Housing Market Assessment

WIRRAL

Borough of Wirral

Update Report

Final

September 2010

fordham
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Chapter Listing

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Executive Summary

Introduction

S1   This report has been produced for Wirral Council as an update to the 2007 Strategic Housing Market Assessment (SHMA). Although it would typically be argued that a SHMA would have currency of more than two years, due to the notable change in market conditions since the publication of the initial report it is advisable to re-assess its findings. This update report uses the most recent secondary data to assess the local impact and the appropriate policy response within the altered market conditions. This is done by direct examination of the secondary data and by applying the changes recorded to the primary data to provide an updated household survey.

S2   This update report therefore seeks to complement the existing study, by reviewing the outputs where more recent data is available. This report therefore documents:

- The latest profile of the labour market and the resident population
- The changes that have occurred to the local housing market
- The current financial capacity of households and their ability to afford market housing
- The updated outputs of the housing needs assessment model
- The updated outputs of the balancing housing markets model
- The policy implications of these findings within the requirements of PPS3

S3   The results produced are calculated in accordance with the Strategic Housing Market Assessment Practice Guidance (August 2007) and meet the requirements of Planning Policy Statement 3: Housing (PPS3) (November 2006).

Survey Methodology

S4   As part of the SHMA process a household survey was completed in February and March 2007 using postal questionnaires and personal interviews. The survey was drawn, at random, from the Council Tax Register covering all areas and tenure groups in Wirral. In total 1,581 postal questionnaires were returned and 1,004 personal interviews were completed. This is significantly in excess of the 1,500 responses recommended by the Practice Guidance and allows reliable analysis of housing need and demand in the Borough.

S5   The primary data has been updated using two measures: re-weighting the data to take account of the latest information on the structure of households in Wirral and updating the financial profile of households to reflect the changes recorded since the original SHMA. This provides an accurate profile of all households in the Borough of Wirral as of April 2009. More details of this process can be found in Chapter 2 of this document.

S6 Table S1 shows an estimate of the current tenure split in Wirral along with the tenure distribution recorded in the original report. The data shows that around 74.2% of households are now owner-occupiers with 15.6% in the social rented sector and 10.2% resident in private rented accommodation.

Table S1 Number of households in each tenure group 2009 and 2007				
Tenure	*2009*		*2007*	
	Total number of households	*% of households*	*Total number of households*	*% of households*
Owner-occupied (no mortgage)	45,343	32.9%	44,242	32.2%
Owner-occupied (with mortgage)	56,918	41.3%	58,818	42.8%
RSL	21,485	15.6%	21,740	15.8%
Private rented	14,055	10.2%	12,490	9.1%
Total	137,800	100.0%	137,290	100.0%

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

Socio-economic changes since 2006

S7 Two main drivers of the housing market are the resident population and the local labour market. The most recent data available on these topics at the time of the original SHMA was generally from 2006. This report documents the changes that have occurred to the socio-economic profile in Wirral since 2006.

S8 The latest population estimates (not available at the time of the 2007 SHMA) suggest that the population of the Borough in 2007 was 310,200 and that over the 2006-07 year the population decreased by 0.3%, while nationally the population increased by 0.6%. The total number of households in Wirral is increasing at a faster rate than the population, reflecting the growth of smaller one and two person households, as shown in Table S2.

Table S2 Change in average household size, 2001 to 2007			
	2001	*2006*	*2007*
Population	312,293	311,200	310,200
Households	133,352	136,000	136,800
Average household size	2.34	2.29	2.27

Source: ONS 2006-based sub-regional demographic projections (2009), Census (2001)

S9 The latest data available on the economy in Wirral indicates that it still has the capacity to undergo continued economic growth, with only 0.68 jobs per working age person. The level of unemployment amongst residents in Wirral increased by 47.6% between March 2008 and March 2009, reflecting the economic downturn.

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Figure S1 Level of unemployment in Wirral (2006-2009)
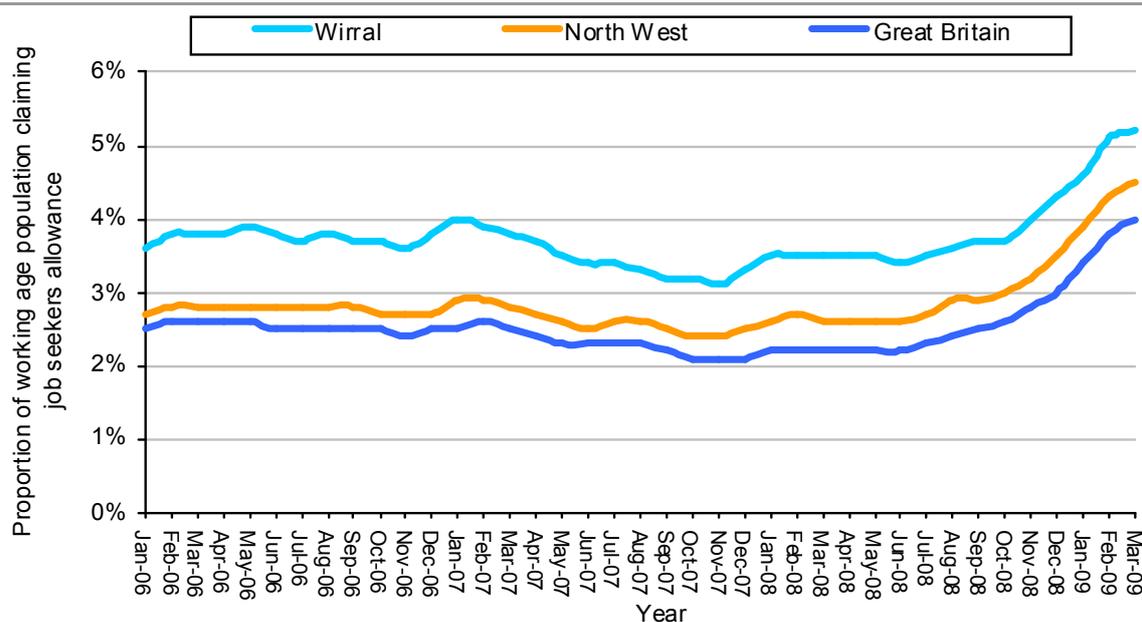
Source: ONS Claimant count (2009)

S10   Income has a crucial effect on the level of choice a household has when determining their future accommodation. The mean earned income for employees resident in Wirral in 2008 is £23,704, according to the ONS Annual Survey of Hours and Earnings – slightly higher than the North West (at £23,495) but lower than England as a whole (at £26,719). The figure of £23,704 represents a notable increase from the figure of £23,129 from 2006 recorded in the original SHMA report. It is important to note that these figures assess individual incomes rather than household incomes.

The current housing market

S11   Data from the Land Registry can be used to provide evidence of the extent of the downturn in the housing market in Wirral. The most recent house price data available at the time of the initial SHMA report was from quarter three of 2006. The Land Registry has now published data for the first quarter of 2009. It is therefore possible to assess the changes recorded in Wirral over this period.

S12   Table S3 shows the change in average prices between the fourth quarter of 2006 and the first quarter of 2009 for each of England and Wales, the North West, Merseyside and Wirral. The table shows that over this two year period average prices in Wirral increased by 5.7%, compared to a decrease of 1.2% in Merseyside, and 6.3% in the North West and nationally. Median property prices, however, fell in Wirral across the same period, from £135,000 to £130,000, implying that the increase in mean prices is largely due to the market for more expensive property remaining relatively buoyant.

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Table S3 Change in average property prices (means)			
Area	*Average price Jul-Sep 2006*	*Average price Jan - Mar 2009*	*Percentage change recorded*
England & Wales	£211,809	£198,495	−6.3%
North West	£154,222	£144,450	−6.3%
Merseyside	£142,284	£140,523	−1.2%
Wirral	£156,979	£165,983	+5.7%

Source: Land Registry, CLG (2009)

S13   Over the same period the number of property sales in Wirral decreased by 73.6% compared to 75.1% nationally and 75.7% across the region. Figure S2 shows the change in sales levels over the last two years by property type in Wirral. The figure shows that for all dwelling types, with the exception of flats/maisonettes, the number of sales has recorded a steep decline between July 2007 and March 2008 with a more gradual decline since.

Figure S2 Property sales by dwelling type in Wirral since 2006
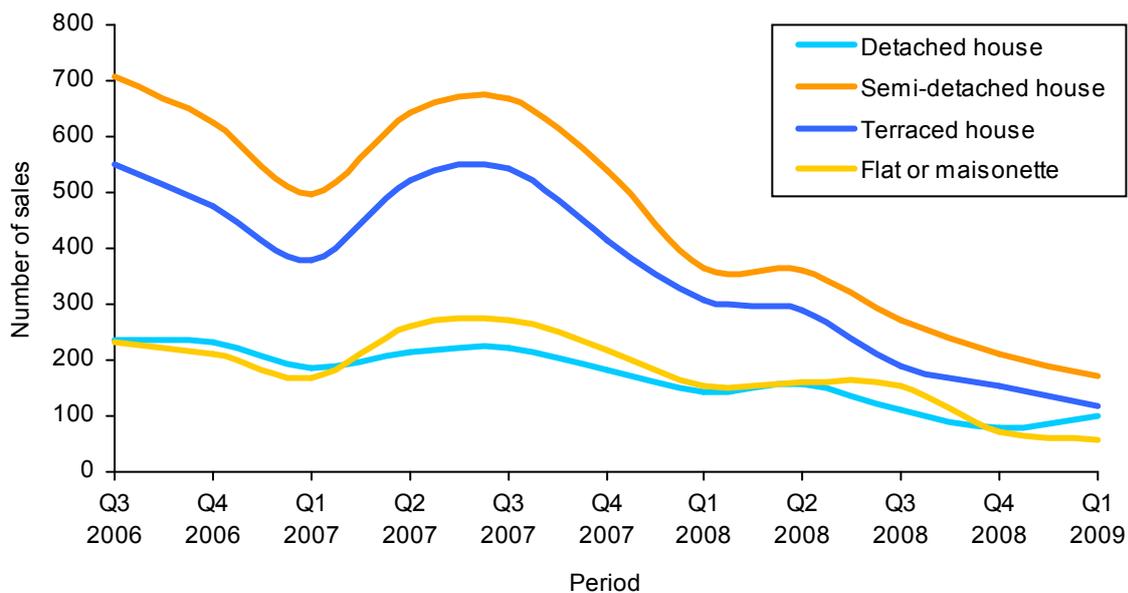
Source: Land Registry, CLG (2009)

Updated entry-level costs

S14   As part of this study an updated price survey was undertaken to assess the current cost of housing in the Borough. The entry-level price for owner-occupied property across the sub-markets of Wirral is presented in Figure S3. In accordance with the Practice Guidance (and to replicate the approach used in the original report), entry-level prices are based on lower quartile prices. The data indicates that there is a premium on four bedroom properties in all sub-markets.

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Figure S3 Entry level purchase price by sub-market
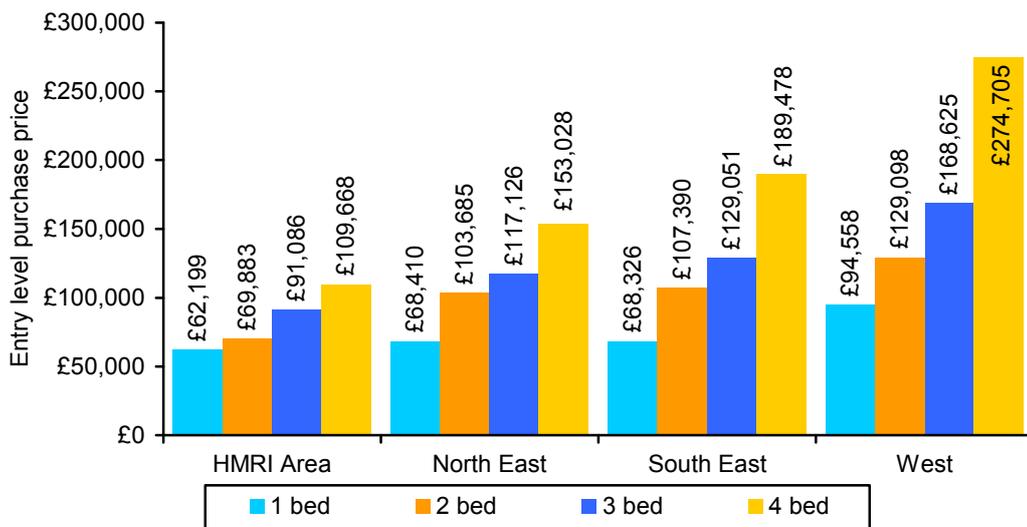
Source: Online estate agents survey 09.06.09

S15 Overall property prices in the North East and South East have recorded the largest rise in values over the last two years, whilst entry-level prices in the HMRI area have shown decreases or smaller increases. The table shows that in all sub-markets the greatest decrease in entry-level price was recorded for one bedroom homes, with three and four bedroom homes being the least affected by the market downturn.

S16 The entry-level price for private rented accommodation is presented in Figure S4. Overall the West is the most expensive sub-market and the HMRI area the cheapest, although the variations in prices across the Borough are not as great as for owner-occupation.

Figure S4 Entry level private rents by sub-market

Source: Online letting agents survey 09.06.09

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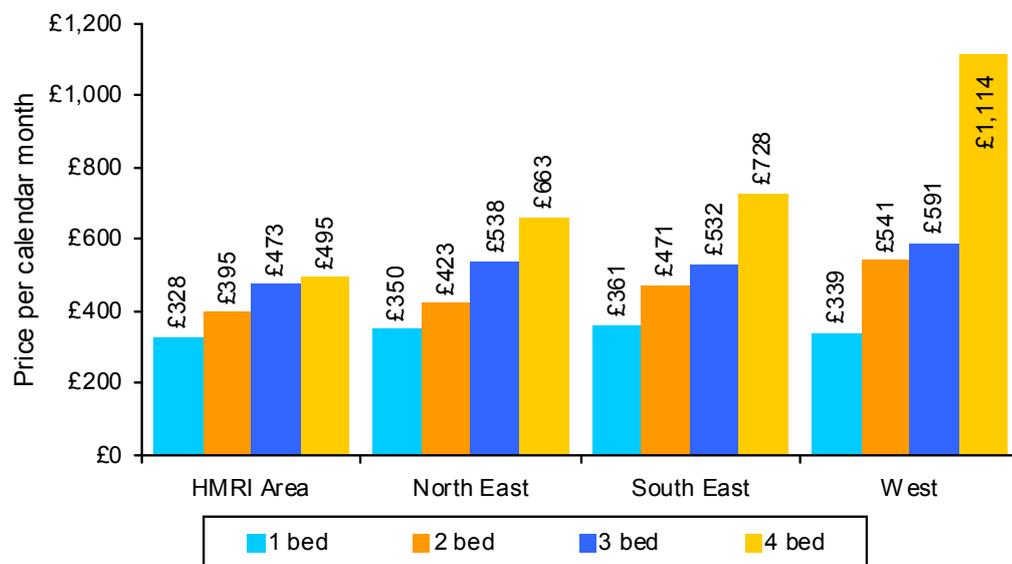
S17   The West sub-market has shown the biggest decreases in rents, with the North East remaining unaffected by the downturn. Two and three bedroom properties have been least affected, with increases across most sub-markets.

Analysis of housing market 'gaps'

S18   Housing market gaps analysis has been developed to allow easy comparisons of the costs of the tenure range, in order to facilitate the testing of different newbuild proposals, and to show generally the nature of the housing ladder in a particular locality.

S19   Table S4 illustrates the housing ladder that exists for a two bedroom property in each of the sub-markets in the Borough. The price to purchase a home is converted into a weekly cost to permit comparison with rental costs. This is done by applying the median fixed rate available for mortgages currently to the cost of the home to derive the weekly payment required.

Table S4 Weekly costs of two bedroom housing in Wirral				
	HMRI Area	*North East*	*South East*	*West*
Social rent	£66	£66	£66	£66
Intermediate (rent)*	£79	£82	£88	£96
Entry-level private rent	£91	£97	£109	£125
Entry-level purchase	£90	£133	£138	£166

Source: Online estate and letting agents survey 09.06.09, CORE Area Lettings Report for Wirral (2008/09)

* Assumed to be priced at usefully affordable point

Financial information

S20   The updated survey estimates that mean annual gross household income (including non-housing benefits) in Wirral is £24,897. This is a decrease of 1.5% since the original SHMA report in 2007. Since 2007 the mean savings levels have increased by 5.7% whilst the mean equity amongst owner-occupiers has decreased by 9.3%. It is estimated that there are currently about 2,993 owner-occupied households in Wirral in negative equity.

S21   Whilst the financial capacity of current owners has been reduced by the decrease in the value of their home (and the associated equity that they have), the affordability of entry-level market housing for all households in Wirral has improved (although the affordability test does not take account of whether the household has access to a deposit as this is not required by the Practice Guidance).

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S22   Overall, some 25.6% of all households in Wirral are theoretically unable to afford market accommodation of an appropriate size currently. This compares to a figure of 23.6% for 2007 from the original dataset. It should be noted that affordability remains a serious problem for many household groups in the Borough, as is demonstrated by Figure S5.

