntree Foundation "Affordability and the Intermediate Housing Market" study also relates to the ability of the intermediate market to assist younger working households to buy in their local housing market.

Table 3-5 Working Households Unable to Buy

Area	Working Households	
	Broad Band * (%)	Narrow Band ** (%)
Melton	38.4	20.6
East Midlands	33.4	17.6

* The proportion of working households who cannot afford to buy at the lower quartile of house prices for two- and three-bedroom homes.

** The proportion of working households who can afford social housing rent without housing benefit but cannot afford to buy at the lowest decile point of house prices for two- and three-bedroom dwellings.

Source: Joseph Rowntree Foundation 2005

- 3.4.10 The data shows that for Melton, 38.4% of working households cannot afford to buy at the lower quartile point of house prices, and 20.6% cannot afford in the lowest decile. This is higher than the regional average for the East Midlands (33.4% and 17.6% respectively).

3.5 Annual Survey of Hours and Earnings

- 3.5.1 Income data is always difficult to gather at local level. Most data is regionally based and the 2006 Annual Survey of Hours and Earnings (ASHE) has been used, prepared by the Office for National Statistics (formerly known as the New Earnings Survey). This provides data at County and Borough-wide level of full time employees on adult rates who have been in the same job for more than a year.
- 3.5.2 Although the ASHE does provide useful data on personal income distribution related to area of residence, there are indications within the new ASHE of unreliable and unavailable data within certain areas. Where this applies to data that affects the Local Authority, the County wide level data has been used as a more reliable source. In this case, the Leicestershire County level ASHE data has been used due to the stated unreliability within the 2006 ASHE of the Melton Borough data.
- 3.5.3 The ASHE 2006 shows an average income of £27,774 for the County of Leicestershire, an 8.27% increase, (1.034% per quarter) since the ASHE 2004.
- 3.5.4 It is particularly important to examine the distribution of income rather than the average figure, especially in relation to the proportion of households with the capacity to access the private sector market for rent or sale.
- 3.5.5 There is a wide distribution of earnings illustrated from the ASHE. Analysis of the data for the County at April 2006 shows that: -
- 10% earned less than £12,385;
 - 25% earned less than £17,000;
 - 50% earned less than £23,790;
 - 75% earned less than £33,000.
- * Data used has been termed as 'precise' and 'reasonably precise' by ASHE.*
- 3.5.6 The increases in house prices over the last two years have excluded a large proportion of 'first-time buyers' from the owner occupied market. The proportion of affordable housing provided on new sites should therefore encompass more subsidised low cost market housing than would have been the case three years ago when it was a more marginal element of affordable need.
- 3.5.7 Access to the market has been based on the updated house price information detailed in Section 2. Analysis has also been undertaken of the income levels of local households, to be able to assess the proportion of people now able enter market housing.
- 3.5.8 The following tables highlight the 2004 incomes of all households from the 2004 Housing Needs Survey and current 2006 incomes. As the average incomes for Leicestershire have increased by 8.27% between April 2004 and April 2006 as highlighted by the ASHE (1.034% per quarter), assuming a consistent increase over the time period, the 2004 annual income boundaries taken from the 2004 HNS Survey (Q3, 2004) have an income inflation of 9.3% (1.034% times 9 quarters) applied to Melton Borough to Q4 2006.

Table 3-6 Incomes of All Households 2004 & 2006

Annual Income 2004	Annual Income 2006	%
Below £10,000	Below £10,930	15.1
£10,001 - £15,000	£10,931 - £16,395	15.5
£15,001 - £20,000	£16,396 - £21,860	12.0
£20,001 - £25,000	£21,861 - £27,325	11.2
£25,001 - £30,000	£27,326 - £32,790	9.9
£30,001 - £40,000	£32,791 - £43,720	12.7
£40,000 - £50,000	£43,721 - £54,650	7.0
Above £50,000	Above £54,651	16.6
Total		100.0

3.5.9 Table 3-6 highlights the 2004 incomes of all households from the 2004 Housing Needs Survey and current 2006 incomes. Table 3-7 below outlines incomes of concealed households from the 2004 Housing Needs Survey and current 2006 incomes. An income inflation of 9.3% over the two years has been applied in both cases.

Table 3-7 Incomes of Concealed Households 2004 & 2006

Annual Income 2004	Annual Income 2006	%
Below £10,000	Below £10,930	14.9
£10,001 - £15,000	£10,931 - £16,395	25.4
£15,001 - £20,000	£16,396 - £21,860	20.5
£20,001 - £25,000	£21,861 - £27,325	14.8
£25,001 - £27,500	£27,326 - £30,058	7.6
£27,501 - £30,000	£30,059 - £32,790	9.1
£30,001 - £32,500	£32,791 - £35,523	4.6
£32,501 - £35,000	£35,524 - £38,255	3.1
Total		100.0

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

Table 3-8 Concealed Households – Incomes Needed to Enter the Market through Owner Occupation and % Unable to Buy

Type of Property	Area	(£) Income Required	% of concealed households unable to purchase
2-bed Terraced	Melton Mowbray (cheapest)	32,900	92.5
2-bed Terraced	Rural South (most expensive)	51,500	100.0
3-bed Terraced	Melton Mowbray (cheapest)	35,500	96.9
3-bed Terraced	Rural South (Most expensive)	55,400	100.0

- 3.5.11 Using the income requirements from Table 3-1, Table 3-7 shows that 92.5% of concealed households are unable to buy a 2-bed terraced property in Melton Mowbray and no concealed households can afford a 2-bed terraced property in the Rural South area. In Melton Mowbray, 96.9% of concealed households cannot afford to buy a 3-bed terraced property, rising up to all of concealed households in the Rural South area. The majority of households are effectively excluded from entering the owner occupied market through terraced houses, the main entry level stock types available.
- 3.5.12 Table 3-9 below outlines the income required by concealed households to access the private rented accommodation based on the lowest and highest rental income thresholds across the Borough for 2-bed and 3-bed terraced properties, as illustrated in Table 3-3.

Table 3-9 Concealed Households – Incomes Needed to Enter the Private Rented Market and % Unable to Afford to Rent

Type of Property	Area	(£) Income Required	% of concealed households unable to Rent
2-bed Terraced	Rural West (cheapest)	19,000	50.1
2-bed Terraced	Rural East (most expensive)	21,700	60.2
3-bed Terraced	Melton Mowbray (cheapest)	19,100	50.4
3-bed Terraced	Rural West (most expensive)	25,200	69.8

- 3.5.13 Table 3-9 above shows that 50.1% of concealed households cannot afford to rent a 2-bed terraced property in the cheapest areas of Rural West and 60.2% are excluded from renting more expensive 2-bed terraced properties in the Rural East. 50.4% of households are excluded from the cheapest 3-bed terraces in Melton Mowbray, whilst 69.8% cannot afford to rent in the Rural West area.