Figure S5 Proportion of households unable to afford market housing in Wirral, by household type and employment status
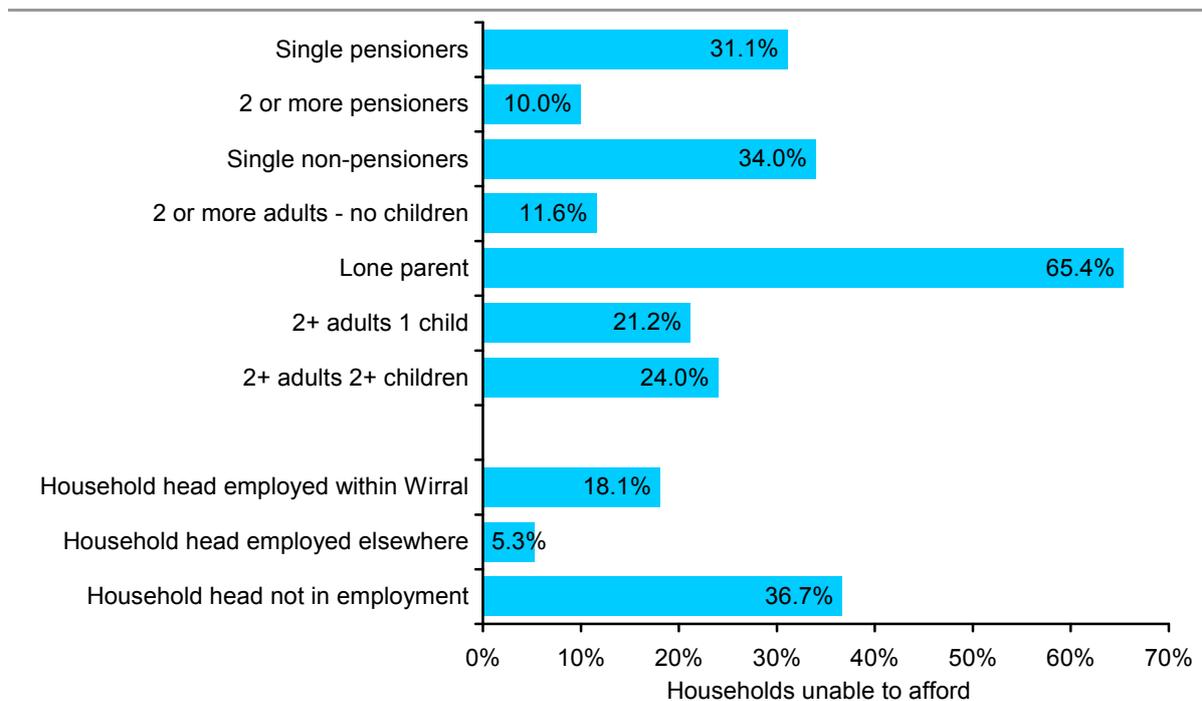
Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

Housing needs assessment model (CLG Model)

S23   The Strategic Housing Market Assessments Practice Guidance (August 2007) sets out a 16-step procedure across three distinct stages in order to produce an estimate of the net need for new affordable housing. Table S5 details the position for Wirral.

Table S5 Housing needs assessment model for Wirral		
Stage and step in calculation	*Notes*	*Number*
STAGE 1: CURRENT NEED (Gross)		
1.1 Homeless households and those in temporary accommodation		1
1.2 Overcrowding and concealed households	Two steps taken together	3,494
1.3 Other groups		
1.4 Total current housing need (gross)	1.1+1.2+1.3	3,495
STAGE 2: FUTURE NEED		
2.1 New household formation (gross per year)		2,729
2.2 Proportion of new households unable to buy or rent in the market		63.4%
2.3 Existing households falling into need		2,194
2.4 Total newly arising housing need (gross per year)	2.1x2.2+2.3	3,924
STAGE 3: AFFORDABLE HOUSING SUPPLY		
3.1 Affordable dwellings occupied by households in need		1,784
3.2 Surplus stock		42
3.3 Committed supply of affordable housing		580
3.4 Units to be taken out of management		0
3.5 Total affordable housing stock available	3.1+3.2+3.3-3.4	2,406
3.6 Annual supply of social re-lets (net)		1,273
3.7 Annual supply of intermediate housing available for re-let or resale at sub-market levels		85
3.8 Annual supply of affordable housing	3.6+3.7	1,358

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

S24 The Practice Guidance states that these figures need to be annualised to establish an overall estimate of net housing need. The first step in this process is to calculate the net current need. This is derived by subtracting the estimated total stock of affordable housing available (step 3.5) from the gross current need (step 1.4). This produces a net current need figure of 1,089 (3,495 − 2,406).

S25 The second step is to convert this net backlog need figure into an annual flow. For the purposes of this study the quota of five years proposed in the Practice Guidance will be used. Therefore to annualise the net current need figure, it will be divided by five. This calculation results in a net annual quota of 218 (1,089 ÷ 5) households who should have their needs addressed.

S26 The final step is to sum the net annual quota of households who should have their needs addressed with the total newly arising housing need (step 2.4) and subtract the future annual supply of affordable housing (step 3.8). This leads to a total (net) annual need estimate of **2,784** (218 + 3,924 − 1,358).

S27 This figure of 2,784 is higher than the total (net) annual need estimate of 1,767 recorded in the original SHMA report. This increase of 58% since 2007 is principally due to gross need rising because of reduced affordability as a consequence of changes to the local labour market.

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S28   Further analysis reveals that a large proportion of housing need in Wirral (45%) arises in the area classified by the Regional Spatial Strategy (RSS) as the RSS Inner Area. This area is the focus of regeneration efforts, and so the success or failure of such initiatives could be critical to the future level of housing need in the Borough.

Future housing requirements in Wirral (Market Balance Model)

S29   The original SHMA report contained a Balancing Housing Markets (BHM) analysis that identified the amount and type of additional accommodation required to rebalance the housing stock in Wirral to address the future demand for housing over the short-term. This update report does not replicate this analysis but instead considers what accommodation is required to provide housing market balance over the long-term.

S30   This approach is appropriate for two reasons. Firstly, the (2007) BHM's method of predicting demand and supply based upon the moving intentions of households has reduced considerably in effectiveness and accuracy with the economic downturn, due to the decreased number of moving households. In addition, in Wirral's case the information on moving intentions in the household survey dataset is now over two years old; the patterns of moves the BHM used to assess future demand and supply will have changed as a consequence of the market downturn.

S31   Secondly, the new model's use of a long-term timescale corresponds better with the time frame used by planners – there is a lag in the planning system, which means that it is not possible to respond immediately to imbalances between the nature of accommodation required and the stock currently available. It is therefore useful to consider the intervention required to the housing stock over the long-term to enable future action to be planned effectively.

S32   The model uses secondary data in combination with the household survey dataset to compare the current housing stock against the stock of housing that might be required in the future, looking forward 20 years. For forward projections of population and households it uses the ONS Demographic Projections (2006-based, published in 2009), which indicate a requirement for 570 new dwellings per annum, close to the suggested annual build rate for Wirral in the current Regional Spatial Strategy of 500 dwellings. The purpose of the model is to identify the new accommodation required to adequately house the future population of the Borough, and ensure that the housing market is balanced to their requirements.

S33   The outputs of the model for Wirral are presented in Figure S6; however these do not determine policy since many other issues such as viability and policy context must be taken into account. It is worth noting that due to the high level of need found overall in Wirral, the model was run only to provide social housing to those in priority need; the model still includes a substantial number of households supported in the market sector by Local Housing Allowance (LHA).

Figure S6 Market balance model outputs: Wirral

Total new build required, 2009-2029: 7,478 ordinary housing, 3,922 specialist housing** (Total: 570 per annum)
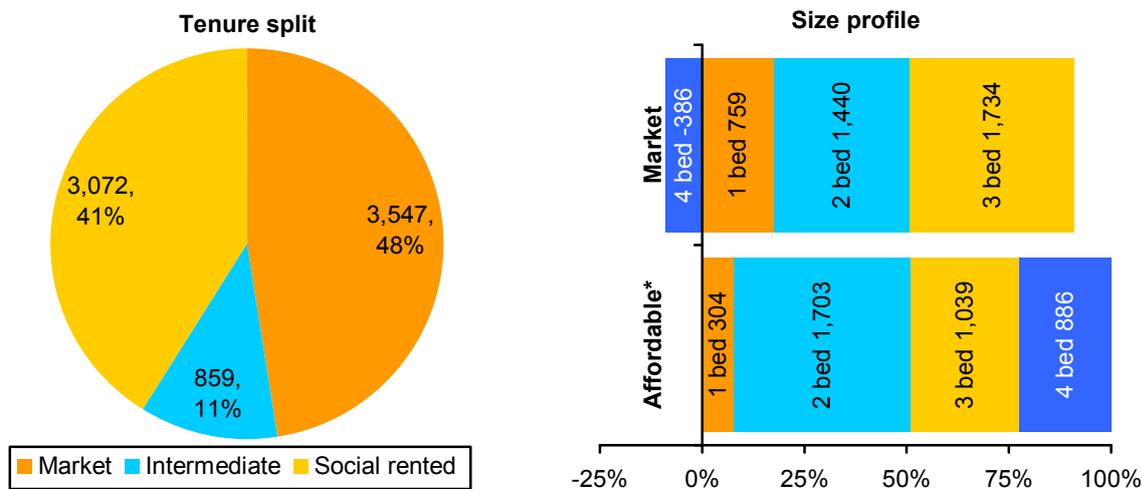
Tenure split

Size profile

Market: 4 bed -386, 1 bed 759, 2 bed 1,440, 3 bed 1,734

Affordable*: 1 bed 304, 2 bed 1,703, 3 bed 1,039, 4 bed 886

Pie: 3,547, 48%; 859, 11%; 3,072, 41%

Legend: Market, Intermediate, Social rented

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009   * Includes both social rent and intermediate ** includes all forms of sheltered, supported housing etc – see definition in Glossary – not shown in charts

S34   Overall, the analysis indicates that 48% of new dwellings should be market accommodation, 11% should be intermediate housing and 41% should be in the social rented sector. An alternative projection was also run with lower unemployment, intended to illustrate the possible impact of regeneration efforts in increasing employment in Wirral. This suggested that only 33% affordable housing would be required to reach market balance over 20 years, showing how large an impact on the wider Wirral housing market regeneration could have.

Impact of changes on policy implications

S35   The original report set out a series of suggestions about possible policy responses in light of the findings of the SHMA. This update report reviews these suggestions and indicates where these might be revised.

S36   Evidence from the CLG housing needs assessment model, the Balancing Housing Markets model and custom and practice elsewhere was used to propose a target of 40% of housing as affordable on appropriate sites, taking into account the possibilities for regeneration in the area.

S37   The results of the updated market balance model and CLG housing need model continue to support, overall, a high level of provision of affordable housing. The total need for affordable housing generated by the CLG model (2,784) far exceeds the overall amount of newbuild housing of all types proposed for Wirral in the Regional Spatial Strategy. Taking a longer term view, the market balance model suggests that to meet priority housing need (that from households with children and older people) about 53% of newbuild housing in total would need to be affordable.

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S38   Taking the evidence from the two models together, it is clear that in terms of the proportion of affordable housing to be provided, purely on the basis of housing need, a very high target could be justified. In order to investigate this further an economic scenario was considered within the market balance model, the results of which suggest that success in generating employment could cause a significant reduction in the affordable housing requirement through increasing the incomes of local households. Assuming some future success in terms of regeneration in Wirral, a target somewhere between the two figures produced by the market balance model (53% (Table 7.6) and 33% (Table 7.11)) would seem reasonable.

S39   Maintaining the current target of 40% of newbuild housing being affordable is recommended, based upon the evidence presented in this report. However, the Affordable Housing Viability Study carried out alongside this SHMA update suggests that this is unlikely to be possible in the short-term, with economic viability of development currently restricting the proportion of affordable housing that can be provided on a typical site, without assistance from grant, to 10% (in the RSS Inner Area) and 20% (elsewhere in the Borough). However, it is possible to set an 'aspirational' target of 40%, and to use a 'Dynamic Viability' approach to revert to this level of affordable housing provision as and when viability allows. More detail on this is provided in the Viability Study report.

S40   The original SHMA report proposed that a site threshold below the national guide level stipulated by PPS3 of 15 dwellings should be considered if there were a large number of sites coming forward of the appropriate size (10 to 15 units). This issue is also considered in the Viability Study report.

S41   Based on considering the outputs from both the CLG housing need model and the market balance model, it is recommended that (subject to economic viability), 15% of new affordable units should be sought as intermediate rented, although this should be reviewed once products priced at the 'usefully affordable' point are established.

S42   In terms of the sizes of affordable housing required, the market balance model suggests a particular need for two (44%) and four (26%) bedroom properties, while in the market sector two (42%) and three (45%) bedroom properties are more in demand. More details of the policy suggestions are provided in Figure S7 below and in Chapter 8.

**Figure S7 Estimated PPS3 requirements: Wirral**
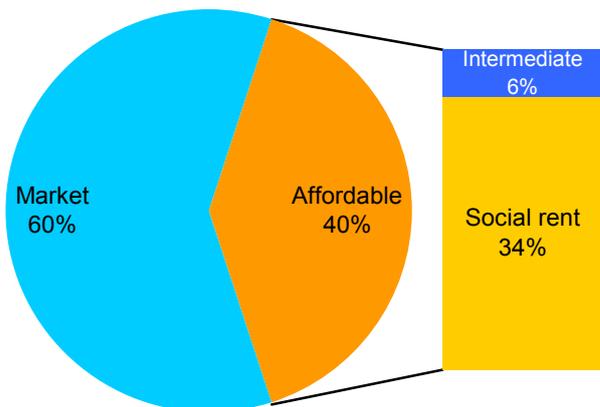
Mix of housing required

60% of new housing should be market and 40% affordable, subject to economic viability.

Within the affordable sector, this could be broken down to 15% intermediate and 85% social rented, making social rented housing 34% of the total housing required.

Due to difficulties in affording deposits, the requirement for intermediate housing was found to be wholly for intermediate rented products.

Market housing demand

About 31% of current market demand originates from couples without children, and 23% from single non-pensioners.

(Note that this chart only relates to the sources of current market demand as required by PPS3; a net requirement cannot be provided by household type since most properties can in practice cater to multiple types of household.)

The estimated net requirement is for 44% of new market housing to be three bedroom, 37% two bedroom and just 19% one bedroom. A small negative requirement for four bedroom property was found.

Affordable housing requirement

For social rented housing, the largest requirement was for two bedroom housing, but with substantial requirements for larger properties.

In the intermediate sector, the vast majority of the requirement was for two and three bedroom properties.

Source: Fordham Research Wirral household survey (2009), various secondary sources, Fordham Research (2009)

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1. Introduction

Summary

i)   This study provides an update of the original SHMA undertaken in Wirral in 2007. It is required because the economic downturn has had a significant impact on housing and planning objectives. The report documents the changes that have been recorded in Wirral in the last two years as a result of the economic downturn and identifies the appropriate policy response. The results produced are calculated in accordance with the CLG Strategic Housing Market Assessment Practice Guidance of August 2007 and meet the requirements of PPS3 and PPS12.

Purpose

1.1   A Strategic Housing Market Assessment (SHMA) was originally published for Wirral in September 2007 based on data collected in October 2006. This SHMA robustly examined the local housing market in accordance with the CLG Strategic Housing Market Assessment Draft Practice Guidance of December 2005, which was the most recent Guidance available at the time. It included a review of the current local situation, an understanding of housing market dynamics and recommendations as to the appropriate action in Wirral. In addition the research met the requirements of Planning Policy Statement 3: Housing (PPS3) and Planning Policy Statement 12: Local Spatial Planning (PPS12) in ensuring that all necessary outputs were provided and that these outputs passed the prescribed tests of soundness.

1.2   Although it would typically be argued that a SHMA would have currency of more than two years, due to the notable change in market conditions since the publication of the initial report it is advisable to re-assess its findings. This update report therefore seeks to complement the existing study by reviewing the outputs where more recent data is available. This update report will use the most recent secondary data to assess the local impact and the appropriate policy response within the altered market conditions. This is done by direct examination of the secondary data and by applying the changes recorded to the primary data to provide an updated household survey.

Basis for the report

1.3   Strategic Housing Market Assessments were established by Government Guidance: Planning Policy Statement 3: Housing (November 2006) and detailed Practice Guidance (Strategic Housing Market Assessments Practice Guidance) was published in March 2007 (revised slightly in August 2007). The aims of a Strategic Housing Market Assessment are to provide clear evidence as to what is going on in the housing market and what the future prospects for the market might be.

1.4   Important features of the SHMA process are:

   i)   Involvement of an authority or a group of local authorities representing a meaningful market area

   ii)   A process in which key stakeholders are involved throughout the production of the evidence as well as being consumers of it

   iii)   Inclusion in the process of all tenures of housing

   iv)   Higher standards of quality: the tests of rigour are more strict than before

   v)   It is an ongoing process, so that once the present report is completed, the stakeholders keep updating the results and using them as the basis for housing and planning policy

1.5   The most important output requirements of PPS3, as regards the SHMA, are stated in paragraph 22:

   'Based on the findings of the Strategic Housing Market Assessment and other local evidence, Local Planning Authorities should set out in Local Development Documents:

      i)   *The likely overall proportions of households that require market or affordable housing, for example, x% market housing and y% affordable housing*

      ii)   *The likely profile of household types requiring market housing e.g. multi-person, including families and children (x %), single persons (y %), couples (z %)*

      iii)   *The size and type of affordable housing required.'*

Report coverage

1.6   Whilst PPS3 outlines how a SHMA fits into the wider housing policy framework, the Practice Guidance provides an indication as to how a SHMA should be undertaken and what topics should be covered. Not all of the topics required by the Practice Guidance, and presented in the original SMHA, will be updated within this report. This is because for some topics no further data has been published since the original publication. This report is therefore limited to:

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- Examining the latest profile of the labour market and the resident population

- Analysing the changes that have occurred to the local housing market

- Considering the current financial capacity of households and their ability to afford market housing

- Updated outputs of the housing needs assessment model

- Updated outputs of the balancing housing markets model

- The policy implications of these findings within the requirements of PPS3

2. Survey Methodology

Summary

i)   Some of the analysis of the local housing market presented in the original report was based on a household survey of 2,585 households in Wirral. For the purpose of this report, this household dataset has been updated through two processes: re-weighting the data and updating the financial profile. This provides an accurate profile of all households in Wirral as of April 2009.

Introduction

2.1   In addition to documenting the changes that have been recorded in Wirral since the original SHMA, a new analysis of the housing market will be facilitated by updating the primary household dataset. A household survey was completed in February and March 2007 using postal questionnaires and personal interviews. The survey was drawn, at random, from the Council Tax Register covering all areas and tenure groups in Wirral. With 1,581 postal questionnaires returned and 1,004 personal interviews carried out, a total sample of 2,585 was achieved. This is significantly in excess of the 1,500 recommended by the Practice Guidance and allows reliable analysis of housing need and demand in the Borough.