3.6 Income Summary

- 3.6.1 An income of around £32,900 is needed to buy a two bed terraced house in Melton Mowbray rising to rising to £51,500 in the Rural South area and a three bedroom terraced house would require an income of £35,500 in Melton Mowbray rising to £55,400 in the Rural South area. On average the incomes needed to access terraced properties have increased by 9.9% between 2004 and 2006.
- 3.6.2 Similar cost variation applies in the private rented sector across the Borough. Based on rent at 25% of gross income a two bed terraced house in the Rural West area requires £19,000 per annum rising to £21,700 in the Rural East area. A 3-bed terraced house requires an income of £19,100 in Melton Mowbray rising to £25,200 in the Rural West.
- 3.6.3 Annual Survey of Hours and Earnings (ASHE) 2006 show an average income of £28,199 for the County of Leicestershire, an 8.27% (1.04% per quarter) increase since the ASHE 2004. The ASHE data on the spread of incomes, important in any Borough with diverse house prices and markets, shows that for Leicestershire at April 2006, 10% of people earned less than £12,385; 50% less than £23,790 and 75% of people earned less than £33,000.
- 3.6.4 The Joseph Rowntree Foundation Study shows in the 2005 Report that Melton has the 2nd highest house price-to-income ratio out of the 9 local authority areas in Leicestershire at 4.21 to 1.
- 3.6.5 The implication of incomes having risen by 9.3% overall since 2004, lower than house price inflation, directly impacts on household's ability to access the market through owner occupation.
- 3.6.6 Based on a calculation of property prices and rental costs against incomes at localised level, 92.5% of concealed households are unable to buy a 2-bed terraced property in Melton Mowbray and none can afford a 2-bed terraced house in the Rural South area. In Melton Mowbray, 96.9% of households cannot afford to buy a 3-bed terraced property, rising up to all of households in the Rural South area.
- 3.6.7 The majority of households are effectively excluded from entering the owner occupied market through terraced houses, the main entry level stock type available.

4 POPULATION GROWTH AND HOUSEHOLD FORMATION PROJECTIONS

4.1 Introduction

- 4.1.1 In this section of the report a short background commentary is provided to the demographic element in housing demand in Melton Borough. The purpose is two-fold. First, to provide a context in which the results of the postal questionnaire can be interpreted. Secondly, to give a more specific focus on the demand for affordable housing provision and to make projections for five and ten year periods.
- 4.1.2 Modelling housing needs is a very complex procedure and it is only very recently that attempts have been made to model local housing needs. Most of the established procedures are aimed at the provision of national level estimates of housing need, including:-
- simple estimates such as those provided by the DCLG, which measured the crude dwelling to household surplus (and concluded no additional building was necessary to meet need);
 - a second approach by the Audit Commission measured household growth minus expected private sector output;
 - Glen Bramley's work focused on local supply and demand to calculate for a particular point in time the proportion of new households unable to buy in the market (minus social sector re-lets);
 - Steve Wilcox described a 'Net Stock' approach which calculates net household increase and adds a factor for concealed households before deducting new private sector output to arrive at estimates of need in the social sector.
- 4.1.3 Kleinman and Whitehead have devised a so-called 'Gross Flows' approach which looks at gross household formation, tenure choice, demand from in-migrants and deducts these from new social output and re-lets to yield a measure of social housing requirements.
- 4.1.4 How these national models translate to the local level is not at all clear. Kleinman and Whitehead have attempted a 'Gross Flows' analysis for Cambridge but relied entirely on secondary data for their estimates. This is a problem in the model particularly for the incorporation of measures of concealed households and factors relating to affordability are not considered directly but by modelling the tenure propensities of new households.
- 4.1.5 Our method emphasises the affordability issue and gives much greater weight to the issue of concealment of households than most of the 'national' level studies.
- 4.1.6 The affordability measure is derived from primary data collected in the household's surveys and from access to the Land Registry database on house prices and the concealment issue is also addressed through the survey findings. Since our study is targeted at Melton Borough, there are inevitable limitations because local housing markets encompass much wider areas than a single Local Authority area.

4.2 Demographic Analysis

- 4.2.1 There are four basic components to changes in the number and composition of households. The aim of this section of the report is to highlight the issues which are relevant to the evaluation of housing needs in Melton particularly the changes in:-
- the age distribution of the population arising from births, deaths and ageing of the indigenous population;
 - family units such as marriage, divorce and child bearing patterns;
 - the number and composition of households arising from migration, particularly due to employment opportunities in the area;
 - the probabilities that family units form a separate household, particularly in response to changes in incomes in the labour market area.
- 4.2.2 In local area forecasting new household formation is mainly due to responses to income and employment opportunities. New household formation is also affected by life cycle patterns. This purely demographic influence on the number of households contributes to about 40% of the growth in the number of new households at any one time (Dicks, 1988; Ermisch, 1985).
- 4.2.3 The general demographic forecasts in the tables in this section have been provided by Leicestershire County Council and are 2006-based sub-national population projections. The 2001 Census data has been taken into consideration in the production of these population projections.
- 4.2.4 The factors which combine to produce the population and household forecasts are:- population age-sex structures, headship rates, survival factors, infant mortality, fertility rates, base numbers of dwellings, vacancy rates, building / demolition programmes and the age-sex structure of migrants. The summary of this data is provided in the following tables with the population changes disaggregated in intervals from 2001 – 2026.

4.3 Population Projections

- 4.3.1 The projections in Table 4-1 are based on the predictions made by Leicestershire County Council (2001-based). These projections are Draft Regional Plan dwelling-led projections, October 2006. These figures are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.4 regarding mortality, fertility and migration etc, and are contained in population projections for Melton during the period 2001 - 2026 provided by Leicestershire County Council.

Table 4-1 Population Change in Melton, 2001 - 2026

	2001	2006	2011	2016	2021	2026	Change
Total Population	47,700	48,283	48,803	48,839	48,927	49,372	1,672
Change		+ 583	+ 520	+ 36	+ 88	+ 445	+ 1,672
% Change		+ 1.2	+ 1.1	+ 0.1	+ 0.2	+ 0.9	+ 3.5

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Figures have been rounded to the nearest 100

- 4.3.2 The table shows an increase of 1,672 in the population of Melton over the forecast period. A steady increase is seen across the forecast period, with the main increase occurring between 2001 and 2006 (583; +1.2%).

4.4 Age Structure Forecast 2001 - 2026

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

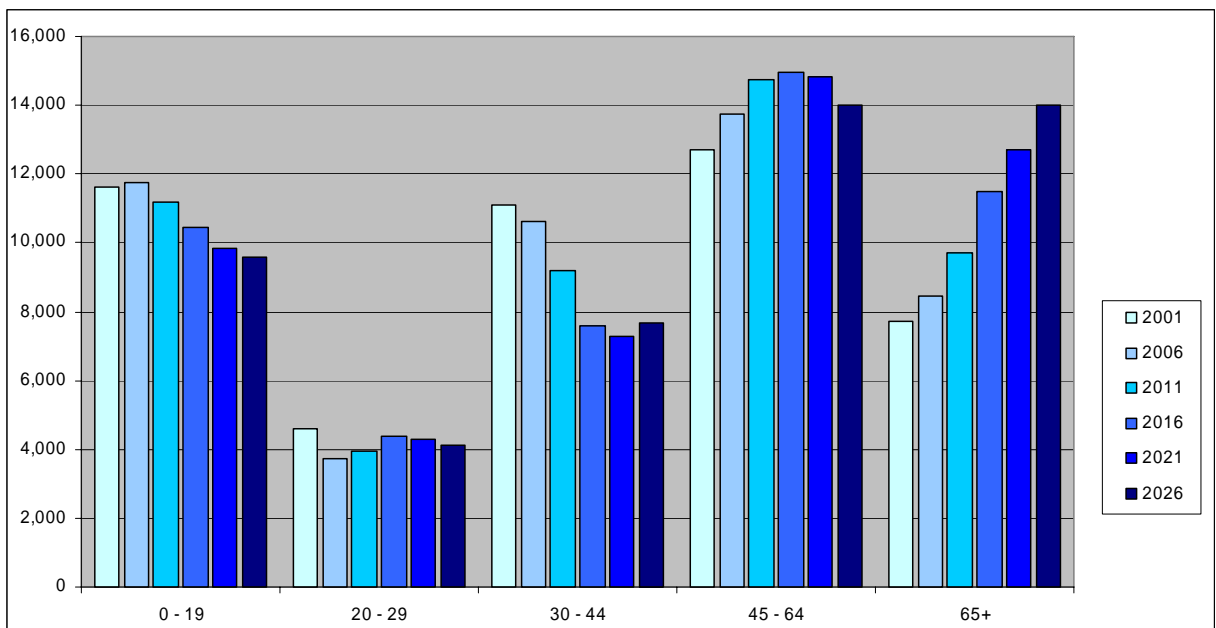
Table 4-2 Population Age Band Forecast, Melton Borough 2001 – 2026

	2001	2006	2011	2016	2021	2026	Change
0 - 19	11,600	11,730	11,206	10,435	9,859	9,588	- 2,012
20 – 29	4,600	3,736	3,948	4,397	4,280	4,107	- 493
30 – 44	11,100	10,631	9,176	7,580	7,266	7,662	- 3,438
45 – 64	12,700	13,731	14,753	14,957	14,815	14,006	+ 1,306
65 +	7,700	8,455	9,720	11,470	12,707	14,009	+ 6,309
Total	47,700	48,283	48,803	48,839	48,927	49,372	1,672
% Change		+ 1.2	+ 1.1	+ 0.1	+ 0.2	+ 0.9	+ 3.5

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

Figure 4-1 Population Age Band Forecast, Melton Borough 2001 - 2026



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

4.4.3 As shown above there is a steady rise in the population over the forecast period approximately 3.5%. There is projected to be a population increase of around 1,672 in the Borough in 2026 compared to 2001.

4.4.4 The 0-19 age range shows a decline overall (2,012; 17.3%). Numbers fall throughout the forecast period, with the largest decrease being seen between 2011 and 2016 (771; 6.9%).

- 4.4.5 The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. There is a decrease overall (493; 10.7%). The largest decrease in the population in this age group is seen between 2001 and 2006 (864; 18.8%).
- 4.4.6 The 30-44 age group, the main economically active group shows a decline overall (3,438; 30.9%). Numbers fall throughout the period although there is an increase between 2021 and 2026 (396; 5.5%). Overall the largest decrease is seen between 2011 and 2016 (1,596; 17.4%).
- 4.4.7 A significant feature here is the growth of the population in the 45-64 age group. Over the forecast period there is a rise of 1,306 people (10.3%). Numbers increase throughout the forecast period up to 2016, where there is then a small decrease in the population. The largest rise occurs between 2001 and 2006 (1,032; 8.1%).
- 4.4.8 The most significant feature here is the growth of the population in the over 65 age group. An increase of 6,309 individuals (81.9%) is seen over the forecast period, the largest increase is seen between 2021 and 2026 (1,302; 10.2%). This large growth will result in the 65+ age group representing 28.4% of the whole population by 2026.
- 4.4.9 Numbers in the 80+ age group increase by 2,505 (125.2%) up to 2026, with the greatest rise proportionately in percentage terms occurring between 2021 and 2026 (22.8%). Given the resource demands often associated with very elderly people, these are very significant figures.

Table 4-3 Numbers of 80+ in Melton Borough, 2001 - 2026

	2001	2006	2011	2016	2021	2026	Change
80 +	2,000	2,518	2,838	3,186	3,668	4,505	
Change		+ 518	+ 320	+ 348	+ 482	+ 837	+ 2,505
% Change		+ 25.9	+ 12.7	+ 12.3	+ 15.1	+ 22.8	+ 125.2

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4.5 Forecast Change in Households 2001-2026

- 4.5.1 Table 4-4 outlines the household formation forecasts for the Borough in the 20 year period from 2001 to 2026. These figures are DCLG 2003 based household projections.

Table 4-4 Forecast Change in Households in Melton Borough, 2001 – 2026

	2001	2006	2011	2016	2021	2026	Change
Households	20,109	20,909	21,710	22,510	23,309	24,109	
Household change		+ 800	+ 801	+ 800	+ 799	+ 800	+ 4,000
% Change		+ 4.0	+ 3.9	+ 3.7	+ 3.5	+ 3.4	+ 19.9

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

4.6 Summary

- The forecasts to 2026 are based on the assumptions outlined in paragraphs 4.2.1 to 4.2.4 regarding mortality, fertility and migration etc, and are contained in population projections for Melton for the period 2001 - 2021 provided by Leicestershire County Council.
- The population is projected to increase by 1,672 people over the 20 years to 2026.
- The 0-19 age range shows a decline overall (2,012; 17.3%). Numbers fall throughout the forecast period, with the largest decrease being seen between 2011 and 2016 (771; 6.9%).
- The 20-29 age range comprises new households forming and will have implications for future affordable housing need both in the short and longer term. There is a decrease overall (493; 10.7%). The largest decrease in the population in this age group is seen between 2001 and 2006 (864; 18.8%).
- The 30-44 age group, the main economically active group shows a decline overall (3,438; 30.9%). Numbers fall throughout the period although there is an increase between 2021 and 2026 (396; 5.5%). Overall the largest decrease is seen between 2011 and 2016 (1,596; 17.4%).
- The most significant feature is the growth of the population in the over 65 age group. An increase of 6,309 individuals (81.9%) is seen over the forecast period, the largest increase is seen between 2021 and 2026 (1,302; 10.2%). This large growth will result in the 65+ age group representing 28.4% of the whole population by 2026.
- Numbers in the 80+ age group increase by 2,505 (125.2%) up to 2026, with the greatest rise proportionately in percentage terms occurring between 2021 and 2026 (22.8%). Given the resource demands often associated with very elderly people, these are very significant figures.

5 HOUSING NEEDS ASSESSMENT

5.1 Survey Weighting

- 5.1.1 In undertaking this update the data file has been re-weighted using 2005 revised household numbers and social stock by sub-area and 2001 Census tenure proportions (adjusted by five years new dwellings) to draw key data used in the Model. The social sector stock has been weighted to the actual figures in the 2005 HSSA return.
- 5.1.2 The 2001 Census data however provides useful data on private sector tenants. They represented 11.5% of households at Census, but only (8.0%) rent from a private landlord or letting agency. A further 209 (1.1%) rent from an employer, relative or friend and (2.2%) live rent free and are likely to be in tied accommodation.

Table 5-1 Tenure of Present Households

Question 1

Tenure	2006 %	N ^{os} implied	Local Area Census 2001 *
Council rented	9.3	1,930	10.0
HA rented	2.6	539	2.0
Shared ownership	0.4	72	0.5
Private rented	10.9	2,265	10.8
Other / tied to employment	0.7	145	0.7
Owner occupier - mortgage	43.7	9,018	43.6
Owner occupier - outright	32.4	6,691	32.4
Total	100.0	20,660	100.0

* © Crown Copyright (Census)

5.2 Model Structure

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

6 DCLG NEEDS ASSESSMENT MODEL

6.1 Affordable Housing Needs Assessment Model

6.1.1 The overall assessment of housing need is calculated using the DCLG Basic Needs Assessment Model, which is structured from the survey data to take account of the key demand sources, households requiring subsidised housing, homeless households not assessed in the survey, households living in unsuitable housing whose needs can only be resolved in a different dwelling and concealed household formation emanating from demographic change.

6.2 Income Requirement Assumptions

6.2.1 Each category has been adjusted to ensure that proper account is taken of households who can buy the lowest quartile stock in the owner occupied market without assistance (income > £32,900 / £55,400) subject to location. The private rent sector costs are estimated at an access cost of £395 / 525.per month for the vast majority of households in this sector, requiring an annual income of at least £19,000 / £25,200 per annum, subject to location.