2.2   The primary data is updated using two measures: re-weighting the data to take account of the latest information on the structure of households in Wirral and updating the financial profile of households to reflect the changes recorded since the original SHMA. This chapter will describe the approach used for these two processes.

Re-weighting the dataset

2.3   The original SHMA estimated that there were a total of 137,290 households in Wirral. The latest CLG household estimates (from the CLG Demographic Projections, 2006 based, released in 2009) suggest that the household population in Wirral at April 2009, the base date of this update report, is 137,800. The dataset has therefore been reweighted to this total.

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2.4   The data also has to be weighted by a number of variables so that the profile is representative of the characteristics of the household population. The variables used to weight the data are listed below alongside an indication of the secondary source the appropriate profile was derived from.

- Tenure (2008 HSSA, 2001 Census, Survey of English Housing 2007/08)
- Household mobility (2008 Land Registry, 2008 HSSA, Survey of English Housing 2007/08)
- Area (Council Tax Register)
- Council tax band (Council Tax Register)
- Household type (CLG 2006-based Household Projections – published 2009, 2001 Census)
- Accommodation type (2001 Census, Survey of English Housing 2007/08)
- Car ownership (2001 Census, Survey of English Housing 2007/08)
- Age of resident population (ONS 2006 based Population Projections – published 2009)
- Ethnicity of household head (2001 Census, ONS Population Estimates by Ethnic Group, 2006)

2.5   Table 2.1 shows an estimate of the current tenure split in Wirral along with the tenure distribution recorded in the original report. The data shows that around 74.2% of households are now owner-occupiers with 15.6% in the social rented sector and 10.2% resident in private rented accommodation.

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	2009		*2007*	
Tenure	*Total number of households*	*% of households*	*Total number of households*	*% of households*
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Owner-occupied (with mortgage)	56,918	41.3%	58,818	42.8%
RSL	21,485	15.6%	21,740	15.8%
Private rented	14,055	10.2%	12,490	9.1%
Total	137,800	100.0%	137,290	100.0%

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

2.6   In comparison with 2007, the proportion of households in the private rented sector has increased from 9.1% to 10.2%. This increase in the private rented sector in Wirral corresponds to the national trend recorded by the Survey of English Housing (SEH). The number and proportion of owner-occupiers with a mortgage has decreased slightly (from 42.8% to 41.3%), also in line with the national trend, while the number of households owning their house outright has shown a slight increase. The number of social rented households has also shown a very small decrease.

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Updating the financial profile

2.7   As the survey data has been updated from its early 2007 base it has been necessary to make an estimate of the likely change in income levels since this time (and indeed changes in savings and equity). The principle of updating the financial profile is not to update the situation of the particular household that responded to the initial questionnaire, but to present an accurate representation for an equivalent household that exists currently.   Households' financial information was updated via an indexing approach, as there are time-series secondary data available at a local level that record changes in the relevant variables. A separate method was used for the three variables that were updated – income, savings and equity.

2.8   The only up-to-date secondary data on income available at a local level is that presented in the Annual Survey of Hours and Earnings (ASHE), which is the earned income of employed individuals. The change recorded by the ASHE data for the most recent two years (2006-2008) was applied to the dataset to generate a profile for April 2009. As ASHE provides values at a range of points on the earnings distribution, it is possible to update income depending on the increase recorded for the particular quartile the original household income of 2007 was in.   Between 2006 and 2008 lower quartile incomes were estimated to have risen by around 3.0%, median incomes have increased by 2.8% and upper quartile incomes have grown by 1.5%. These increases have been applied to the survey data to bring it up to an April 2009 base.

2.9   The Family Spending Survey was used to update household savings. This indicated an increase of 3.9% over the period 2006 and 2008. This increase has been applied to the survey data to bring it up to an April 2009 base.

2.10   For affordability purposes it is also important to consider changes in household equity. The Land Registry provides the best source of information on the value of property at a local level, with data on the price of all home sales for every quarter of the year. Analysis of Land Registry data suggests that overall average house prices within Wirral have decreased by 6.2% over the last two and a half years. As the Land Registry collects price information by property type, it is possible to update the value of owner-occupied homes by the change in prices recorded for the appropriate type of dwelling. For example the Land Registry data indicates that average semi-detached house prices within Wirral have decreased by 12.9%.

2.11   These figures have been applied to survey data about property values – this in turn has enabled us to make an estimate of likely equity levels. For example, a household living in a semi-detached house worth £100,000 and with £50,000 of equity (in 2007) would now be assumed to be living in a house worth £87,100 and with £37,100 of equity.

3. Socio-economic changes since 2006

Summary

i)   Various secondary data sources were reviewed as part of the updating process. The latest population estimates suggest that the population of the Borough in 2007 was 310,200 and that since 2006 the population has decreased by 0.3%. The size of the household population is increasing however, reflecting the growth of smaller one and two person households.

ii)   Whilst Wirral continues to have the capacity to undergo continued economic growth, the level of unemployment amongst residents in the Borough increased by 47.6% between March 2008 and March 2009. Overall the level of unemployment is higher than both the figures for the North West and Great Britain as a whole.

iii)   The mean earned income for employees in Wirral in 2008 is £23,704, higher than the North West but lower than England as a whole.

Introduction

3.1   Two main drivers of the housing market are the resident population and the local labour market. They affect the nature of housing demand including household formation rates and households' investment in housing. The most recent data available on these topics at the time of the original SHMA was generally from 2006. This chapter documents the changes that have occurred to the socio-economic profile in Wirral since. The information presented compares the circumstances in the Borough to the regional and national situation where possible.

Demography

3.2   The original SHMA report described the nature of the population in Wirral using the latest information available at the time, principally the 2008 ONS population estimates and the 2001 Census. A range of data has been published subsequently that informs how the population in the Borough has changed since 2006.

Population

3.3   The Office of National Statistics (ONS) revised population estimates were published in June 2008. These provide an annual estimate of the population in each authority up to 2007.

3.4   Figure 3.1 illustrates the change in population recorded in Wirral. It shows that over the last 20 years the population of Wirral has decreased, while the population of the North West region has remained fairly constant, and the population of Great Britain as a whole has increased. The population estimates suggest that the population of Wirral in 2007 was 310,200 and that since 2006 the population decreased by 0.3%, while nationally the population increased by 0.6%.

Figure 3.1 Population change in Wirral (1987-2007)
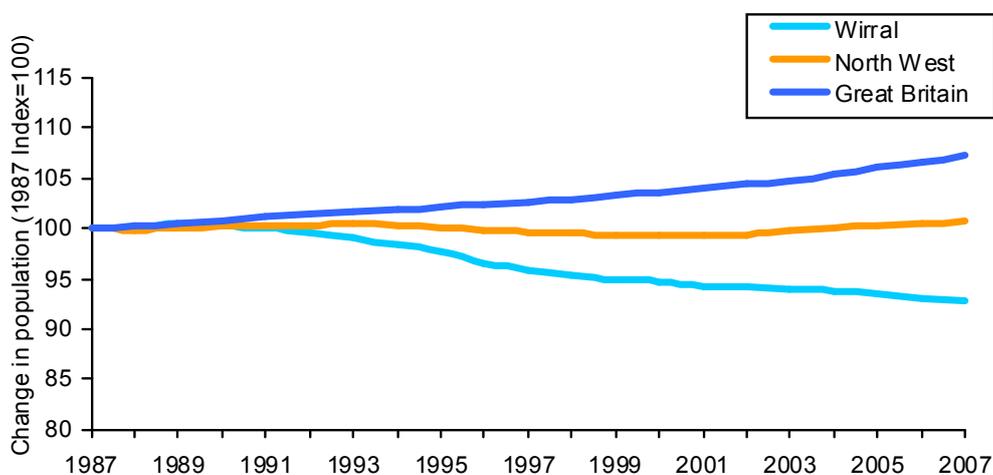
Source: ONS mid-year population estimates 1987-2007

3.5   The mid-year estimates also indicate that Wirral contains a slightly lower proportion of the population that are working age than is found nationally and regionally, (59.1% in Wirral compared to 61.8% in the North West and 62.2% across Great Britain).

Level of migration

3.6   Associated with the mid-year population figures, the ONS provides estimates of the scale of migration into and out of each authority in England and Wales. This source indicates that in 2006-2007 migration flows between Wirral and other parts of the country resulted in a small net decrease in population and migration flows between Wirral and abroad resulted in a large net decrease to the population. Overall the population in Wirral decreased by approximately 800 people between 2006 and 2007 as a result of migration flows. This is the continuation of the trend that has been recorded in Wirral since 2001-2002.

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3.7   This data also suggests that relative to the size of the authority, the level of migration into and out of Wirral is below average. At mid-2007 some 2.1% of the population had moved into the Borough from elsewhere in the country within the previous year and 0.3% of the population had moved into Wirral from abroad within the previous year.

Ethnicity

3.8   The 2001 Census indicates that the proportion of the population in a Black or Minority Ethnic (BME) (non-White) group in Wirral is quite low by national and regional standards at just 1.7%, compared to 6.7% in the region and 11.7% nationally.

3.9   ONS have produced some estimates of the changes in population by ethnicity to 2006, although these are classed as experimental statistics and should be treated with caution. They suggest that the BME population of Wirral increased from 1.7% to 2.7% of the total population since the Census. This amounts to an increase from 5,290 to 8,400 people (+58.7%) in BME groups between 2001 and 2006.

3.10   Figure 3.2 presents the ethnicity of the population in Wirral according to the latest (2006) figures. The 'Mixed' and 'Asian or Asian British' ethnic groups represent the largest BME group in Wirral (0.8% of total population).

Figure 3.2 Ethnicity of Wirral population, 2006
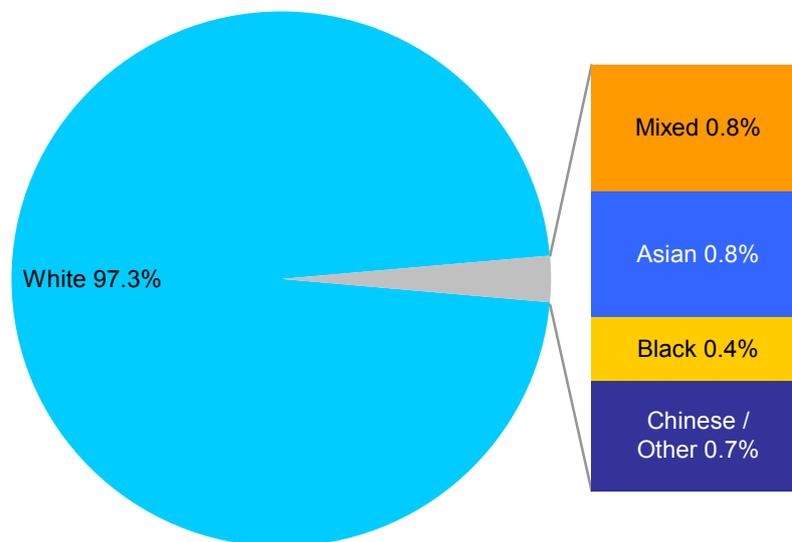
Source: ONS Resident Population Estimates by Ethnic Group, 2006

Number of households

3.11 The latest ONS household estimates suggest that the number of resident households in Wirral is increasing whilst the population of the Borough is decreasing. The data indicates that between 2001 and 2007 the number of people in Wirral decreased by 0.8%, whilst the number of households increased by 2.6%. This implies that the average size of households in Wirral is declining as is illustrated in Table 3.1.

Table 3.1 Change in average household size, 2001 to 2007			
	2001	*2006*	*2007*
Population	312,293	311,200	310,200
Households	133,352	136,000	136,800
Average household size	2.34	2.29	2.27

Source: ONS 2006-based sub-regional demographic projections (2009), Census (2001)

Economy

3.12 Chapter 4 of the original SHMA report considered the regional strategies of relevance to Wirral and their influence on the Housing Market Area. This work indicated that whilst Wirral recorded a lower proportion of private sector service workers than Liverpool, its employment growth was expected to be significantly higher than that of the main regional city.

Employment in Wirral

3.13 The latest data available on the economy in Wirral indicates that it still has the capacity to undergo continued economic growth. NOMIS data on 'job density' (this is a measure of the number of jobs per person of working age) for 2006 shows that there are 0.68 jobs per working age person in Wirral. This is a lower ratio than both the North West region (0.85) and England as a whole (0.88).

3.14 Data is also available from NOMIS about the number of VAT registered businesses in the area and how this has changed over time. This can provide a good indication of the state of the economy as an increase in VAT registered business would suggest either new companies moving to the area or an increase in local entrepreneurship.

3.15 NOMIS indicates that the number of VAT registered businesses at the end of 2007 in Wirral was 6,140; this is an increase of 1,125 over the ten years since 1997 (22.4%). This proportional increase is higher than that recorded for the region (19.7%) and the same as that found nationally (22.4%). The data also indicates that between 2006 and 2007 the number of VAT registered businesses in Wirral increased by 4.5%, again higher than the equivalent regional and national figures.

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3.16 Measured by the most recent available Annual Business Inquiry (ABI) there were 97,600 employee jobs in Wirral in 2007. Overall employment has actually fallen in Wirral over the last decade in comparison to a growth of 12.5% nationally and 2.0% regionally. This is displayed in Figure 3.3. The figure also indicates that the number of employee jobs in Wirral increased between 2006 and 2007. Further investigation indicates that the increase recorded between 2006 and 2007 was principally caused by a large growth in the number of people working in 'Banking, Finance and Insurance'.

Figure 3.3 Indexed employment growth in Wirral (1997-2007)
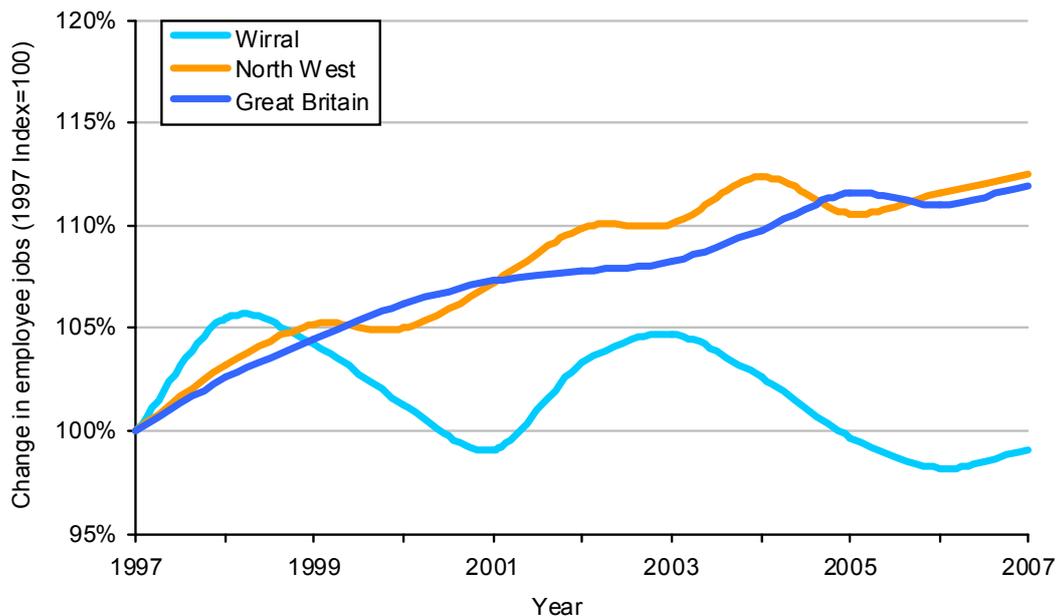
Source: ONS Annual Business Inquiry Employee Analysis

Employment profile of residents in the Borough

3.17 Although the overall economic performance of Wirral provides important context, an understanding of the effect of the economic downturn on the resident population is more crucial to this study.

3.18 The ONS publishes the number of people claiming Job Seekers Allowance on a monthly basis. This provides a very up to date measure of the level of unemployment of residents in an area. Figure 3.4 shows the change in the proportion of the working age population claiming Job Seekers Allowance in Wirral since January 2006. The figure indicates that historically Wirral has had a relatively high unemployment level, and since summer 2008 the rate of unemployment in the Borough has shown a notable increase, mirroring the national and regional trends. Overall the number of people claiming Job Seekers Allowance in Wirral in March 2009 was 47.6% higher than was recorded in the same month in 2008.

Figure 3.4 Level of unemployment in Wirral (2006-2009)
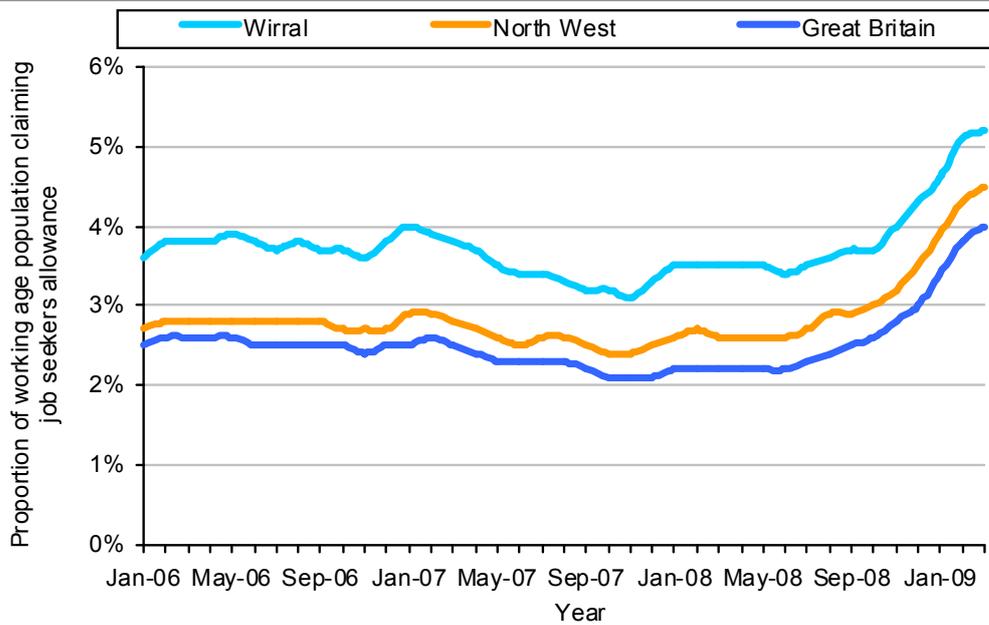
Source: ONS Claimant count

3.19   The Annual Population Survey presents a 'Standard Occupation Classification' which categorises all working people resident within an area into one of nine groups depending on the nature of the skills that they use. These nine groups are graded from managerial jobs (Groups 1-3) to unskilled jobs (Groups 8-9). As Table 3.2 illustrates some 47.4% of employed residents in Wirral work in groups 1 to 3, which is higher than both the regional and national equivalent figures.

3.20   The table also shows that since 2006 there has been an increase in the number of people resident in Wirral employed within groups 1 to 3, whilst there has been a decrease in the number of residents employed in the other categories, most notably groups 8 to 9.

Table 3.2 Occupation structure				
Occupation Groups	*Wirral 2007/08*	*North West 2007/08*	*England 2007/08*	*Change in no. of people employed in Wirral since 2006/07*
Group 1-3: Senior, Professional or Technical	47.4%	42.4%	46.6%	9.3%
Group 4-5: Administrative, skilled trades	19.6%	18.3%	17.0%	-8.1%
Group 6-7: Personal service, Customer service and Sales	16.5%	20.8%	19.3%	-3.4%
Group 8-9: Machine operatives, Elementary occupations	16.5%	18.5%	17.1%	-15.6%
Total	100.0%	100.0%	100.0%	-1.32%

Source: ONS Annual Population Survey

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Income

3.21   Income has a crucial effect on the level of choice a household has when determining their future accommodation. The mean earned income for employees resident in Wirral in 2008 is £23,704, according to the ONS Annual Survey of Hours and Earnings, slightly higher than the North West (at £23,495) but lower than England as a whole (at £26,719). The figure of £23,704 represents a slight increase from the figure of £23,129 from 2006 recorded at the time of the original SHMA report. It is important to note that these figures assess individual incomes rather than household incomes.

3.22   As Figure 3.5 shows, lower quartile and median earnings in Wirral are slightly above those for the North West region. Earnings in the upper quartile are below the North West, and earnings across the range are below England as a whole.

Figure 3.5 Annual gross income of full-time employed residents 2008
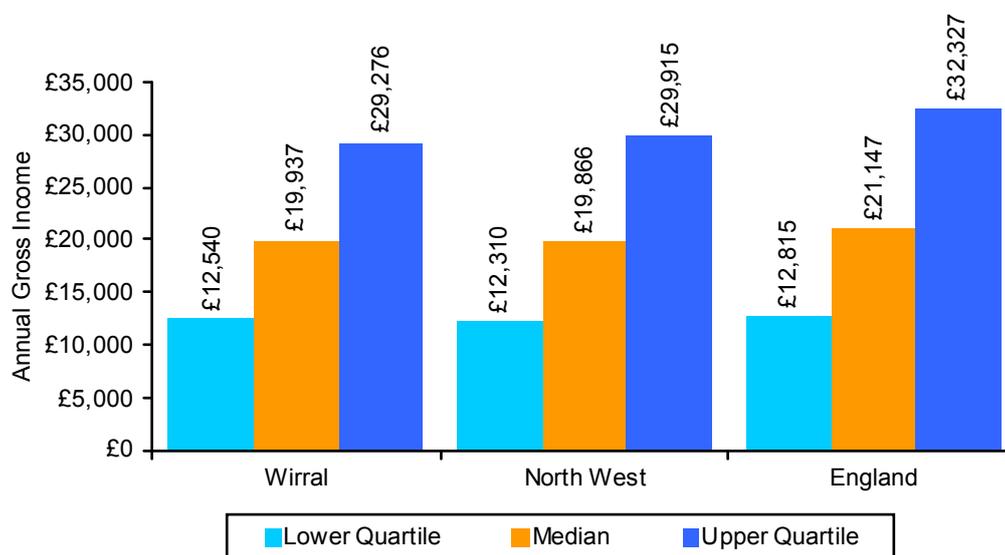
Source: ONS Annual Survey of Hours and Earnings (2008)

3.23   Figure 3.6 shows the change in the mean income of employees resident in Wirral, the North West and England since 2003. Wirral has recorded a smaller income increase since 2003 (at 19.4%) than the North West (20.6%) and England (21.8%).

Figure 3.6 Change in mean annual income of full-time employed residents 2002-2008

Source: ONS Annual Survey of Hours and Earnings (2008)

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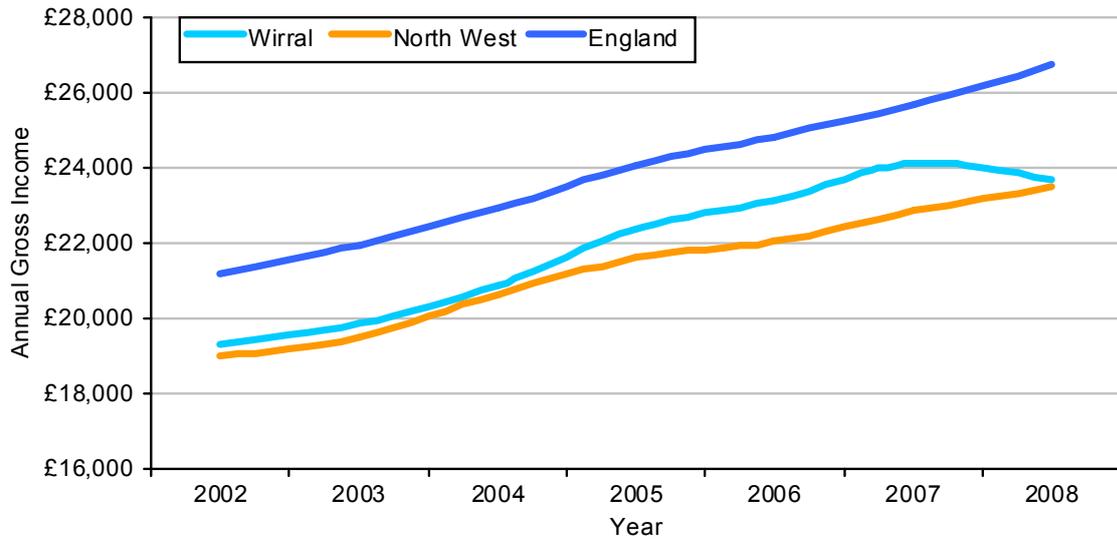
4. The current housing market

Summary

i)   According to data from the Land Registry, the mean house price in Wirral in quarter one of 2009 was £166,331, lower than the national average but higher than the regional figure. Dramatic changes have been recorded in the housing market since quarter three 2006.

ii)   Average (mean) prices in Wirral have risen by 5.7%, despite falls on a national and regional level, but sales closely follow the national and regional trend, falling by 73.6%. These trends appear considerably less pronounced if only whole-year figures are considered. However, due to the rapidity of change we have used the most recent quarterly figures available at the time of writing for an up to date picture.

iii)   The cost of housing by size was re-assessed for all tenures within each of the sub-markets in the Borough. This showed a decrease in the entry-level costs for smaller owner-occupied properties and a decrease in the entry-level cost for smaller private rented dwellings in the sub-markets of South East and West. The price survey identified a significant social rent/entry-level gap across the Borough and notable rent/buy gap in all sub-markets apart from the HMRI area.

Introduction

4.1   This chapter describes the downturn in the housing market that has been recorded nationally before examining the extent of the downturn in Wirral and specifically its effects on the housing market within the Borough. Subsequently it re-assesses the entry-level costs of housing in Wirral, to document how this has changed since the original SHMA report. For this reason, throughout this chapter we have compared the figures for quarter three 2006 (used for the original report) and quarter one 2009 (the most recent data available at the time of writing). The current rapid rate of change in the market between quarters far outweighs the seasonal variation that might normally reduce the value of this comparison; to compare figures instead with quarter three 2008 would miss significant recent trends.

4.2   A comparison of the cost of different tenures will be used to identify the housing market gaps that exist – this enables the viability of products within these gaps to be assessed.

The national housing market downturn

4.3   Many people had been expecting a crash in house prices for some time, due to the historical trend of this occurring after a period of fast house price growth. The market downturn was principally triggered by the realisation of the scale of the bad debt that banks had. This caused banks to be much more cautious toward lending to one another as there was a greater risk of not being repaid.

4.4   This therefore limited the credit available for those potentially requiring a mortgage. In addition banks and building societies were more cautious in their lending practices to ensure they did not create any further bad debts for themselves. This meant that the multiples of income that a mortgage was offered on were reduced and a greater proportion of the value of the home was required as a deposit.

4.5   This particularly affected first-time buyers, who have less access to capital. The result was that in 2008, 194,000 home loans were granted to first-time buyers in England compared with 357,800 in 2007[1], while the average deposit put down by a new entrant to the market rose to 22%, the highest level since 1974[2]. The average multiple of income that first-time buyers borrowed in 2008 was 3.1 times their earnings compared with 3.4 times in 2007[3].

4.6   The reduction in first-time buyers had implications for the overall buoyancy of the market. The absence of new entrants to the market reduced activity further up the housing ladder with the number of home mover loans dropping from 658,000 in 2007 to 322,200 in 2008[4].

4.7   Figure 4.1 shows the number of sales recorded across England and Wales for each quarter since Quarter 1 of 2004. The figure shows that whilst property sales levels have always been relatively volatile, a marked decrease has been recorded since Quarter 3 of 2007. The figure also shows the change in average property prices over this period. This shows that there was a lag between the decline in property sales and the decline in property prices.

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[1] The Council of Mortgage Lenders, 2009

[2] Ibid

[3] Ibid

[4] Ibid

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**Figure 4.1 Average price change and variation in property sales in
England & Wales 2004–2009 (all quarters)**
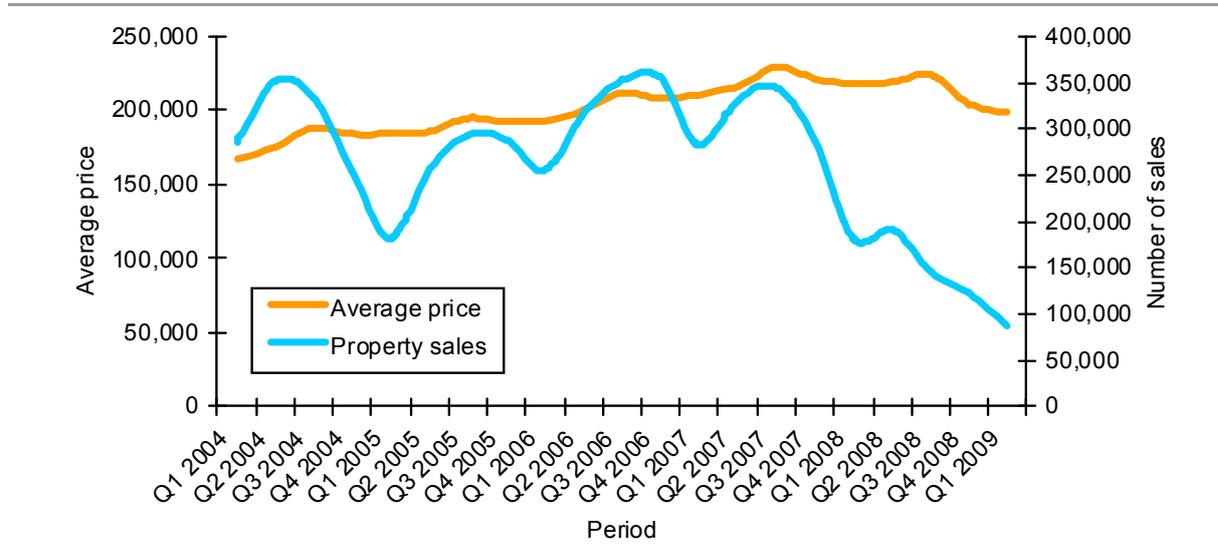
Source: Land Registry, CLG (2009)

4.8   Whilst the decline in property prices had been relatively modest until the summer 2008, the speculation of the total extent of the reduction of the value of housing that would occur in this downturn has also put off potential buyers concerned by the prospect of a continued fall in prices leaving them in negative equity. This perception of investment in housing now representing a risk allied to the difficulty of getting a mortgage is likely to see the recent housing market trends continue.

4.9   It is difficult to predict future market trends with any degree of certainty. In the first half of April 2009 evidence has emerged that estate agents are receiving more enquiries and that there is greater turnover. The well respected Lombard Street Research has predicted the slump would be over by December 2009 – but at the same time the latest CLG figures as of Autumn 2009 show the biggest annual fall yet. The property derivative market, where financial traders can place bets on the likelihood of the UK housing market rising or falling, is currently suggesting that traders on average believe there will be a continued fall in prices over the next three years amounting to a further 30% drop from today's prices, and a recovery period of 13 years to return to the 2007 peak.

4.10   Fordham Research envisage that overall the market downturn will start to slow in the second half of the year but will only start to rise again if unemployment stabilises before interest rates go up. A full market recovery will not occur until credit availability issues for first-time buyers are resolved.

The situation in Wirral

4.11   The most recent house price data available at the time of the initial SHMA report was from Quarter 3 2006. The Land Registry has now published data for the first quarter of 2009. It is therefore possible to assess the changes recorded in Wirral over this period, alongside national and regional equivalents.

4.12 Table 4.1 shows the change in average prices between the third quarter of 2006 and the first quarter of 2009 for each of England and Wales, the North West, Merseyside and Wirral. The table shows that over this period, average prices in Wirral increased by 5.7%, compared to a decrease across the North West and nationally of 6.3%. Average values across Merseyside, however, decreased only slightly during the period.

Table 4.1 Change in average property prices (means)			
Area	*Average price Jul-Sep 2006*	*Average price Jan - Mar 2009*	*Percentage change recorded*
England & Wales	£211,809	£198,495	−6.3%
North West	£154,222	£144,450	−6.3%
Merseyside	£142,284	£140,523	−1.2%
Wirral	£156,979	£165,983	+5.7%

Source: Land Registry, CLG (2009)

4.13 Median property prices, however, fell in Wirral in 2009, although not as much as in some parts of England and Wales; this implies that the increase registered above is largely due to the market for more expensive property remaining relatively buoyant.

Table 4.2 Change in average property prices (medians)			
Area	*Average price Jul-Sep 2006*	*Average price Jan - Mar 2009*	*Percentage change recorded*
England & Wales	£171,000	£157,000	−8.2%
North West	£129,950	£120,000	−0.7%
Merseyside	£125,000	£120,000	−4.0%
Wirral	£135,000	£130,000	−3.7%

Source: Land Registry, CLG (2009)

4.14 Figure 4.2 shows how the change in prices since Quarter 3 2006 varies by property type in Wirral. The figure shows that for all dwelling types with the exception of detached houses, prices have remained relatively consistent over the period. Overall semi-detached houses have recorded the largest price fall between the third quarter of 2006 and the first quarter of 2009, at 12.9% followed by terraced houses (4.9%) then flats/maisonettes (0.9%). Detached houses recorded a rise in prices of 4.5%.

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Figure 4.2 Price change by dwelling type in Wirral since 2006
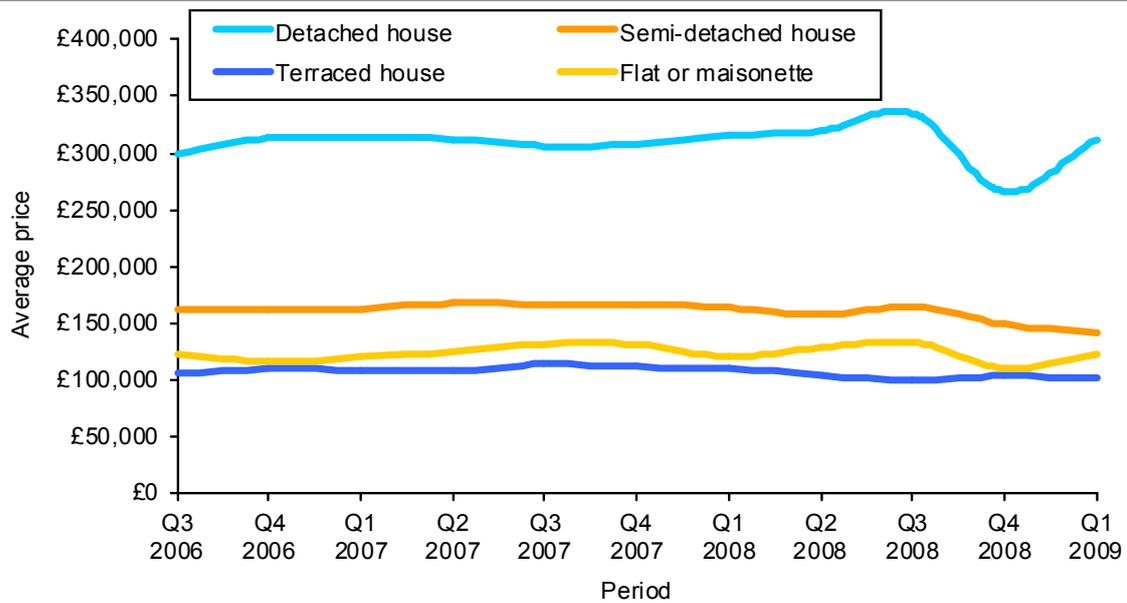
Source: Land Registry, CLG (2009)

4.15   Table 4.3 shows the change in the number of property sales between the third quarter of 2006 and the first quarter of 2009. The table indicates that whilst the change in property sales was similar in all areas, Wirral recorded the smallest overall decrease, at 73.6% compared to 75.5% for Merseyside and 75.7% for the North West.