6.3 Basic Model Structure

6.3.1 There are a total of 18 'stages' in the needs assessment model, combined into three distinct sections assessing:-

- B - The Backlog of Existing Housing Need
- N - Newly Arising Need
- S - Supply of Affordable Units
- **(B + N) – S = Overall annual net shortfall (or surplus) of affordable housing.**

6.4 B – The Backlog of Existing Housing Need

6.4.1 The first stage of the backlog calculation identifies existing households in living accommodation unsuitable for their needs who need to move to resolve their difficulty. **Stage 1** identifies the number of households who specified one or more reasons why their accommodation was inadequate. There were a total of 2,950 reasons for inadequacy given, relating either to property size, condition, heating, affecting health, cost or insecurity of tenure.

6.4.2 Households who stated their accommodation was too small, without specifying any other reason, were tested against the DCLG 'Bedroom Standard' to determine whether they are actually overcrowded and only those households who are overcrowded are assessed to be in inadequate housing.

6.4.3 911 households gave "Too Small" as one of their reasons but 446 also have other reasons and the net group who need to be tested as to actual overcrowding is 465 households. 199 households are overcrowded by the Bedroom Standard but 3 of them are moving to a new home outside the Borough. This leaves a figure of 196 overcrowded households, of whom 25 have other reasons than "Too Small" and are overcrowded and are already included in the total household number.

Table 6-1 Inadequate Households Test

Households specifying unsuitability issues		1,952
MINUS Reason "Too Small" <u>only</u>	465	1,487
PLUS Technically 'overcrowded'	196	1,683
MINUS Duplication	25	1,658
Assessed in inadequate housing		1,658

- 6.4.4 The net figure of 1,658 is used in **Stage 1** of the model.
- 6.4.5 The second stage of the unsuitability assessment removes RSL Rented tenants and shared ownership households from the calculation of those in inadequate housing, because any move would release a unit of affordable housing, and it is therefore assumed that there would be no overall net effect on the annual flow model.
- 6.4.6 There are 598 Council / RSL rented households living in unsuitable accommodation. Of these there are only 38 who are technically overcrowded by the 'bedroom standard'. 5 households contain a new household about to form which would resolve the overcrowding situation.

Table 6-2 Council / RSL Rented Inadequacy

Council / RSL Rented Unsuitable & Overcrowded	38
MINUS – New Forming Solution	5
MINUS – Moving & Overcrowding Resolved by Stock Flow	0
Net unresolved need (4 / 5 bedroom)	33

- 6.4.7 Only 1.9% of the Council / RSL rented stock of 2,464 units are 4+ bedroom i.e. 46 units, and in the year to 2005 no re-lets of these units became available and therefore there is a need to develop further 4+ bedroom stock to address the needs of these households.
- 6.4.8 Only 565 (598 – 33) need to be removed from the total of households with an unsuitability, and this figure is applied in the model at **Stage 2**.
- 6.4.9 The next stage of the unsuitability assessment removes from the total those households whose unsuitability can be resolved 'in situ' (i.e. in their current accommodation). This is derived from HNS data testing the reason for inadequacy of those households who stated their accommodation was inadequate, mainly relating to repairs or improvements to the home.
- 6.4.10 Households who stated their accommodation was too small, those whose rent / mortgage was too expensive, housing was affecting their health, whose tenancy was insecure or whose home was too large are all assessed to require a move.
- 6.4.11 The calculation results in a total of 447 cases where an 'in situ' solution is most appropriate and this figure is also applied at **Stage 2**, giving a total of 1,012 households who need to be removed from the unsuitability calculation at this stage, leaving a net figure of 646 households who need to move to resolve their difficulty.
- 6.4.12 The final stage of the unsuitability assessment takes the sub-total calculated above (**Stage 1 MINUS Stage 2**) and applies to this total the proportion of households unable to afford to buy or rent a home of a suitable size in order to resolve their difficulty.
- 6.4.13 The 2000 Guidance states that "for existing owner occupiers in unsuitable housing it is important to take account of the existing equity owned" as this would assist a move to suitable accommodation.

- 6.4.14 The 2004 SEERA Guidance however acknowledges that this is extremely complex and the data gathered might not be very accurate and suggests that best practice is to ask the specific question asked in this survey that if the household needs to move to resolve their difficulty, could they afford a home of a suitable size within the Borough.
- 6.4.15 The question was not applied in the 2004 Melton survey questionnaire but it has been added in to recent survey questionnaires and the table below shows the results of a range of Districts not dissimilar to Melton Borough. Levels of 69% to 78% have been found in these areas, reflecting that equity is only one aspect of moving to alternative accommodation and the problem affects a high proportion of households.

Table 6-3 Households Unable to Afford to Move

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

- 6.4.16 Although the 2004 questionnaire did not attempt to identify equity it is taken account of by totally excluding owner occupiers with no mortgage and those with a mortgage who have lived in their existing home for more than five years. Of 283 owner occupiers in this category only 172 have been assessed as to their ability to move. Other survey experience shows that even quite high proportions of those with no mortgage are not able to afford a home of a suitable size and our figure is almost certainly an underestimate.
- 6.4.17 Of the 646 households, 300 (46.4%) cannot afford to move. These households comprise 174 private tenants, 33 Council tenants and 93 households from other tenures. This calculation of 46.4% (applied at **Stage 3**) may be a low estimate of the proportion unable to afford to buy or rent in the Borough, compared with our recent national experience since DCA began asking the SEERA Guidance question.
- 6.4.18 Homeless households are counted in the Backlog of Need although it is ensured that they are not double counted from any other source. Council P1(E) records for the four quarters to March 2006 show that on average 39 households are in temporary accommodation, of which only 16 are in hostel or Bed & Breakfast accommodation. Those "homeless at home" or in other general stock would be captured in the survey. 16 is therefore the figure applied at **Stage 4**.
- 6.4.19 The total resultant calculated backlog having taken into account unsuitability, homelessness and potential households is then multiplied by a 20% quota at **Stage 6**. This will progressively eliminate the backlog calculated over a five year period, in accordance with Government Guidance. However the Council can make a Policy decision to eliminate the backlog over a longer period (e.g. 10 years or 20 years to the end of the Local Development Framework). However the latter is not advisable.

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

B - BACKLOG OF NEED		
1. Households in unsuitable housing		1,658
2. MINUS – RSL tenants	565	
MINUS – in-situ solution most appropriate or leaving District	447	
	1,012	<u>1,012</u>
<i>Households in unsuitable housing and need to move</i>		<u>646</u>
3. TIMES - Proportion unable to afford to buy or rent	46.4%	300
4. PLUS - Backlog - homeless households		16
5. TOTAL BACKLOG NEED		316
6. TIMES - Quota to progressively reduce backlog *	(20%)	
7. ANNUAL NEED TO REDUCE BACKLOG		63

6.5 N – Newly Arising Need

- 6.5.1 The first calculation involved in assessing newly arising need is to establish how many new households intend to form each year, then determine how many of these households have insufficient income to buy or rent in the market and therefore fall into need.
- 6.5.2 Good Practice Guidance recommends that the total of concealed households identified in the survey is annualised at the average level of those forming in the next two years.

Table 6-5 Time of Move – New Forming Households

Time of Move	N^{os} implied	Annual Average
Within 1 year	138	184
1 - 2 years	230	

- 6.5.3 The table shows that the annual average new household formation level is 184 households per annum.
- 6.5.4 In order to avoid double counting due to two-person household formation, duplication is removed. Of those households forming in the next two years, 57.2% specified formation as a couple household, but in only 49.8% of cases was the partner currently living separately elsewhere within Melton Borough, which would cause a double count. 28.5% (57.2% x 49.8%) is therefore the proportion of new forming couple households were with a partner who lived separately elsewhere in the Borough, removed from the new household formation level.