Table 4.3 Change in the number of property sales			
Area	*Number of sales Jul-Sep 2006*	*Number of sales Jan-Mar 2009*	*Percentage change*
England and Wales	352,665	87,646	−75.1%
North West	41,885	10,157	−75.7%
Merseyside	7,002	1,716	−75.5%
Wirral	1,719	453	−73.6%

Source: Land Registry, CLG (2009)

4.16   Figure 4.3 shows the change in sales levels over the last two years by property type in Wirral. The figure shows that for all dwelling types, the number of sales has recorded a steep decline since October 2007. Overall terraced houses have recorded the largest decline in sales between Quarter 3 2006 and the first quarter of 2009 at 78.4% followed by semi-detached houses (75.7%), flats/maisonettes (75.0%) and detached houses (56.8%)

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Figure 4.3 Property sales by dwelling type in Wirral since 2006
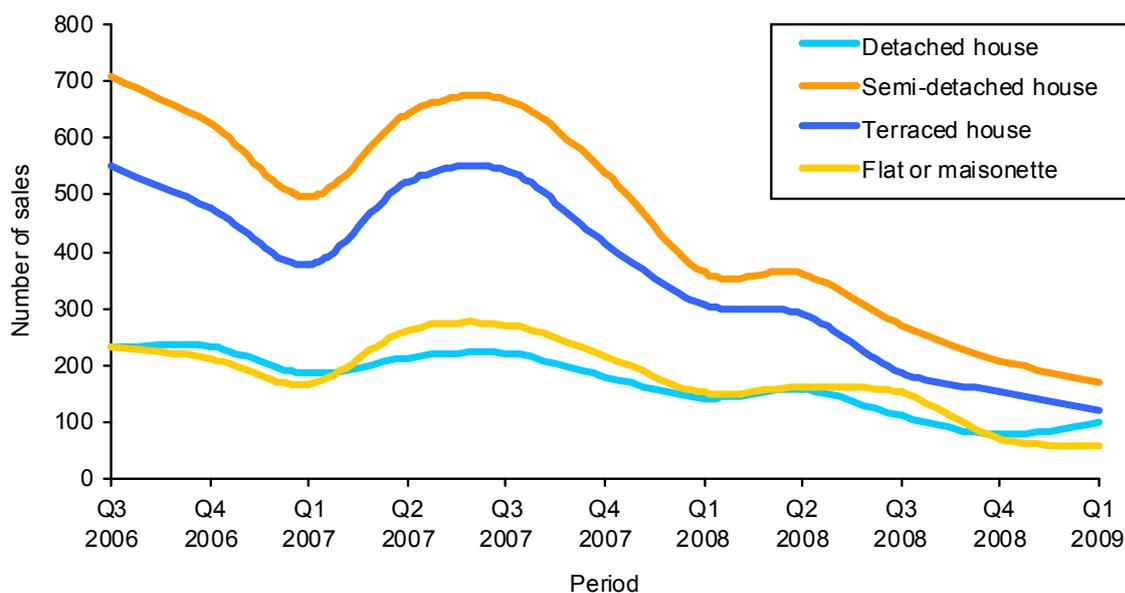
Source: Land Registry, CLG (2009)

Annual change in prices and sales

4.17   This section provides for reference the changes in prices and sales between the whole year figures for 2008 and 2006. These come from the same source as above, but use whole year rather than quarterly statistics. These therefore show smaller changes, with a 50.4% reduction in sales compared to 73.6% in the quarterly figures. They also show a slight increase in prices over the period, since the economic downturn had not fully taken effect in early 2008. Sales were also higher in the early part of 2008, with the result that the prices within this period had a greater effect than prices later in the year on the whole year average price.

Table 4.4 Change in average property prices and sales, annual totals, Wirral			
Area	*Average price Jan-Dec 2006*	*Average price Jan-Dec 2008*	*Percentage change recorded*
Mean price	£153,665	£161,809	+5.3%
Median price	£132,000	£135,000	+2.3%
Sales	6,671	3,359	−50.4%

Source: Land Registry, CLG (2008)

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Updated entry-level costs

4.18   To fully understand the affordability of housing within a price market it is necessary to collect data on the cost of housing by number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household as determined by the bedroom standard. However no secondary data contains this information. As part of this study we have therefore undertaken an updated price survey to assess the current cost of housing in the Borough. This has involved both reviewing the different price markets within Wirral identified in the original report and establishing the entry-level cost of housing by number of bedrooms in each of these areas.

Price markets

4.19   The original SHMA report identified four sub-markets for owner-occupation and private rental across the Borough. No sub-markets could be identified for social renting since these properties are not accessed through the market. These are presented in Figure 4.4. An assessment of the current suitability of these sub markets was undertaken to examine whether these sub-market boundaries still existed. This showed that the pattern of price variation across Wirral is still the same – the HMRI area is the cheapest sub-market and West the most expensive.

Figure 4.4 Map of sub-markets in Wirral
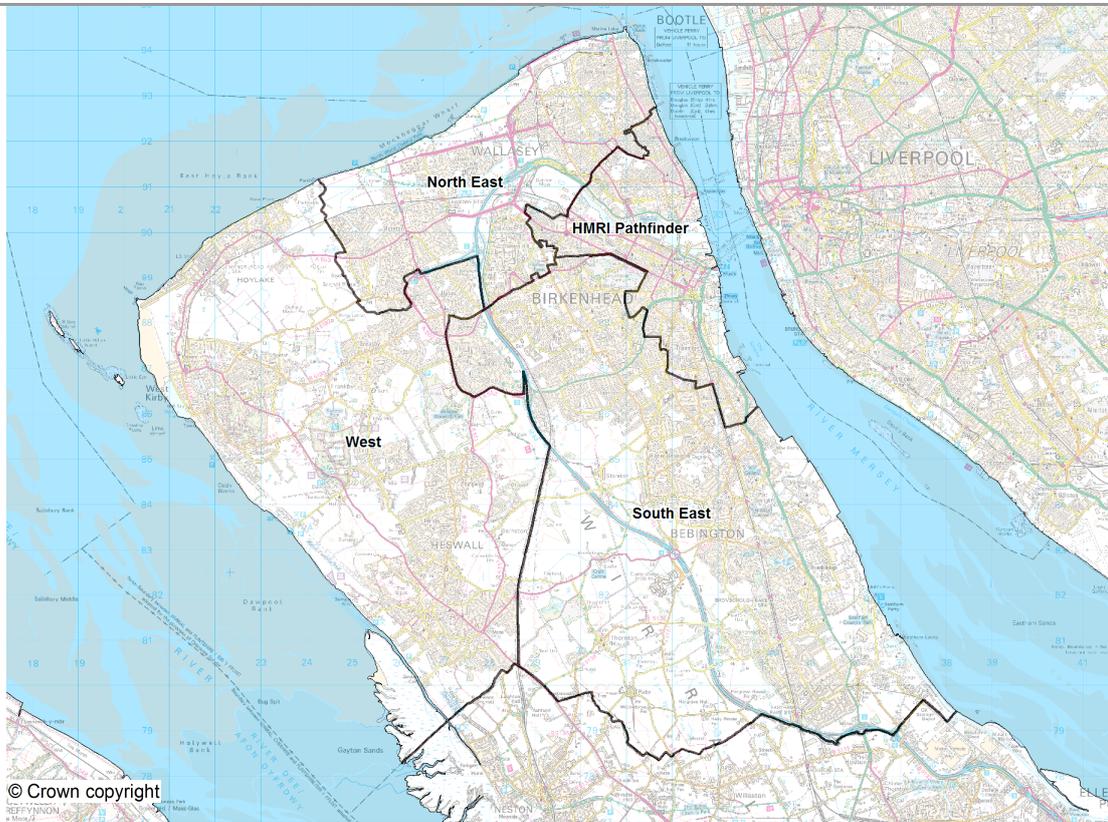
Source: Fordham Research (2010)

Entry-level prices

4.20 Updated entry-level property prices and rental costs by number of bedrooms were obtained in each sub-market via an online search of properties advertised for sale during June 2009. These costs were qualified by brief telephone discussions with local estate and letting agents, who were also able to provide guidance as to what proportion of the asking price is achieved at sale (for purchase). In accordance with the Practice Guidance (and to replicate the approach used in the original report), entry-level prices are based on lower quartile prices.

4.21 The entry-level price for owner-occupied property across the sub-markets of Wirral is presented in Figure 4.5. The figure indicates that entry-level prices in Wirral range from around £62,200 for a one bedroom home in the HMRI Area up to £274,700 for a four bedroom property in the West sub-market. The data also shows that there is a notable premium on four bedroom properties in the West sub-market. In terms of the market availability the analysis showed that three bedroom properties make up the largest proportion of properties on the market, and one bedroom properties the smallest.

Figure 4.5 Entry level purchase price by sub-market
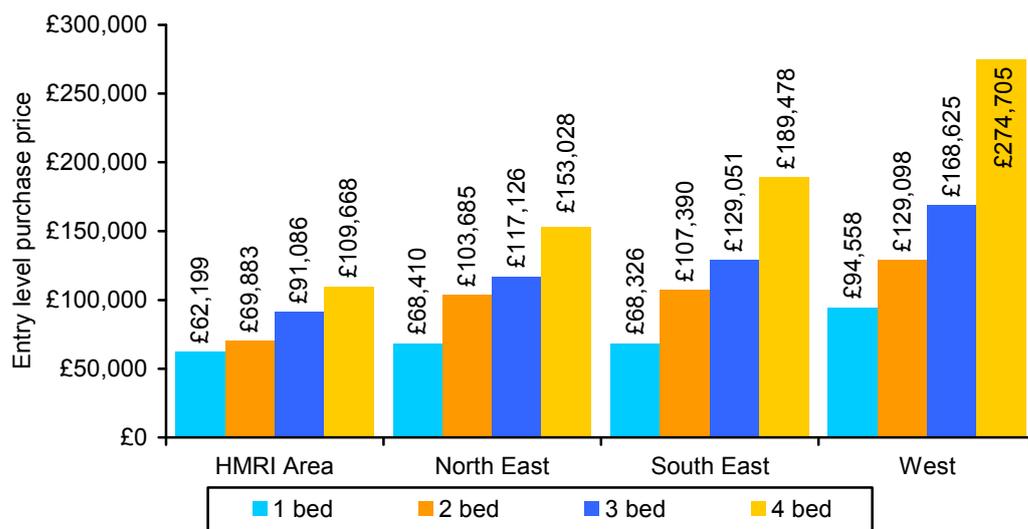
Source: Online estate agents survey 09.06.09

4.22 Table 4.5 documents the change recorded in entry-level purchase prices since 2007 for each property size within each sub-market. Overall property prices in the North East and South East have recorded the largest rise in values over the last two years, whilst entry-level prices in the HMRI area have shown decreases or smaller increases. The table shows that in all sub-markets the greatest decrease in entry-level price was recorded for one bedroom homes, with three and four bedroom homes being the least affected by the market downturn.

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Table 4.5 Change in entry-level prices in Wirral 2007 to 2009				
Property size	*Sub-market*			
	HMRI Area	*North East*	*South East*	*West*
1 bedroom	-2.8%	0.6%	-7.7%	-21.9%
2 bedrooms	9.2%	38.3%	31.8%	6.7%
3 bedrooms	16.0%	39.4%	38.8%	21.8%
4 bedrooms	-10.1%	21.9%	37.3%	49.3%

Source: Online survey of property prices 2007 and 2009

4.23 The entry-level price for private rented accommodation is presented in figure 4.6. The figure indicates that entry-level rents in Wirral range from £328 per month for a one bedroom home in the HMRI sub-market up to £1,114 per month for a four bedroom property in the West sub-market. Overall the West is the most expensive sub-market and the HMRI area the cheapest, although the variations in prices across the Borough are not as great as for owner-occupation. In addition, the profile of properties available is somewhat different to that for purchase with a greater proportion of two and three bedroom homes available to rent and notably fewer four bedroom dwellings.

Figure 4.6 Entry level private rents by sub-market
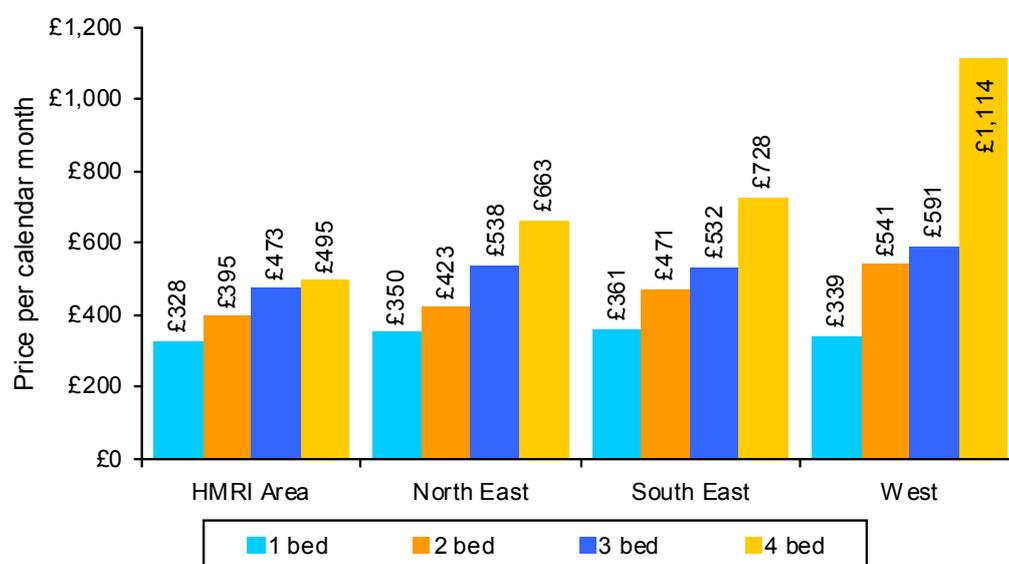
Source: Online letting agents survey 09.06.09

4.24 Table 4.6 shows the change recorded in entry-level rents since 2007 for each property size within each sub-market. The West sub-market has shown the biggest decreases in rents, with the North East remaining unaffected by the downturn. Two and three bedroom properties have been least affected, with increases across most sub-markets.

Table 4.6 Change in entry-level rents in Wirral 2007 to 2009				
Property size	*Sub-market*			
	HMRI Area	*North East*	*South East*	*West*
1 bedroom	9.7%	17.1%	-4.2%	-20.4%
2 bedrooms	7.2%	14.8%	4.5%	10.5%
3 bedrooms	11.4%	26.7%	4.9%	-0.4%
4 bedrooms	-20.1%	7.0%	3.7%	42.3%

Source: Online surveys of rental levels 2007 and 2009

4.25   The cost of social rented accommodation by dwelling size in Wirral can be obtained from Continuous Recording (CORE) which is a national information source on social rented lettings. Table 4.7 illustrates the rental cost for lettings to new social rented properties in Wirral in 2008/09. As can be seen the costs are significantly below those for private rented housing (set out in Figure 4.6) indicating a significant potential gap between the social rented and market sectors.

Table 4.7 Social rented cost in Wirral	
Bedrooms	*Rent (per month)*
1 bed	£253
2 bed	£285
3+ bed	£322

Source: CORE Area Lettings Report for Wirral (2008/09)

4.26   To assess the potential suitability for intermediate housing products in Wirral, the cost of such accommodation was based on the mid-point between the cost of social rented and the cost of entry-level market housing. This is referred to as the 'usefully affordable' point, as it represents a cost at which it is feasible to produce intermediate housing that will be affordable to a reasonable proportion of households unable to access the market, therefore providing a genuine step on the housing ladder. This approach is consistent with that used in the original SHMA report.

4.27   Within this wider intermediate definition, a distinction was made between households suitable for an equity based intermediate product (including shared ownership and discount market housing for sale) and households suitable only for intermediate rent, dependent on the capital sum that is available to the household.

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Table 4.8 'Usefully affordable point' in Wirral				
Bedrooms	*HMRI Area*	*North East*	*South East*	*West*
1 bed	£291	£302	£307	£296
2 bed	£340	£354	£378	£413
3 bed	£398	£430	£427	£457
4 bed	£409	£493	£525	£718

Source: CORE Area Lettings Report for Wirral (2008/09), Online surveys of rental levels 2007 and 2009

Analysis of housing market 'gaps'

4.28   Housing market gaps analysis has been developed to allow easy comparisons of the costs of the tenure range, in order to facilitate the testing of different new build proposals, and to show generally the nature of the housing ladder in a particular locality.

4.29   Table 4.9 shows the housing ladder that exists for a two bedroom property in each of the sub-markets in Wirral. The price to purchase a home is converted into a weekly cost to permit comparison with rental costs. This is done by applying the median fixed rate available for mortgages currently to the cost of the home to derive the weekly payment required. Figures showing the equivalent information for other property sizes in the Borough are presented in Appendix A1.

4.30   Measurement of the size of the gaps between these 'rungs of the ladder' helps assess the feasibility of households moving between the tenures - the smaller the gaps the easier it is for a household to ascend the ladder.

Table 4.9 Weekly costs of two bedroom housing in Wirral				
	HMRI Area	*North East*	*South East*	*West*
Social rent	£66	£66	£66	£66
Intermediate (rent)*	£79	£82	£88	£96
Entry-level private rent	£91	£97	£109	£125
Entry-level purchase	£90	£133	£138	£166

* Assumed to be priced at usefully affordable point

Source: Online estate and letting agents survey 09.06.09, CORE Area Lettings Report for Wirral (2008/09)

4.31   Table 4.10 shows the size of the gaps in each of the four sub-markets in Wirral. The data is based on the cost of a two bedroom home. The table indicates, for example, that market entry rents in the West sub-market are 47.4% larger than the cost of social rented accommodation.

4.32   The table shows that in all sub-markets the cost of entry-level market housing (private rented accommodation) is between 27.9% and 47.4% higher than the cost of social rent, which indicates that intermediate housing priced, at the usefully affordable point, could potentially be useful for a number of households.