Table 6-6 Double Counting Removal

New household formation (gross p.a.)	184
MINUS - Two person formation (28.5%) x 0.5	26
Total	158

- 6.5.5 This results in an annual average formation level of 158 households per annum, used at **Stage 8** of the model.

- 6.5.6 The income requirements for private rental are much lower than those to purchase and have therefore been used to test future new forming households ability to access private rental of 1, 2 and 3 bedroom units suitable for their requirements. Based on the income of newly forming households 53.8% are considered to be unable to rent in the market and this proportion is used in **Stage 9** of the Model.
- 6.5.7 It is likely that income levels of this group at the point of actual access to the market lie somewhere between these levels, and the proportion used is therefore an under-estimate of those who cannot access housing without assistance.
- 6.5.8 The Council data on ex-institutional population moving into community is 0 households over the year. This figure is used in **Stage 10** of the Model.
- 6.5.9 Stage 11 of the model assesses households falling into priority need each year. This includes homeless households, those with insecure tenancies, whose housing conditions are affecting their health and those suffering harassment.
- 6.5.10 Melton Borough Council recorded 97 households joining the housing register in the last year with a priority level of housing need. Additionally, 47 households were accepted as homeless and in priority need over the same period, a total of 144 households annually in priority need used at **Stage 11** of the model calculation.
- 6.5.11 The survey data identified 230 in-migrant households over the last five years who live in social rented accommodation (46 per annum). Additionally there were an annual average of 124 in-migrant households living in the private rented sector over the last five years, of whom 10 were in receipt of housing benefit. An average annual figure of 56 households (46 + 10) unable to afford market housing is used at **Stage 12**.

Table 6-7 Newly Arising Need – Basic Needs Assessment Model

N - NEWLY ARISING NEED		
8.	New household formation	158
9.	TIMES Proportion unable to buy or rent in market	53.8% 85
10.	PLUS - Ex-institutional population moving into community	0
11.	Existing households falling into priority need	144
12.	In-migrant households unable to afford market housing	<u>56</u>
13.	TOTAL NEWLY ARISING NEED	285

6.6 S – Supply of Affordable Units

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

6.6.2 It is important firstly to establish the average stock re-let level and data from both the HSSA returns and CORE has been studies for the three years to 31/03/2006, which shows the following:-

Table 6-8 2003 to 2006 Affordable Council Housing Supply (HSSA)

Council Re-lets	2003 / 04	2004 / 05	2005 / 06	Average
HSSA Return	118	117	110	115

6.6.3 The overall average re-let figure for the Council stock for the three year period in the HSSA return is 115 units per annum.

Table 6-9 2003 to 2006 Affordable Housing Supply (HSSA & CORE)

RSL Re-lets	2003 / 04	2004 / 05	2005 / 06	Average
HSSA Return	77	14	64	51
CORE Data *	39	59	31	43
Average	58	37	48	47

* © CORE, Housing Corporation

6.6.4 The overall average figure for the three year period in the HSSA return is 51 units per annum, while data from CORE suggests 43 units per annum. The CORE lettings data appears to be more consistent and reliable in terms of re-lets in the RSL sector, and the CORE average of 43 is added to the 115 Council re-lets in 2004 / 05 to give a total of 158 used at **Stage 14** of the needs model.

6.6.5 Shared ownership units are estimated at 108, based on the 2001 Census total of 88 with 20 units built between April 2001 and March 2006. Assuming a resale rate based at 6.4%, the same as social stock re-lets, 7 units would become available each year. This number is also incorporated at **Stage 14**.

6.6.6 **Stage 15** of the needs model involves assessing how increased vacancies and units taken out of management will have an effect on the annual flow of affordable housing. The calculation takes the average annual right to buy level, multiplied by the average re-let rate of the stock. The table below shows the right to buy levels for the three years to 31/03/2006.

Table 6-10 2003 to 2006 Right to Buy / Demolition Levels

	2003 / 04	2004 / 05	2005 / 06	Average
Right to Buy / Demolition	32	27	13	24

6.6.7 The average annual right to buy / demolition level is 24 units per annum. With an average stock re-let rate of 6.4% per annum, this leads to a total of 2 units per annum applied at **Stage 15**.

- 6.6.8 **Stage 16** of the needs model takes account of the predicted annual new affordable housing supply. The HSSA returns for the three years to 31/03/2006 show the following trends:-

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

Supply	2003 / 04	2004 / 05	2005 / 06	Average
New RSL Supply	22	25	10	19
Other New Supply	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	22	25	10	19

- 6.6.9 The average annual new supply total is 19 units per annum. Actual delivery each year fluctuates between 10 and 25 units, and in view of the changing levels of new build units each year, no new affordable units are assumed in the annual flow model at **Stage 17** as this may both over and under-represent the true position. This also provides direct comparability with the 2004 Needs Assessment Model, which did not factor in any new build units. It will be important to monitor actual delivery levels in subsequent annual updates of the needs model.

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

S - SUPPLY OF AFFORDABLE UNITS		
14.	Supply of social re-lets (158) and Shared Ownership re-sales (7)	165
15.	MINUS Increased vacancies (if applicable) and units taken out of management. Right to Buy	<u>2</u>
	<i>Net social re-lets</i>	163
16.	PLUS - Committed units of new affordable supply	<u>0</u>
17.	AFFORDABLE SUPPLY	163

6.7 Affordable Housing Needs Assessment Model

B - BACKLOG OF NEED		
1.	Households in unsuitable housing	1,658
2.	MINUS – RSL tenants	565
	MINUS – in-situ solution most appropriate or leaving District	447
		1,012
	<i>Households in unsuitable housing and need to move</i>	<u>646</u>
3.	TIMES - Proportion unable to afford to buy or rent	46.4%
4.	PLUS - Backlog - homeless households	16
5.	TOTAL BACKLOG NEED	316
6.	TIMES - Quota to progressively reduce backlog *	(20%)
7.	ANNUAL NEED TO REDUCE BACKLOG	63
N - NEWLY ARISING NEED		
8.	New household formation	158
9.	TIMES Proportion unable to buy or rent in market	53.8%
10.	PLUS - Ex-institutional population moving into community	0
11.	Existing households falling into priority need	144
12.	In-migrant households unable to afford market housing	<u>56</u>
13.	TOTAL NEWLY ARISING NEED	285
S - SUPPLY OF AFFORDABLE UNITS		
14.	Supply of social re-lets (158) and Shared Ownership re-sales (7)	165
15.	MINUS Increased vacancies (if applicable) and units taken out of management. Right to Buy	<u>2</u>
	<i>Net social re-lets</i>	163
16.	PLUS - Committed units of new affordable supply	<u>0</u>
17.	AFFORDABLE SUPPLY	163
	Annual need to reduce backlog (B)	63
	Newly arising need (N)	<u>285</u>
	TOTAL AFFORDABLE NEED (B + N)	348
	Affordable supply (S)	<u>163</u>
18.	OVERALL ANNUAL SHORTFALL (B + N) - S	<u>185</u>

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

7 KEY FINDINGS

7.1 The Housing Market, Costs and Incomes

- 7.1.1 House prices across Melton Borough have increased by 19.6% over the last two years.
- 7.1.2 The entry level stock, terraced houses and flats / maisonettes, have increased in price by 11.4% and 5.3% respectively over the last two years.
- 7.1.3 In terms of the entry level stock, terraced houses are assessed to be the main access property for first time buyers due to their average price of £129,272 and high volume of sales, 21.0% of all sales in the Borough.
- 7.1.4 The sales level of terraced properties in 2006 (21.0%) is lower than the 2004 level (24.1%). The sales level of flats / maisonettes has decreased, from 5.9% of sales in 2004 to 2.3% of sales in 2006. The sales levels of detached houses and semi-detached houses in 2006 are higher than 2004 sales levels.
- 7.1.5 The increase in the price of terraced properties (11.4%) is in excess of wage inflation over the two year period since 2004. Incomes in Leicestershire County are assessed independently to have increased by 9.3% from the previous Housing Needs Survey to 2006.
- 7.1.6 Access to the housing market has become more difficult, particularly for concealed households, 90% of whom cannot now purchase a terraced house as property prices have continued to rise in the Borough in excess of local income inflation. This has increased the need for subsidised housing, either for social rent or intermediate housing.