Table 4.10 Scale of key housing market gaps in the Borough			
Sub-market	*Social rent/market entry (private rent)*	*Rent/buy gap*	*Social rent/entry-level purchase*
HMRI Area	27.9%	-1.4%	26.9%
North East	32.6%	26.6%	50.5%
South East	39.5%	21.2%	52.3%
West	47.4%	24.3%	60.1%

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

4.33 Across all the sub-markets except the HMRI, there is a significant gap between private renting and buying, between 21.2% and 26.6%, suggesting that there may be potential demand for discounted market ownership products such as low cost market housing if they can be produced at a cost lower than entry-level purchase prices.

Implications of the market downturn for first-time buyers

4.34 Although the reduction in the one bedroom property prices, documented earlier in this chapter, theoretically makes it easier for some households to enter the owner-occupied sector, the change in the availability of credit and concerns as to the future direction of the housing market has meant that this may not be experienced in reality. In addition, the reduction in prices has not occurred to the same extent for other, more desirable, sizes of property.

4.35 The updated dataset estimates that there are some 1,660 existing households that would like to move to an owner-occupied property from a different tenure over the next two years that are headed by someone aged 35 or under (presumed to be potential first-time buyers). Analysis of this group shows that some 65.4% of these households could afford to purchase a suitably sized home in their current sub-market, using an affordability test based on the income multiples proposed by the Practice Guidance.

4.36 However, the Nationwide Building Society, one of the two biggest mortgage lenders in the country, is currently only offering first-time buyers a mortgage if they have a deposit of at least 15%. Examination of the potential first-time buyers in the dataset reveals that just 6.6% have access to sufficient capital to afford a deposit of 15% and therefore would be eligible for a mortgage. This change in loan to value criteria is therefore likely to have a dramatic effect on the ability of potential first-time buyers in Wirral to purchase a home.

5. Financial information

Summary

i)   The updated survey estimates that the mean annual gross household income (including non-housing benefits) in Wirral is £24,897. This is a decrease of 1.5% since the original SHMA report in 2007. Since 2007 the mean savings levels have increased by 5.7% whilst the mean equity amongst owner-occupiers has decreased by 9.3%. It is estimated that there are currently 2,993 owner-occupied households in Wirral in negative equity.

ii)   The financial capacity of current owners has been reduced by the decrease in the value of their home (and the associated equity that they have), and the affordability of entry-level market housing for all households in Wirral has worsened. The affordability test does not take account of whether the household has access to a deposit as this is not required by the Practice Guidance.

Introduction

5.1   Chapter 2 of this report describes how the financial profile of each sample household within the primary dataset has been updated. This chapter presents the current financial situation of households in Wirral recorded as a result of the updating process. The chapter considers each of the elements that constitute financial capacity. These results are then combined with the analysis of the local housing market, presented in the previous chapter, to make an assessment of affordability for households in Wirral.

Household income

5.2   The updated dataset estimates that the mean household income in Wirral is £24,897, which is a decrease of 1.5% since the original SHMA report in 2007. The median household income is noticeably lower at £17,376 (a decrease of 2.1% since 2007).

5.3   Figure 5.1 shows the distribution of income in Wirral. It is clear that there is a significant range of incomes, with 56% having an income of less than £20,000, and 8.1% of households having an income in excess of £60,000.

Figure 5.1 Distribution of annual gross household income
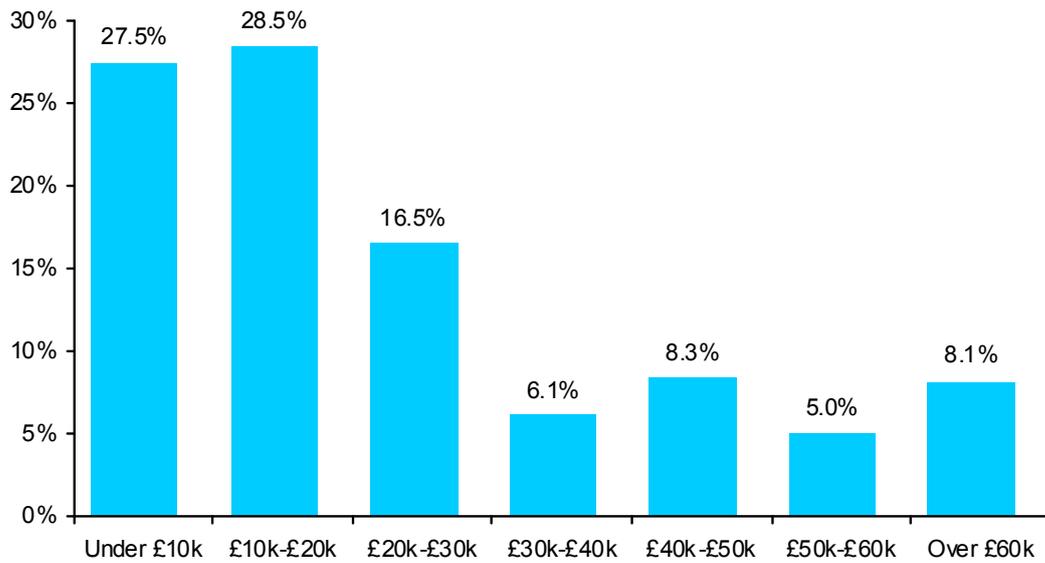
Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

Household savings and equity

5.4   The mean household savings in Wirral in 2009 is £20,383, which is an increase of 5.7% from the figure recorded in 2007. The median figure for household savings is currently £1,534 (an increase of 2.3%). Figure 5.2 shows the distribution of savings in Wirral. Households with no savings also include those in debt.

Figure 5.2 Distribution of household savings

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

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5.5 The mean amount of equity that all owner-occupiers (both those with and without mortgages) have in their property is estimated to be £129,215 currently. This is a decrease of 9.3% since 2007, reflecting that there has been an increase in the number of households in the Borough in negative equity. The median level of equity was £130,816, slightly higher than the mean.

5.6 Overall the updated dataset indicates that there are about 2,993 households in Wirral in negative equity. This constitutes 2.93% of owner-occupiers in the Borough.

Financial capacity of Wirral's households

5.7 Financial capacity is the term created to define the capitalised amount of money a household potentially has available to move home. It takes account of all the resources that a household has available and is calculated as: income (×3.5) + savings + equity.

5.8 Data presented in the previous chapter suggested that the average multiple of income borrowed by first-time buyers in 2008 was lower (×3.1, rather than ×3.5). However, this is the average multiple of income borrowed, not the maximum multiple. It is recommended by Guidance that a household should not be reasonably expected to obtain a mortgage of more than 3.5 times the household income, and therefore this multiple has been used when calculating affordability throughout this report.

5.9 This was not the case in the 2007 SHMA, where financial capacity was calculated (for ease of calculation) using 3.0 times income, although the affordability model in that study did use 3.5 times income. The 2007 figures have therefore been recalculated for the analysis below on the basis of a multiple of 3.5 to allow the trends over time to be examined.

5.10 Table 5.1 provides the mean financial capacity figures by tenure. The data shows that owners without a mortgage (often retired) have a greater overall financial capacity than those (typically younger) with a mortgage, but the latter have much higher incomes. Both have a far greater financial capacity than households in the rented sector. It is clear that the financial capacity of social renters will prohibit the majority from being able to consider buying a home.

5.11 Compared to the equivalent results presented in the original SHMA report, the financial capacity for all tenure groups has decreased since 2007, by between 0.8% and 5.6%. This reflects in particular the fall in the value of equity, and as a result, owner-occupiers are particularly affected.

Table 5.1 Mean financial information by tenure					
Tenure	*Mean annual gross household income*	*Mean savings*	*Mean equity*	*Financial capacity (2009)*	*Financial capacity (2007)*
Owner-occupied (no mortgage)	£22,334	£43,897	£169,744	£291,810	£303,797
Owner-occupied (with mortgage)	£36,323	£12,649	£96,928	£236,708	£250,765
RSL	£8,173	£2,042	-	£30,649	£30,895
Private rented	£12,464	£3,880	-	£47,505	£48,536

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

Theoretical affordability of market housing

5.12 This information on the financial capacity of households alongside data on the cost of entry-level housing in Wirral can be used to examine the ability of households to afford housing locally, based on the affordability criteria set out in the Practice Guidance (and presented in the glossary). It is worth noting that this affordability test for owner-occupation does not take account of whether the household has access to a deposit as this is not required by the Practice Guidance.

5.13 Figure 5.3 shows the current affordability of households by household type and location of employment of household head. This is the theoretical affordability of households as the analysis considers all households in the Borough and does not take into account their intention of moving.

5.14 The data indicates that 65.4% of lone parent households in the Borough would be unable to afford market housing (if they were to move home now). Single person households are also relatively unlikely to be able to afford. Households that contain two or more adults and no children, or two or more pensioners, are most likely to be able to afford market housing in Wirral.

5.15 Some 18.1% of households headed by someone employed in Wirral would be unable to afford market housing in the Borough (if they were to move now) compared to just 5.3% of households headed by someone employed outside of Wirral. This suggests that there is potential for households employed in Wirral to become marginalised in the market, which may impact on the local economy.

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Figure 5.3 Proportion of households unable to afford market housing in Wirral, by household type and employment status
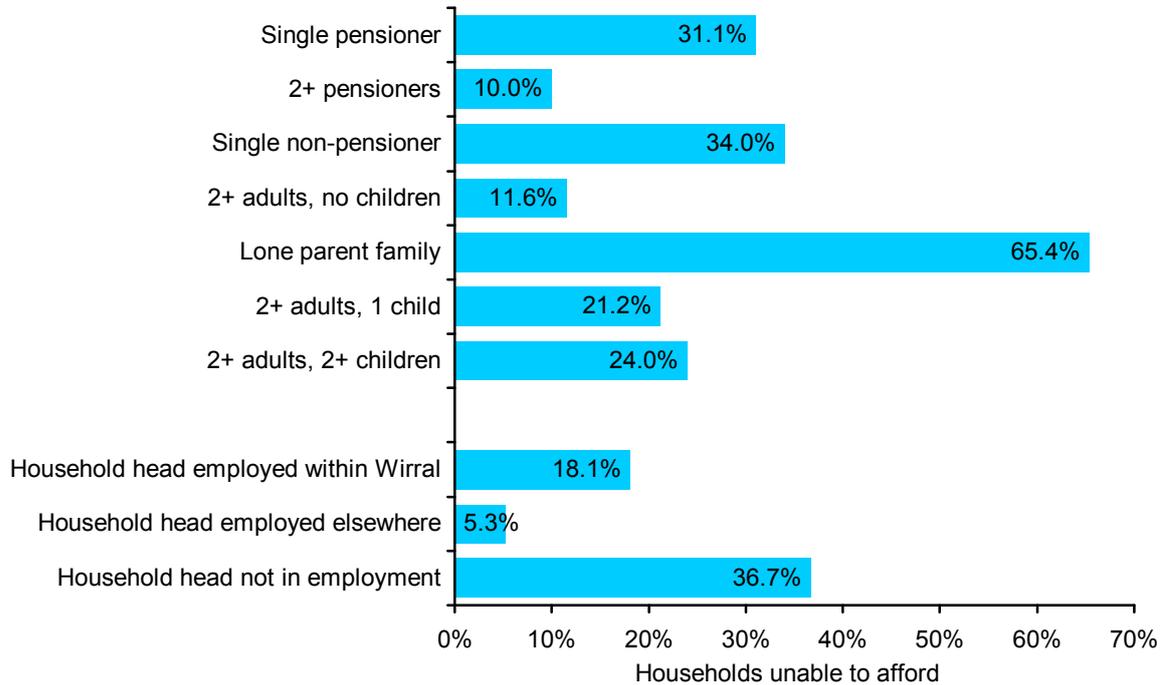
Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

5.16   Overall, some 25.6% of all households in Wirral are theoretically unable to afford market accommodation of an appropriate size at the present time. This compares to a figure of 23.6% in 2007 from the original dataset.

6. Housing need assessment model (CLG Model)

Summary

i)   This chapter followed the 16 steps set out in the CLG Practice Guidance (of 9th August 2007) to calculate the annual estimate of housing need. Overall it was calculated that the total (net) annual need estimate is 2,107. This is 19% higher than the figure of 1,767 recorded in the original SHMA report. This increase since 2007 is principally due to gross need rising because of reduced affordability as a consequence of changes to the local labour market.

ii)   The updated survey data indicated that an increased proportion of newly forming households in Wirral would be unable to afford market housing in the current circumstances, up from 57.2% to 63.4%.

iii)   The model also indicates that about 9.0% of the net need for affordable housing could be met through intermediate housing, but only if it is priced at or below the usefully affordable point.

Introduction

6.1   Chapter 16 of the original SHMA report set out the key terms and definitions crucial to understanding the housing needs assessment model. Although updated Practice Guidance has been published since the original SHMA report was written, the changes between the Draft Practice Guidance (December 2005) and the current final CLG Practice Guidance (of 9th August 2007) were very minor with regard to the modelling of housing need; therefore the updated calculation of housing need presented in this chapter is based on the same definitions as were used in the original SHMA report.

6.2   The calculation of housing need follows the 16 steps outlined in the Practice Guidance separated into three broad stages. Each of these stages will be calculated separately before the overall annual need for affordable housing is derived. In addition to determining the extent of housing need in Wirral the chapter will also ascertain the type of accommodation most appropriate to meet this need.

Current need

6.3 The first stage of the model assesses current need. This begins with an assessment of housing suitability and affordability and also considers homeless households before arriving at a total current need estimate (gross).

Unsuitable housing

6.4 A key element of housing need is an assessment of the suitability of a household's current housing. The Practice Guidance sets out a series of nine criteria for unsuitable housing - which has been followed in this report. In Wirral it is estimated that a total of 10,953 households are living in unsuitable housing (this represents 7.9% of all households in the Borough). A comparison with the original SHMA report shows that the proportion of households resident in unsuitable housing remains the same, with the same proportion (7.9%) of households affected in 2007.

6.5 Figure 6.1 shows a summary of the numbers of households living in unsuitable housing (ordered by the number of households in each category). It should be noted that the overall total of reasons for unsuitability shown in the figure will usually be greater than the total number of households with unsuitability, as some households have more than one reason for unsuitability.

6.6 The most common reason for unsuitable housing is a property being unsuitable for a household with support needs or mobility problems, followed by harassment, and then overcrowding.

Figure 6.1 Summary of unsuitable housing categories
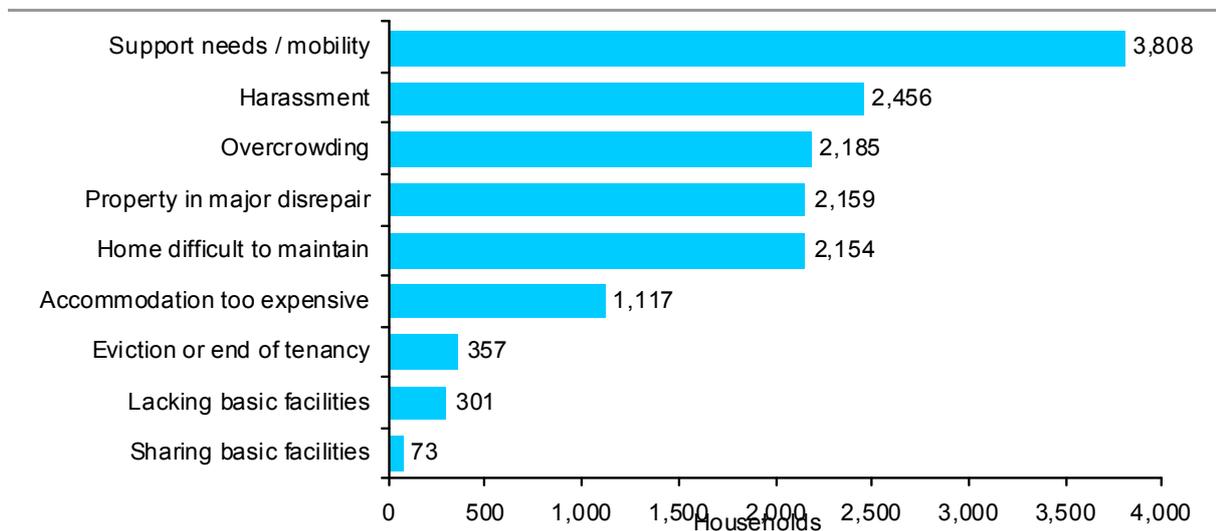
Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

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6.7   Table 6.1 shows unsuitable housing by tenure. The patterns emerging suggest that households living in RSL and private rented accommodation are the most likely to live in unsuitable housing. However, due to the fact that the majority of households are owner-occupiers, the results show that a large proportion (28.7%) of those in unsuitable housing are owner-occupiers with a mortgage, which is close to the figure for those in RSL accommodation, at 29.7%.

Table 6.1 Unsuitable housing and tenure				
	Unsuitable housing			
Tenure	*In unsuitable housing*	*Number of h'holds in Borough*	*% of total h'holds in unsuitable housing*	*% of those in unsuitable housing*
Owner-occupied (no mortgage)	1,964	45,343	4.3%	17.9%
Owner-occupied (with mortgage)	3,139	56,917	5.5%	28.7%
RSL	3,250	21,485	15.1%	29.7%
Private rented	2,600	14,054	18.5%	23.7%
Total	10,953	137,800	8.0%	100.0%

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

'In-situ' solutions

6.8   The survey has highlighted that 10,953 households are in unsuitable housing. However, it is most probable that some of the unsuitability can be resolved in the households' current accommodation. Households living in housing deemed unsuitable for the following reasons were not considered to have an in-situ solution: end of tenancy, accommodation too expensive, overcrowding, sharing facilities, harassment.

6.9   The survey data therefore estimates that of the 10,953 households in unsuitable housing, 5,774 (or 52.7%) do not have an in-situ solution and therefore require a move to alternative accommodation.

Affordability

6.10   The ability of each of these 5,774 households to afford entry-level market housing of an appropriate size is tested using the affordability criteria described in the glossary. The dataset indicates that there are 3,494 existing households that cannot afford market housing and are living in unsuitable housing (and require a move to alternative accommodation). This represents 2.5% of all existing households in the Borough – these 3,494 households are considered to be in current housing need. The equivalent figure recorded in the original SHMA report was 3,642 households (2.7% of all households in the Borough).