7.2 Population and Household Changes

- 7.2.1 The most significant feature in terms of population change is the growth in the population of the over 65 age group. An increase of 6,309 people (81.9%). The main increase is forecast to occur between 2021 and 2026 (1,302; 10.2%).
- 7.2.2 The main economically active 30-44 age group shows a decrease over the forecast period (3,438; 30.9%). Numbers fall steadily throughout the forecast period, although there is an increase between 2021 and 2026 (396; 5.5%). Overall the largest decrease is seen between 2011 and 2016 (1,596; 17.4%).
- 7.2.3 The "older" retirement group, those 80 and over grows by 2,505 (125.2%) up to 2026. The greatest rise in percentage occurs between 2021 and 2026 by (22.8%), a rise of 500 people. Given the resource demands often associated with very elderly people, these are significant figures.

7.3 Affordable Housing Needs Requirement

- 7.3.1 The total affordable housing need annually is for 348 units, compared with 344 units in 2004. However, re-lets of the existing stock having actually decreased slightly since 2004 from 179 units to 163 units annually.
- 7.3.2 After allowing for this level of supply, there will be an annual affordable housing shortfall of 185 units a year, 1,850 units in total over the ten years to 2016. These units will need to come from new sites, conversions and market purchase by RSL's to reduce the shortfall figure each year.

- 7.3.3 The Regional Spatial Strategy and Local Development Framework plan period runs to 2026, however it is not recommended to forecast beyond ten years. DCA have made a tentative estimate of affordable need up to 2026. This results in a figure of 3,700. It is however imperative that there should be continuous monitoring of this assessment on an annual basis and that the forecast to 2026 is purely for outline guidance and not a definitive figure.
- 7.3.4 It is difficult to make finite predictions of annual need beyond five years. The assessment under new Guidance will need to be monitored annually to reflect changes in demand and achieved supply and additionally it will be necessary to undertake a full Market and Needs Assessment by 2009 and each five years to 2019.
- 7.3.5 The regional provision for the Borough is 160 units a year from 2001 to 2026. Not all of these will be on qualifying sites, nor does this total take account of completions or outline consents. However the total outstanding affordable need of 185 is 116% of the full annual allocation. Clearly this is unachievable and a simple mathematical calculation to determine the overall target level, the normal process, cannot be undertaken.
- 7.3.6 Target levels of 40% already apply in other authorities both in the County and elsewhere nationally and in some cases have been subject to detailed viability assessment. Melton Borough has a scale of affordable need which justifies a high target level provided it is sustainable and viable.
- 7.3.7 Targets can only therefore be set by a professional judgement based on experience of what is sustainable, viable and deliverable.
- 7.3.8 The Housing Needs Assessment is not the only basis for the Council decision on target levels but it is the major element. Based on the evidence in this assessment, the Local Development Framework could consider an overall target of 40% of new units from the total of all suitable sites negotiated.
- 7.3.9 Each site will need to be assessed individually, targets being subject to wider planning, economic viability, regeneration and sustainability considerations and will require a flexible approach to specific site negotiation.
- 7.3.10 Meeting the total need for affordable housing involves a range of initiatives making best use of the existing stock, by bringing empty houses back into use, bringing social sector stock up to Decent Homes Standard, conversions of existing buildings and new delivery through the planning system.

7.4 Site Thresholds

- 7.4.1 The national indicative minimum threshold level in PPS3 is set at 15 units. In all areas across the Borough DCA believe that the significant level of need identified is unlikely to be met even at the threshold of 15 units in the new Guidance.
- 7.4.2 The annual scale of affordable need is almost ten times the average annual new unit delivery over the last three years and justifies an exceptional case for a lower threshold. However it is critical to test the level of increased supply which any threshold level below 15 dwellings would generate from a Strategic Land Assessment taking viability into account.
- 7.4.3 It will also be possible to consider a range of thresholds within the Borough and there is a clear need expressed in PPS3 to provide a range of options to deliver more housing in rural settlements.

7.5 Future Affordable Housing Delivery

- 7.5.1 The tenure balance of new affordable delivery over the last three years has averaged 88% social rented units and 12% intermediate market housing and a much higher level of intermediate units at 39% and 47% are planned for 2006 / 07 and 2007 / 08, respectively.
- 7.5.2 The social rented stock in the Borough at 11.9% is low relative to the national average (19.3%) and does not provide adequate turnover to meet the scale of need identified. This could justify the whole allocation as rented units but a balanced approach to meet wider housing choice is now the core of Government strategy, although the majority of units are still required for social rent. In determining the balance of tenure mix, the number of households who would be able to enter the market through intermediate housing but cannot afford private rent has to be taken into account.
- 7.5.3 In view of the scale of need, subsidised affordable units should be negotiated on all suitable sites. The Council should set a 'target' for each site taking into account existing supply, survey demand and other regeneration, planning, sustainability and economic factors.
- 7.5.4 The increases in house prices over the last ten years have excluded many 'first-time buyers' from the owner occupied market. DCA believe therefore that the proportion of affordable housing provided on new sites should encompass more subsidised intermediate market housing than would have been the case even five years ago when it was a more marginal element of affordable need.
- 7.5.5 PPS3 now requires the provision of tenure mix targets within affordable housing which may vary by location within the Borough to take account of demand, need and current affordable supply at local level.
- 7.5.6 The overall target has also to consider inclusion of a tenure mix within affordable housing. The evidence from the assessment suggests that an overall balance of social rent (60%) and intermediate housing (40%) could be applied to meet the needs of low income households, key workers and those on average incomes unable to purchase locally.

7.6 Affordable Rented Accommodation

- 7.6.1 The local relationship between house prices and incomes is such that around 62% of new forming households are unable to purchase in their own right depending on location. The availability of rented stock through re-lets is low relative to the expectation that existing stock flows should address 90% of all need.
- 7.6.2 The largest proportion of affordable units is required as social rented properties, both for new forming households and existing families. However in both stock and availability from turnover, the social rented sector provides over 22 times the scale of units (158) to those from shared ownership (7) each year.

7.6.3 The survey data however suggests a total demand for HA rent from both existing and new forming households of 164 units compared to 27 for intermediate housing, a ratio of 6 to 1 compared to supply of 22 to 1. There is no obvious solution other than a severe market crash or significant increases in incomes above inflation to solve access to the market for people on above-average incomes in the Borough. Following 10 years of high house price inflation there is therefore a need to deliver more intermediate housing.

7.7 Intermediate Market Housing

7.7.1 Concealed households forming express a need (58.3%) or preference (70.1%) for owner occupation but generally around 54% of them have incomes inadequate to be able to purchase. The sustained period of high house price inflation has impacted on new forming households' ability to buy and requires a supply of intermediate housing to assist those on middle incomes including key workers who previously would have purchased without assistance.

7.7.2 The expressed need for shared ownership in the Borough from the Housing Needs Survey was low, however this may be due to the very low scale of this tenure type in Melton Borough and therefore a general lack of awareness of such schemes. Shared ownership (now HomeBuy) has grown in popularity over recent years and a new survey conducted today may well find a much higher level of interest in this housing option, particularly for new forming households who are unable to buy locally.

7.7.3 Shared Ownership

7.7.4 Shared ownership supply from stock turnover is low given that at Census there were only 88 units, plus 20 units built up to March 2006, which generate re-sales of only around 7 units per annum (i.e. around one every two months).

7.7.5 There were no examples of recently completed shared ownership schemes in the Borough available in order to calculate the proportion of households likely to be assisted by these schemes.

7.7.6 We have examined Land Registry data for new build properties across the Borough over the last two years. 122 properties were found, and the average new build property in Melton Borough was £203,305, though prices range significantly from £63,000 to £590,000.

7.7.7 The lowest quartile point of new build house prices was £134,900 and a range of flats and terraced new build properties were available in the lowest quartile of prices.

7.7.8 Examples based on 25%, 50% and 75% ownership examples applied to these market values have been examined in the following table, based on our recent experience of the costs which apply in these schemes nationally.

Table 7-1 Shared Ownership Cost Examples in the Borough

Property Type	Full Sale Price	Share price	Monthly Cost				Income Required
			Rent *	Mortgage **	Service Charge *	Total	
Flat	£134,000	£33,500 (25%)	£226	£206	£65	£497	£23,900
Flat	£134,000	£67,000 (50%)	£151	£411	£65	£627	£30,100
Flat	£134,000	£100,500 (75%)	£75	£617	£65	£757	£36,300
Flat	£118,800	£29,700 (25%)	£200	£182	£65	£447	£21,500
Flat	£118,800	£59,400 (50%)	£134	£365	£65	£564	£27,100
Flat	£118,800	£89,100 (75%)	£67	£547	£65	£679	£32,600
Terraced	£130,000	£32,500 (25%)	£219	£200	£0	£419	£20,100
Terraced	£130,000	£65,000 (50%)	£146	£399	£0	£545	£26,200
Terraced	£130,000	£97,500 (75%)	£73	£599	£0	£672	£32,300
Terraced	£114,000	£28,500 (25%)	£192	£175	£0	£367	£17,600
Terraced	£114,000	£57,000 (50%)	£128	£350	£0	£478	£22,900
Terraced	£114,000	£85,500 (75%)	£64	£525	£0	£589	£28,300

* Estimated, based on recent experience

** Based on a typical mortgage at 5% interest rate over 25 years

- 7.7.9 As the table above illustrates, £17,600 is the minimum income at which shared ownership properties could be accessed in the Borough subject to such schemes being available, for a terraced property with a market value of £114,000, based on purchasing a 25% share in the property.
- 7.7.10 More expensive terraced houses and flats (which also carry a monthly service charge) require between £20,100 and £23,900 for a 25% share.
- 7.7.11 50% shares would be available only to those earning between £22,900 and £30,100, while a 75% share in the example properties would require an income of £28,300 to £36,300.
- 7.7.12 Around 53% of new forming households, 84 each year, earn between £17,600 and £36,300 per annum. These households could achieve access to shared ownership through a range of new build flats and terraced houses at the cost in the above examples in the Borough.

7.8 Discounted Market Rent

- 7.8.1 The private rented sector is around 10.9% of the housing stock. Accommodation tied to employment is 0.7% and not generally available to all households.
- 7.8.2 Discounted market rented housing can only be delivered provided that there is an adequate cost margin between social rent and market rent. Given that average rents across the Borough range from £395 to £578 per month 2 and 3 bedroom terraced stock there may be limited potential to deliver intermediate housing in this way, increasing access to the rental sector. This should be examined in detail as an element of future intermediate market housing delivery.

7.8.3 An increase in quality housing provided in this sector could also address the short term needs of key worker and other middle income households expressing interest in shared ownership, especially those at the early stages of their careers or on limited employment contracts who are looking for flexibility in their housing arrangements.

7.8.4 Balanced Housing Markets

7.8.5 Typical of rural districts, the Borough has a low proportion of small units, terraced houses (14.7%) and flats (6.8%) compared to national average levels of 26% and 20% respectively. Only 21.5% of the housing stock is therefore small units, less than half the average of 46% nationally and is a key issue to address to balance the housing market to meet current and future demographic and household formation change.

7.8.6 The 2004 survey identified that only 27.6% of all stock is one or two bedroom but 24% is four bedrooms or more. These proportions however vary significantly between tenures. Over 82% of owner occupied stock is three bedrooms including 29.5% of four bedrooms or more, but only 39% in the social rented stock. New households forming however express a need (83%) and a preference (82%) for one / two bedrooms. Flats are less than 2% of sales in the private sector, and this shortfall should be addressed to meet current demand and future demographic change.

7.8.7 The detailed Stock Balance analysis provides a locational basis for the variation required on sites within the Borough but any large development should address the overall shortfall of small units, flats and terraced houses in both the private and affordable housing sectors. Clearly this also supports the requirement for higher densities than in the past.

7.8.8 Future development has therefore to address the imbalance of stock type and size, both by tenure and location to create a more sustainable and balanced housing market. This will require a bias in favour of small units of a significant scale to address both the current shortfall and future demographic and household formation change which will result in an increase in small households.

7.8.9 There will be some variance at local level between demand and existing affordable stock supply and the localised Balancing Housing Markets Report will be valuable in setting site targets, both to address affordable housing and in particular by house type and size in the general market and affordable sectors in future developments.

APPENDIX I

LAND REGISTRY

LAND REGISTRY HOUSE PRICE DATA ENTRY

Enter Local Authority Name: Melton
 Enter County Name: Leicestershire
 Enter Region Name: East Midlands

Enter Quarter Start Month: Apr
 Enter Quarter Start Year: 2006

Enter Quarter End Month: Jun
 Enter Quarter End Year: 2006

House Price Inflation England & Wales

	Detached Price		Semi Detached Price		Terraced Price		Flat/Maisonette Price		Overall Price	
Apr - Jun 2005	£284,715	+ 5.5%	£170,979	+ 5.4%	£145,302	+ 9.1%	£175,506	+ 5.8%	£185,671	+ 7.3%
Apr - Jun 2006	£300,280		£180,170		£158,492		£185,700		£199,183	

Average House Prices by Property Type East Midlands

Apr - Jun 2006

Detached		Semi Detached		Terraced		Flat/Maisonette		Overall	
Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales
£227,485	6,855	£135,852	8,065	£113,922	6,309	£113,996	1,347	£156,243	22,576

Average House Prices by Property Type East Midlands

Apr - Jun 2005

Detached		Semi Detached		Terraced		Flat/Maisonette		Overall	
Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales
£223,142	6,643	£130,377	7,627	£110,207	6,363	£114,517	1,588	£151,200	22,221

Average House Prices by Property Type Leicestershire

Apr - Jun 2006

Detached		Semi Detached		Terraced		Flat/Maisonette		Overall	
Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales
£251,632	1,085	£149,279	1,307	£125,815	721	£110,000	124	£176,855	3,237

Average House Prices by Property Type

Leicestershire

Apr - Jun 2005

Detached		Semi Detached		Terraced		Flat/Maisonette		Overall	
Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales
£257,346	995	£147,412	1,136	£125,123	730	£117,396	202	£175,832	3,063

Average House Prices by Property Type

Melton

Apr - Jun 2006

Detached		Semi Detached		Terraced		Flat/Maisonette		Overall	
Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales
£262,264	100	£153,520	97	£129,272	54	£93,400	6	£189,334	257