6.11 Table 6.2 shows the tenure of the households currently estimated to be in housing need. The results show that private rented tenants are most likely to be in housing need (10.8% of households in the private rented sector are in housing need). Of all households in need, 51.1% currently live in social rented accommodation and 43.5% in private rented housing.

Table 6.2 Housing need and tenure				
	Housing need			
Tenure	*In need*	*Number of h'holds in Borough*	*% of tenure in need*	*% of those in need*
Owner-occupied (no mortgage)	0	45,343	0.0%	0.0%
Owner-occupied (with mortgage)	190	56,728	0.3%	5.4%
RSL	1,784	19,701	8.3%	51.1%
Private rented	1,520	12,535	10.8%	43.5%
Total	3,494	134,306	2.5%	100.0%

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

6.12 For the purposes of the housing needs assessment, households considered to be in housing need have been split into two categories: current occupiers of affordable housing in need (this includes occupiers of social rented and shared ownership accommodation), and households from other tenures in need. It is estimated that some 1,784 households in need currently live in affordable housing (none are in a shared ownership property) and 1,710 reside in other tenures.

Homeless households

6.13 The housing needs assessment is a 'snapshot' that assesses housing need at a particular point in time. There will, in addition to the existing households in need, be some homeless households who were in need at the time of the assessment and should also be included within any calculation of backlog need.

6.14 To assess the number of homeless households we have used information contained in the Council's P1(E) Homeless returns. The main source of information used is Section E6: Homeless households accommodated by your authority at the end of the quarter. The important point about this information is the note underneath. "*This should be a 'snapshot' of the numbers in accommodation on the last day of the quarter, not the numbers taking up accommodation during the quarter.*" This is important given the snapshot nature of the survey. Data compiled from the first quarter of 2009 is shown in Table 6.3.

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Table 6.3 Homeless households accommodated by authority at March 2009 (Section E6, P1(E) form)	
Category	*Quarter ending 31/03/09*
<u>Bed and breakfast (including shared annex)</u>	<u>1</u>
<u>Hostels (including women refuges)</u>	<u>0</u>
LA/RSL stock	3
Private sector accommodation leased by LA or RSLs	0
Other	0
Total	4

Source: Wirral Council P1(E) form (Quarter 1 2009)

6.15   Not all of the categories in the above table are added to our assessment of current need. This is because, in theory, they will be part of our sample for the Housing Needs Assessment. For example, households housed in Council or RSL accommodation should already be included as part of the housing need – such household addresses should appear on the Council Tax file from which the dataset sample was derived. After considering the various categories, we have decided there are two which should be included as part of the homeless element. These have been underlined in the table above. Therefore of the homeless households identified in the P1E form, one household shall be added to the estimate of current housing need.

Total current need (gross)

6.16   Table 6.4 below summarises the first stage of the overall assessment of housing need as set out by the CLG. The data shows that there are an estimated 3,495 households currently in need in Wirral.

Table 6.4 Backlog of housing need		
Step	*Notes*	*Number*
1.1 Homeless households and those in temporary accommodation		1
1.2 Overcrowding and concealed households	Two steps taken together	3,494
1.3 Other groups		
1.4 equals Total current housing need (gross)	1.1+1.2+1.3	3,495

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

Future need

6.17 In addition to Current Need, there will also be Future Need. This forms the second stage of the housing needs assessment model. This is split, as per CLG guidance, into two main categories. These are as follows:

- New households formation (× proportion unable to buy or rent in market)
- Existing households falling into need

New household formation

6.18 The estimate of the number of newly forming households in need of affordable housing is based on an assessment of households that have formed over the past two years. Such an approach is preferred to studying households stating likely future intentions as it provides more detailed information on the characteristics of these households contributing to this element of newly arising need.

6.19 Table 6.5 shows details of the derivation of new household formation. The table begins by establishing the number of newly forming households over the past two years – an affordability test is then applied.

Table 6.5 Derivation of newly arising need from new household formation		
Aspect of calculation	*Number*	*Sub-total*
Number of households moving in past two years	20,497	
Minus households NOT forming in previous move	-15,040	5,457
Times proportion unable to buy or rent in the market	63.4%	
ESTIMATE OF NEWLY ARISING NEED	3,460	
ANNUAL ESTIMATE OF NEWLY ARISING NEED	1,730	

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

6.20 Table 6.5 shows that an estimated 5,457 households are newly formed within the Borough over the past two years (2,729 per annum). The survey estimates that 63.4% of newly forming households are unable to afford market housing without some form of subsidy in Wirral. This results in an annual estimate of the number of newly forming households falling into need of 1,730. This figure represents an increase of 29.8% from the estimate of 1,333 households documented in the original SHMA report.

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Existing households falling into need

6.21   This is an estimate of the number of existing households who will fall into housing need over the next two years (and then annualised). The basic information for this is households who have moved home within the last two years and affordability. A household will fall into need if it has to move home and is unable to afford to do this within the private sector (examples of such a move will be because of the end of a tenancy agreement). A household unable to afford market rent prices but moving to private rented accommodation may have to either claim housing benefit or spend more than a quarter of their gross income on housing, which is considered unaffordable (or indeed a combination of both).

6.22   Households previously living with parents, relatives or friends are excluded as these will double-count with the newly forming households already considered in the previous table. The data also excludes moves between social rented properties. Households falling into need in the social rented sector have their needs met through a transfer to another social rented property, hence releasing a social rented property for someone else in need. The number of households falling into need in the social rented sector should therefore, over a period of time, roughly equal the supply of 'transfers' and so the additional needs arising from within the social rented stock will be net zero.

6.23   Table 6.6 shows the derivation of existing households falling into need.

Table 6.6 Derivation of Newly Arising Need from existing households		
Aspect of calculation	*Number*	*Sub-total*
Number of households moving in past two years	20,497	
Minus households forming in previous move	-5,457	15,040
Minus households transferring within affordable housing	-852	14,188
Times proportion unable to buy or rent in the market	30.9%	
ESTIMATE OF NEWLY ARISING NEED	4,387	
ANNUAL ESTIMATE OF NEWLY ARISING NEED	2,194	

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

6.24   Table 6.6 shows that a total of 14,188 existing households are considered as potentially in need (7,094 per annum). Using the standard affordability test for existing households it is estimated that 30.9% of these households cannot afford market housing. Therefore our estimate of the number of households falling into need excluding transfers is 4,387 households over the two-year period. Annualised this is 2,194 households per annum. This figure is 3% higher than the equivalent estimate recorded in the original SHMA report of 2,125 households.

Total future need (gross)

6.25   The data from each of the above sources can now be put into the needs assessment table as illustrated in Table 6.7. It indicates that additional need will arise from a total of 3,924 households per annum.

Table 6.7 Future need (per annum)		
Step	*Notes*	*Number*
2.1 New household formation (gross per year)		2,729
2.2 Proportion of new households unable to buy or rent in the market		63.4%
2.3 Existing households falling into need		2,194
2.4 Total newly arising housing need (gross per year)	2.1x2.2+2.3	3,924

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

Affordable housing supply

6.26   The supply of affordable housing to meet housing need comprises the third stage of the housing needs assessment model. The affordable housing supply stage is split between existing stock that is available to offset the current need and the likely future level of supply.

Available stock to offset current need

6.27   The stock available to offset the current need includes stock from current occupiers of affordable housing in need, surplus stock from vacant properties and committed supply of new affordable units. Units to be taken out of management are removed from the calculation.

Affordable dwellings occupied by households in need

6.28   Firstly, it is important when considering net need levels to discount households already living in affordable housing. This is because the movement of such households within affordable housing will have an overall nil effect in terms of housing need. As established in stage 1 (paragraph 6.12), there are currently 1,784 households currently in need already living in affordable housing (none of which are resident in shared ownership accommodation).

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Surplus stock

6.29   A certain level of vacant dwellings is normal as this allows for transfers and for work on properties to be carried out. The Practice Guidance suggests that if the vacancy rate in the affordable stock is in excess of 3% then some of the vacant units should be considered as surplus stock which can be included within the supply to offset needs. Wirral records a vacancy rate in the social rented sector of 3.2%; theoretically 42 vacant dwellings would need to be brought back into use to reduce the vacancy rate to 3%.

Committed supply of new affordable units

6.30   The Practice Guidance recommends that this part of the assessment includes '*new social rented and intermediate housing which are committed to be built over the period of the assessment*'. For the purposes of analysis we have taken Wirral HSSA (Housing Strategy Statistical Appendix) data showing the number of planned and proposed affordable units for the period 2008-2010 as a guide to new provision.

6.31   Overall the 2008 HSSA data suggests that there are 232 affordable dwellings planned or proposed for 2008/09 and 2009/2010 (of which 143 are social rented and 89 are shared ownership). Over the five year period of the model, this would amount to 580 units.

Units to be taken out of management

6.32   The Practice Guidance states that this stage '*involves estimating the numbers of social rented or intermediate units that will be taken out of management*'. The main component of this step will be properties which are expected to be demolished (or replacement schemes that lead to net losses of stock). At the time of reporting the proposed number of affordable dwellings expected to be 'taken out of management' in the future was unknown and hence a figure of zero has been used in this step of the model.

Total available stock to offset current need

6.33   Having been through a number of detailed stages in order to assess the total available stock to offset current need in the Borough we shall now bring together all pieces of data to complete this part of the needs assessment. This is presented in Table 6.8. The data shows that there are an estimated 2,406 properties available to offset the current need in Wirral. The comparable figure from the original SHMA report was 2,564 dwellings, indicating a 4% reduction in supply overall.

Table 6.8 Current supply of affordable housing		
Step	*Notes*	*Number*
3.1 Affordable dwellings occupied by households in need		1,784
3.2 Surplus stock		42
3.3 Committed supply of affordable housing		580
3.4 Units to be taken out of management		0
3.5 Total affordable housing stock available	3.1+3.2+3.3-3.4	2,406

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

Future supply of affordable housing

6.34   The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social re-lets and the annual supply of re-lets within the intermediate sector.

The future supply of social rented housing

6.35   The Practice Guidance suggests that the estimate of likely future re-lets from the social rented stock should be based on past trend data which can be taken as a prediction for the future.

6.36   CORE data provides an indication of the number of lettings in the RSL sector, which provides all of the social rented housing in the Borough. Table 6.9 below shows the number of lettings (excluding transfers from other social rented properties) over the past two years. The average for the two-year period is 1,273 per annum.

Table 6.9 Analysis of past housing supply (RSL sector)			
	2006/07	*2007/08*	*Average*
HSSA data	1,347	1,199	1,273

Source: Wirral Borough Council HSSA 2007/08

Intermediate supply

6.37   In most local authorities the amount of intermediate housing (mostly shared ownership) available in the stock is fairly limited (as is the case in Wirral). However, it is still important to consider to what extent the current supply may be able to help those in need of affordable housing.

6.38   Therefore we include an estimate of the number of shared ownership units that become available each year. Applying the re-let rate for social rented housing to the estimated stock of shared ownership housing it is estimated that around 85 units of shared ownership housing will become available to meet housing needs from the existing stock of such housing.

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Total future supply

6.39   This step is the sum of the previous two. The total future supply is estimated to be 1,358 comprised of 1,273 units of social re-lets and 85 units of shared ownership as is shown in Table 6.10. This estimate represents a decrease of about 29% from the comparable figure in the original SHMA report of 1,907.

Table 6.10 Future supply of affordable housing (per annum)		
Step	*Notes*	*Number*
3.6 Annual supply of social re-lets (net)		1,273
3.7 Annual supply of intermediate housing available for re-let or resale at sub-market levels		85
3.8 Annual supply of affordable housing	3.6+3.7	1,358

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

Estimate of net annual housing need

6.40   Table 6.11 brings together the 16 steps that were calculated within the housing needs assessment model.

Table 6.11 Housing needs assessment model for Wirral (CLG Model)		
Stage and step in calculation	*Notes*	*Number*
STAGE 1: CURRENT NEED (Gross)		
1.1 Homeless households and those in temporary accommodation		1
1.2 Overcrowding and concealed households	Two steps taken together	3,494
1.3 Other groups		
1.4 Total current housing need (gross)	1.1+1.2+1.3	3,495
STAGE 2: FUTURE NEED		
2.1 New household formation (gross per year)		2,729
2.2 Proportion of new households unable to buy or rent in the market		63.4%
2.3 Existing households falling into need		2,194
2.4 Total newly arising housing need (gross per year)	2.1x2.2+2.3	3,924
STAGE 3: AFFORDABLE HOUSING SUPPLY		
3.1 Affordable dwellings occupied by households in need		1,784
3.2 Surplus stock		42
3.3 Committed supply of affordable housing		580
3.4 Units to be taken out of management		0
3.5 Total affordable housing stock available	3.1+3.2+3.3-3.4	2,406
3.6 Annual supply of social re-lets (net)		1,273
3.7 Annual supply of intermediate housing available for re-let or resale at sub-market levels		85
3.8 Annual supply of affordable housing	3.6+3.7	1,358

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

6.41 The Practice Guidance states that these figures need to be annualised to establish an overall estimate of net housing need. The first step in this process is to calculate the net current need. This is derived by subtracting the estimated total stock of affordable housing available (step 3.5) from the gross current need (step 1.4). This produces a net current need figure of 1,089 (3,495 − 2,406).

6.42 The second step is to convert this net backlog need figure into an annual flow. The Practice Guidance acknowledges that this backlog can be addressed over any length of time although a period of less than five years should be avoided. For the purposes of this study the quota of five years proposed in the Practice Guidance will be used. Therefore to annualise the net current need figure, it will be divided by five. This calculation results in a net annual quota of 218 (1,089 ÷ 5) households who should have their needs addressed.

6.43 The final step is to sum the net annual quota of households who should have their needs addressed with the total newly arising housing need (step 2.4) and subtract the future annual supply of affordable housing (step 3.8). This leads to a total (net) annual need estimate for affordable housing of **2,784** (218 + 3,924 − 1,358).

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Table 6.12 Summary of housing needs assessment model (CLG Model)	
Element	*Annual estimate*
Current need	699
Current supply	481
Net current need	218
Future need	3,924
Future supply	1,358
Net future need	2,566
Total net annual need	**2,784**
Total gross annual need	4,623
Total gross annual supply	1,839
Total net annual need	**2,784**

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

6.44   This figure of 2,784 is higher than the total (net) annual need estimate of 1,767 recorded in the original SHMA report. This increase of 58% since 2007 is principally due to gross need rising because of reduced affordability as a consequence of changes to the local labour market.

Types of households in need

6.45   Table 6.14 gives a breakdown of gross households in need, by household type. In total, 12.8% of lone parent households are in housing need, rising to 18.0% among those with only one child, compared to 1.2% of households containing two or more adults and no children. Lone parent households account for 35.8% of all households in need compared to 8.9% for single pensioners. Only 0.7% of households with two or more pensioners are in housing need.

Table 6.13 Gross housing need by household type (CLG Model)					
Household type	*Gross housing need*				
	In need	*Not in need*	*Total Number of h'holds*	*% of h'hold type in need*	*% of all need*
Single pensioner	411	27,501	27,912	1.5%	8.9%
2+ pensioners	97	12,959	13,056	0.7%	2.1%
Single non-pensioner	1,326	19,281	20,607	6.4%	28.7%
2+ adults, no children	501	40,160	40,661	1.2%	10.8%
Lone parent, 1 child	1,263	5,746	7,009	18.0%	27.3%
Lone parent, 2+ children	394	5,581	5,975	6.6%	8.5%
2+ adults, 1 child	268	11,082	11,350	2.4%	5.8%
2+ adults, 2+ children	364	10,866	11,230	3.2%	7.9%
Total	**4,623**	**133,178**	**137,800**	**3.4%**	**100.0%**

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

6.46   A comparison with the equivalent analysis presented in the original SHMA report indicates that the number of lone parent households in housing need in 2009 has increased by 80.6% since 2007. The number of single pensioners in housing need has increased by 17.1%. Households comprising two or more adults and either one child, or two or more children, showed the biggest decrease, at 16.1% and 43.8% respectively.

Locations of affordable housing required

6.47   In addition we can look at the distribution of housing need in different parts of the Council area. A number of assumptions have been made. Firstly, homeless households have been split pro-rata with the number of other households in current need in each electoral ward. Secondly the estimates of supply in each area are based on past trends (from survey data) about the proportions of households that moved into an affordable home in each electoral ward. The tables below show the results of this analysis.

6.48   As can be seen, only a small minority of need (11.6%) arises in the RSS Rural Area, even though this part of the Borough contains 34.7% of all households. In contrast, 44.4% of need in the Borough originates in the RSS Inner Area, even though this area contains only 16.2% of the households in Wirral. This area is equivalent to the HMRI area, where regeneration efforts are taking place.

6.49   While the exact boundary of the RSS Inner Area has been used, the boundary between the RSS Outer Area and the RSS Rural Area has been approximated to the nearest Electoral Ward due to technical limitations.

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Table 6.14 Geographical distribution of net housing need: Wards (CLG Model)						
Electoral Ward	RSS Area(s)	Gross annual need	Gross annual supply	Net annual need	% of net shortfall	% of all households
Bebington	Outer	154	44	110	3.7%	4.6%
Bidston and St James	Outer / Inner	498	270	228	7.7%	5.0%
Birkenhead and Tranmere	Inner / Outer	494	128	366	12.4%	5.4%
Bromborough	Outer	212	102	110	3.7%	4.6%
Clatterbridge	Outer / Rural	7	25	−18	0.0%	4.2%
Claughton	Outer / Inner	161	76	85	2.9%	4.5%
Eastham	Outer	68	62	6	0.2%	4.2%
Greasby, Frankby and Irby	Rural	62	26	36	1.2%	4.3%
Heswall	Rural	55	5	50	1.7%	4.2%
Hoylake and Meols	Rural	170	17	153	5.2%	4.1%
Leasowe and Moreton East	Rural	66	147	−81	0.0%	4.6%
Liscard	Outer / Inner	393	61	332	11.3%	4.9%
Moreton West & Saughall Massie	Rural	177	43	134	4.6%	4.2%
New Brighton	Outer	331	27	304	10.3%	4.7%
Oxton	Outer	104	27	77	2.6%	4.7%
Pensby and Thingwall	Rural	30	70	−40	0.0%	4.1%
Prenton	Outer	165	36	129	4.4%	4.2%
Rock Ferry	Inner / Outer	544	250	294	10.0%	4.9%
Seacombe	Inner / Outer	643	250	393	13.4%	4.9%
Upton	Rural	225	136	89	3.0%	5.1%
Wallasey	Outer / Rural	65	18	47	1.6%	4.5%
West Kirby and Thurstaston	Rural	0	19	−19	0.0%	4.0%
Total		**4,623**	**1,839**	**2,784**	**100.0%**	**100.0%**

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

Please note that small sample sizes imply that results are approximations. For example in West Kirby and Thurstaston the result is probably not zero but the result should be interpreted as 'close to zero' i.e. very little.