Average House Prices by Property Type

Melton

Apr - Jun 2005

Detached		Semi Detached		Terraced		Flat/Maisonette		Overall	
Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales	Av. Price	Sales
£261,096	75	£149,195	79	£123,543	53	£89,953	13	£177,663	220

APPENDIX II

GLOSSARY OF TERMS

GLOSSARY

ADP – Approved Development Programme	This is the Housing Corporation's total capital programme in any one year. It is normally broken down into rented housing, shared ownership and other home ownership initiatives. This is now called the National Affordable Housing Programme.
Affordability	<p>A measure of whether households can access and sustain the costs of private sector housing. DCA use two types of affordability: mortgage and rental.</p> <p><u>Mortgage affordability</u> measures whether households can afford a deposit and a mortgage; <u>rental affordability</u> measures whether a household can afford a private rental.</p> <p>Mortgage affordability is based on conditions set by mortgage lenders - a minimum level of household income and savings. We use a 3 times multiple of gross income. Rental affordability is defined as the rent being less than a proportion of a household's gross income. We use a 25% level of rental affordability.</p>
Affordable Housing	Affordable housing is that provided, with subsidy ¹ , for people who are unable to resolve their housing requirements, in the general housing market because of the relationship between local housing costs and incomes. This definition covers housing for social rent, shared ownership, shared equity and sub-market rent.
Bedroom Standard²	<p>The standard number of bedrooms allocated to each household in accordance with its age/sex/marital status composition and the relationship of the members to one another.</p> <p>A separate bedroom is allocated to each married couple, any person aged 21 or over, each pair of adolescents aged 10 – 20 of the same sex, and each pair of children under 10. Any unpaired person aged 10 – 20 is paired, if possible with a child under 10 of the same sex, or, if that is not possible, he or she is given a separate bedroom, as is any unpaired child under 10. This standard is then compared with the actual number of bedrooms available for the sole use of the household and the differences are tabulated.</p>
Concealed Household	A Concealed Household is someone living within a household wanting to move to their own accommodation and form a separate household (e.g. adult children living with their parents).
Cost rented housing	Housing let at rents which are set to cover development and management costs only, i.e. not for profit. Cost rents are above the Housing Corporation's rent caps but below market rents.
Data Entry Checks	Checks on errors in keying survey data into computer systems.
Data Processing and Analysis	The process by which the responses on a questionnaire are converted into numbers or categories. These are then used to produce outputs such as tables and charts.

¹ This subsidy is not always public subsidy.

² This definition is taken from the Survey of English Housing, DCLG.

DCLG	Department for Communities and Local Government. DCLG has responsibility for local and regional government, housing, planning, fire, regeneration, social exclusion and neighbourhood renewal with the ambition to create sustainable communities for all. Previously known as DETR, DTLR and ODPM.
DETR	Government body superseded by DCLG. (See DCLG)
Discounted Market Rented Housing	New Units utilising the equity from the discounted or free land from the planning process where Housing Associations could build at only development cost and provide, without grant, units which would be available at lower than private rented market cost but above Housing Corporation rent caps.
Existing Household	An existing household encompasses the household in its entirety.
Existing Household In Unsuitable Accommodation	Refers to all circumstances where households are living in housing which is in some way unsuitable, whether because of its size, type, design, location, condition, security or cost.
Focus Group	A type of qualitative research in which the views of respondents are sought and recorded in a group setting. Also known as a 'group discussion'.
Homeless Household	A household is accepted as statutorily homeless by the authority if it meets the criteria set out in the Housing Act 1996.
Household	The Census definition of a household is:- <i>"A household comprises either one person living alone or a group of people (not necessarily related) living at the same address with common housekeeping - that is, sharing at least one meal a day or sharing a living room or sitting room."</i>
Households In Unregistered Need	Households in unregistered need are those households that are in need but not registered on the Council's Waiting or Transfer List.
Housing Demand	Is the quantity and type / quality of housing which households wish to buy or rent and are able to afford. It therefore takes account of preferences and ability to pay.
Housing Need	Refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the local housing market without some assistance.
Housing Register	A register of people waiting for affordable housing. It may have two components: a list for those not currently occupying affordable housing (more properly known as the Housing Register) and a Transfer List for those tenants who wish to move to another affordable home within the same District.

Inadequate Housing	Housing which is inadequate or unsuitable in meeting the needs of the household, comprising a range of criteria on house condition, size, cost and security of tenure. These criteria are used to assess whether the unsuitability can be resolved by improvements to the dwelling, or whether the household has to move to another home.
Intermediate Housing	Housing at prices or rents above those of social rented but below market prices or rents. This includes shared ownership, shared equity and sub-market renting.
Key Worker ³	A Key Worker is a key worker is someone: <ul style="list-style-type: none"> - employed by the public sector - in a frontline role delivering an essential public service - in a sector where there are serious recruitment and retention problems.
ODPM	Government body superseded by DCLG. (See DCLG)
ONS	Office for National Statistics.
Over Occupation	Over occupation occurs when, using the bedroom standard , there are insufficient bedrooms in the property based on the number of residents and their age/sex/marital status composition. Over occupation is more common in the public sector than the private sector.
Qualitative Research	A type of research designed to reveal a full range of views and circumstances of the population under study, giving an in-depth picture. Examples of this approach are depth interviews and focus groups . It differs from quantitative research in not providing statistically reliable numerical data.
Quantitative Research	Research designed to provide numerical information about a topic which is statistically reliable. If carried out using adequate methodology, quantitative data from a sample of the population can be extrapolated to assume that the results apply to the population as a whole, to greater or lesser degrees of reliability. Data is usually collected by post, telephone or by face-to face interview.
Random Sample	A sample where no member of the target population has a greater chance of being of being chosen than any other. Also known as Simple Random Sampling .
Relets	Local Authority or RSL rented accommodation that becomes vacant due to the departure of a previous tenant; therefore the accommodation can be re-let to another tenant or new applicant on the Housing Register.

³ Source: DCLG

Rent caps / Target rents	Rent limits provided by the Housing Corporation specified by Total Cost Indicators ⁴ and by floor area, for all new affordable housing schemes.
RSL – Registered Social Landlords	A Housing Association or a not-for-profit company, registered by the Housing Corporation, providing social housing.
SO – Shared Ownership	Either newly built or existing properties purchased by a housing provider, which are then sold on a part rent / part buy basis under a shared ownership lease. The shared owner buys a percentage of the property, funded by mortgage and / or savings. The remaining percentage is still owned by the housing provider who charges a rent on it.
SDS – Scheme Development Standards	A set of standards published by the Housing Corporation setting out the essential and desirable standards for SHG-funded property acquired or developed as affordable housing.
SHG – Social Housing Grant	Capital provided by the Housing Corporation, or Local Authority, to fully or partially fund RSLs when developing social housing. SHG is paid under s18 of the Housing Act 1996.
Section 106 sites (S106 of the Town and County Planning Act 1990)	A general term to describe a housing site which is large enough to require a developer to contribute affordable housing as part of a development scheme. S106 of the Act allows Planning Authorities to negotiate planning obligations as part of a development and could include, among other things, a proportion of affordable housing.
Transfer List	A list of Local Authority and RSL tenants that have applied for alternative Local Authority housing. Housing Associations may keep their own Transfer Lists.
Under Occupation	A household is under-occupying if more than one spare bedroom is available, using the bedroom standard as a test. Under-occupation is common in the private sector.

⁴ TCI are costs the Housing Corporation publish annually which show the maximum allowable costs for new development to be funded by SHG.