Table 6.15 Geographical distribution of net housing need: RSS Areas (CLG Model)					
RSS Area	*Gross annual need*	*Gross annual supply*	*Net annual need*	*% of net shortfall*	*% of all households*
Inner Area	1,985	749	1,236	44.4%	16.2%
Outer Area	1,853	628	1,225	44.0%	49.1%
Rural Area	785	462	323	11.6%	34.7%
Total	**4,623**	**1,839**	**2,784**	**100.0%**	**100.0%**

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

Type of affordable accommodation required

6.50   The type of affordable products available to meet this housing need can be grouped into three broad categories – social rented housing, intermediate rent and intermediate products based on an equity share (and requiring a capital sum) such as shared ownership. The suitability of these products to meet housing need can be determined using survey data.

6.51   All households in housing need are tested for their ability to afford intermediate housing at the usefully affordable point. Any household that is able to afford intermediate housing that also has access to £5,000 or more in capital is assumed to be suitable for an equity based product. All other households able to afford intermediate housing are assumed to be eligible for intermediate rent. Any household that is unable to afford intermediate housing is assumed to require social rented accommodation. Table 6.16 presents the results of this analysis.

6.52   Table 6.16 also shows the estimated supply of the different types of affordable accommodation. This profile is derived within stage three of the housing needs assessment model, which differentiated the affordable housing supply between these affordable housing types.

Table 6.16 Social rented and intermediate housing need in Wirral (CLG Model)				
	Equity based intermediate products	*Intermediate rent*	*Social rented*	*Total*
Total gross annual need	23	199	4,401	4,623
Total gross annual supply	129	0	1,710	1,839
Net annual need	−106	199	2,691	2,784
% of net shortfall	0.0%	6.9%	93.1%	100.0%

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

6.53   The table shows that only 222 (4.8%) of the households in gross housing need can afford intermediate housing in the Borough. However, the vast majority of affordable supply comes from the social rented sector (93.9%). This is reflected in the overall net need recorded.

6.54   The table suggests that of the total additional affordable housing to be provided in Wirral to meet housing need, 93.1% should be social rented housing and 6.9% intermediate rented accommodation. There appears to be a potential over supply of equity-based intermediate housing. It should however be noted that it would be necessary to ensure that intermediate rent is priced at the usefully affordable point to meet this level of housing need. If this is not possible then social rented accommodation would be more appropriate.

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6.55   The figure of 6.9% of new affordable housing to meet housing need as intermediate is lower than the figure of 21.3% recorded in the original SHMA of 2007. The reason for the relative decrease in the amount of intermediate housing suitable to meet housing need is that the 'intermediate gap' is smaller now than in 2007, principally for one bedroom dwellings, and so the number of households that might benefit from intermediate housing has decreased.

6.56   The size of properties required, of both affordable and market housing, is considered using the market balance model detailed in the next chapter.

The private rented sector

6.57   The Practice Guidance needs assessment model requires the capacity of the private rented sector (through the Housing Benefit system[5]) to meet the needs of households in need to be estimated. We have therefore used the dataset to assess the number of new Housing Benefit supported private rented housing lets over the past two years. In Wirral it is estimated that over the past two years 3,784 Housing Benefit supported lettings have been made (1,892 per annum).

6.58   Whilst it is clear that the private rented sector does make a significant contribution to accommodating households in housing need, it is not viewed as an adequate equivalent to affordable housing by these households. Analysis of the dataset shows that of all the private tenant households claiming housing benefit, 42.3% need or would like to move home in the next two years, principally to a social rented home.

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[5] Housing Benefit has now become Local Housing Allowance.

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7. Improving market balance over the longer term (Market Balance Model)

Summary

i) In terms of the accommodation required to provide housing market balance over the long-term, our model, which is based on secondary data in combination with the household survey data and considers a range of factors including the adequacy of current housing, suggests that:

- Around 47% of the requirement for new housing is for market accommodation
- Over 80% of new market housing should have two or three bedrooms
- About 19% should have one bedroom, but mostly of types designed to cater to older people
- The majority (87%) of new intermediate housing should have two or three bedrooms. This analysis of intermediate housing requirements is based on a small sample and should therefore be treated with caution
- Nearly half of new social rented accommodation (47%) should have three or four bedrooms

ii) If the rate of unemployment in Wirral were to halve to 3.4% of heads of households, market accommodation should comprise nearly two-thirds of all new accommodation. There would also be a requirement for larger market homes.

Introduction

7.1 The original SHMA report contained a Balancing Housing Markets (BHM) analysis that identified the amount and type of additional accommodation required to rebalance the housing stock in Wirral to address the future demand for housing over the short-term. This update report does not replicate this analysis but instead considers what accommodation is required to provide housing market balance over the long-term, from 2009 to 2029.

7.2 This approach is appropriate for two reasons. Firstly the (2007) BHM's method of predicting demand and supply based upon the moving intentions of households has reduced considerably in effectiveness and accuracy with the economic downturn, due to the decreased number of moving households. In addition, in Wirral's case the information on moving intentions in the household survey dataset is now over two years old; the patterns of moves the BHM used to assess future demand and supply will have changed as a consequence of the market downturn.

7.3   Secondly, the new model's use of a long-term timescale corresponds better with the time frame used by planners – there is a lag in the planning system, which means that it is not possible to respond immediately to imbalances between the nature of accommodation required and the stock currently available. It is therefore useful to consider the intervention required to the housing stock over the long-term to enable future action to be planned effectively.

7.4   This chapter describes a model that uses secondary data in combination with the household survey dataset to compare the current housing stock against the stock of housing required in the future. The purpose of this model is to identify the new accommodation required to adequately house the future population in the Borough and ensure that the housing market is balanced. The results are equivalent to those produced within the BHM analysis in the original SHMA report, although the methodology used to produce them is different.

7.5   This chapter will initially present the ONS population projections for Wirral and describe the changes forecast for the 2009-2029 period, in terms of both the population size and composition in the absence of any additional policy intervention. The chapter then identifies the adjustment required to provide a sufficient range of accommodation to adequately house each household type. Finally the chapter quantifies the nature of housing required to provide the future population with a balanced housing stock.

Demographic projections

7.6   The most recently published population projections available at a local level are the 2006 based estimates from the Office of National Statistics (ONS). These projections indicate that the population within Wirral is projected to increase by 1.3% between 2009 and 2029 (an increase of some 4,000 people). This percentage increase is smaller than the expected changes in the North West and England.

7.7   These projections present the data broken down by five-year age cohorts. The following figure therefore shows the projected change within each age cohort between 2009 and 2029. The population projection data indicates a general trend of an ageing population in Wirral, although not as distinct as is found in many local authorities across the country.

Figure 7.1 Forecast population change by age group in Wirral, 2009 - 2029
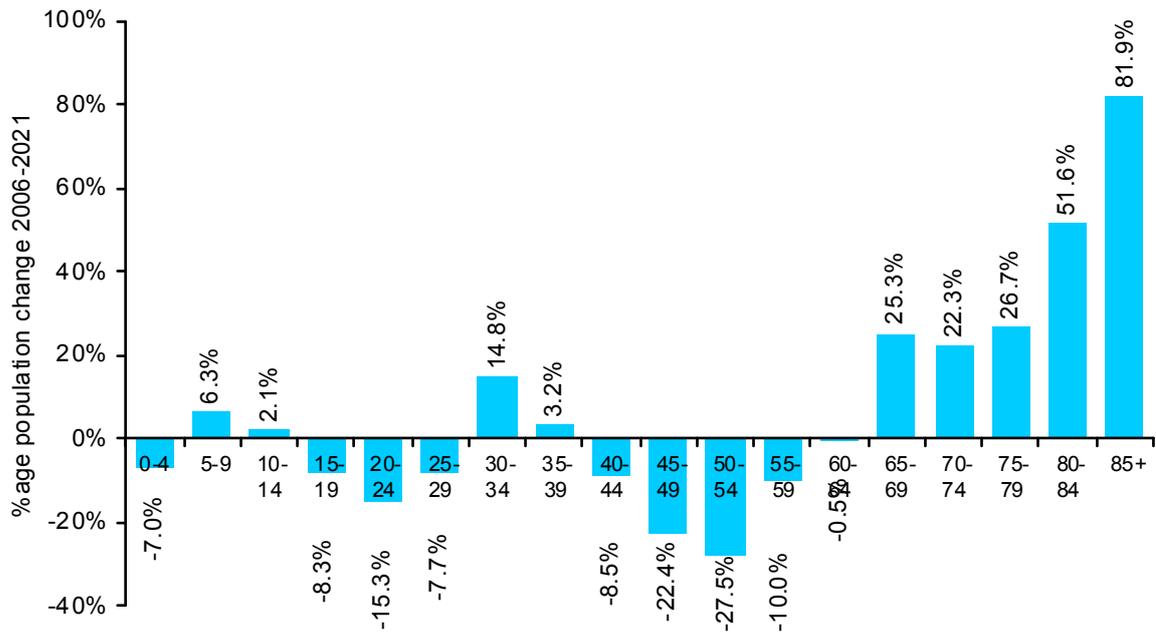
Source: ONS revised 2006-based sub-national population projections

7.8 The most recent household projections are those published by CLG, again using 2006 as the base date. These indicate that the total number of households is projected to increase by around 11,400 between 2009 and 2029 (8.3%). Average household size is anticipated to decrease slightly during this period from 2.26 in 2009 to 2.11 in 2029.

7.9 These population and household projections have been applied to the household survey dataset to provide an estimated household profile for 20 years time. The figure below shows the projected changes to the household population in Wirral over the next 20 years.

7.10 The figure shows that all household groups except pensioner households are projected to decrease in size over the next 20 years. Non-pensioner households without children are expected to show the biggest decrease.

Figure 7.2 Change in household types over the next 20 years
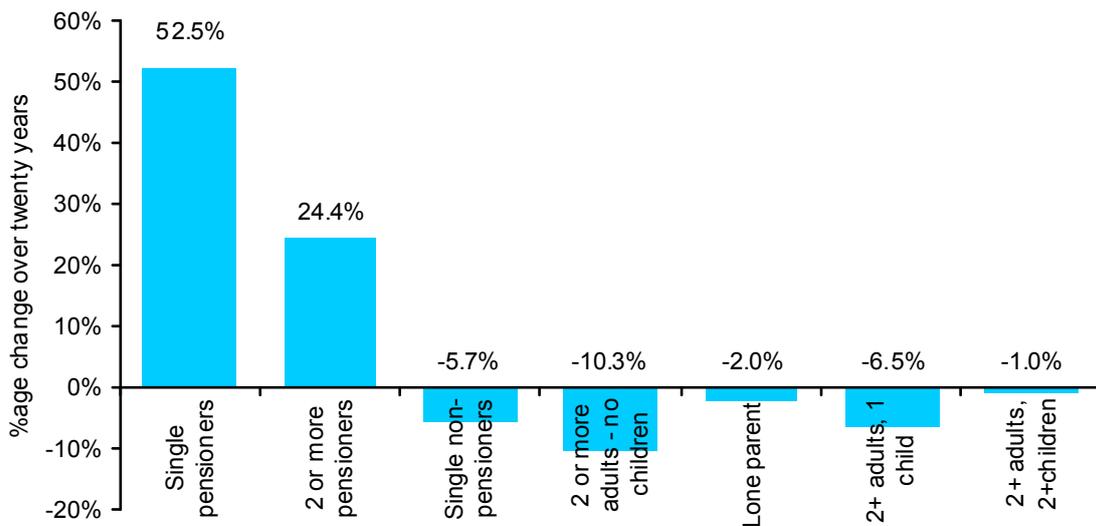
Source: ONS revised 2006-based sub-national population projections, Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

7.11 Before the accommodation requirements of the future population are calculated it is important to describe the approach used to create an accommodation profile to match the changing household profile shown above.

Adequacy of the housing stock

7.12 For the purpose of this model, the housing market is considered balanced if the local population is adequately accommodated. It is therefore initially appropriate to assess the adequacy of the current accommodation to house the residents of Wirral. This is determined through responses to the household survey.

7.13 A household is considered adequately housed currently unless:

- They are in unsuitable housing (as defined by CLG Guidance) and cannot resolve this unsuitability without moving to a new property
- Their property is overcrowded (according to the bedroom standard)
- They are living in ordinary housing when they state that they need to live in sheltered, supported, extra care or other similar specialist housing (see definition of specialist housing in Glossary)

7.14 In each of these cases the household is allocated to a property with characteristics more suitable for their needs, of a different size, type or tenure.

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7.15   In addition, if a household states that they need to move now due to their accommodation's size, cost or the services available within the property being currently unsuitable for the resident household, their size, type and tenure of housing is adjusted to fit the property they shortly expect to move to.

7.16   Some further adjustments are also made to remove over the long-term any undesirable elements of market imbalance that exist currently:

- Households living in social rented accommodation that can afford market or intermediate accommodation are re-allocated to these tenures to ensure that the stock is being most appropriately and efficiently used.

- Households resident in the private rented sector on Local Housing Allowance (LHA) are assumed to move into the form of affordable accommodation that they can afford (intermediate or social rented) as this is the tenure they would be more appropriately housed in. The private rented sector on LHA is not an adequate long-term equivalent to affordable housing – analysis of survey data shows there is not the same security of tenure or quality of housing within the private rented LHA stock as within the social rented sector.

7.17   It should be noted that the second of the two adjustments listed above counts toward the inadequate housing totals shown below. Because of the inclusion of this additional group (and those needing to move from ordinary to sheltered or other specialist accommodation) the numbers are higher than those considered in housing need or in unsuitable housing by the CLG model.

7.18   The table below shows the proportion of each household type currently requiring alternative accommodation in order to be adequately housed. The table shows that some 5.1% of households are classified as inadequately housed currently. Lone parents are the household group least likely to reside in adequate accommodation, whilst single pensioner households are the most likely.

Table 7.1 Types of households inadequately housed currently			
Household type	*Number inadequately housed*	*All households*	*Proportion inadequately housed*
Single pensioners	564	27,912	2.0%
2+ pensioners	276	13,056	2.1%
Single non-pensioners	971	20,607	4.7%
2+ adults, no children	1,059	40,661	2.6%
Lone parent	2,349	12,984	18.1%
2+ adults, 1 child	757	11,350	6.7%
2+ adults, 2+ children	1,119	11,230	10.0%
Total	7,094	137,800	5.1%

Source: Fordham Research Wirral household survey (2009)

Tenure of housing required

7.19   Rather than prescribing the accommodation required to address the current mismatch between the household population and the current stock, the profile of suitable accommodation for each household type is applied to the household population in 20 years time. The model therefore assumes that the pattern of accommodation required by each household type remains constant.

7.20   The table below shows the ideal tenure profile in Wirral in 20 years time (if all households are to be adequately housed). The data shows that in 2029 the housing market should ideally comprise 83.2% of market dwellings, 1.3% intermediate and 15.5% social rented.

Table 7.2 Ideal tenure profile in Wirral in 2029, excluding specialist housing*		
Tenure	*Number of households*	*Percentage of households*
Market	116,017	83.2%
Intermediate	1,756	1.3%
Social rented	21,651	15.5%
Total	139,424	100.0%

Source: Fordham Research Wirral household survey (2009) *all forms of sheltered or supported housing etc. – see definition in Glossary

7.21   The table below compares this 'ideal' tenure profile to the tenure profile recorded currently. The difference between these two distributions is the change required to the housing stock over this period. The results show that 7,478 additional homes (excluding specialist housing such as sheltered or supported housing) are required in Wirral over the next 20 years. The table also indicates that only about 32% of these properties should be provided on the open market, and 68% should be affordable.

Table 7.3 Tenure of new accommodation required in Wirral, excluding specialist housing*				
Tenure	*Tenure profile 2009*	*Tenure profile 2029*	*Change required*	*% of change required*
Market	113,627	116,017	+2,390	32.0%
Intermediate	850	1,756	+906	12.1%
Social rented	17,469	21,651	+4,182	55.9%
Total	131,946	139,424	+7,478	100.0%

Source: Fordham Research Wirral household survey (2009) *all forms of sheltered or supported housing etc. – see definition in Glossary

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7.22   There is also a requirement shown for sheltered and other specialist housing both in the market and affordable sectors. For the purposes of the market balance model specialist housing has been defined to include all forms of sheltered, supported, extra care or nursing home type housing that might be required by older people or other households with support needs. It does not include ordinary housing with adaptations or support services which enable people to live independently. The model does not assume that all older people require specialist housing, and all requirements for ordinary housing arising from older people are included in the main totals for ordinary housing.

7.23   This is important because the population projections have shown that the older age bands (mostly likely to require specialist housing) are likely to experience some of the largest increases in population. A total of 34.4% of the requirement indicated by the model is for specialist housing.

7.24   The results here are derived using the same method as for ordinary housing, and are summarised in the two tables below. It should be stated that this type of calculation has significant limitations; due to the nature of the survey it is based upon, the model cannot assess the requirements of groups likely to be unable to respond to a postal questionnaire (i.e. those requiring very high levels of support), but on the other hand may pick up people who would prefer to live in sheltered housing of some type but would not be assessed as, strictly speaking, medically in need of that level of support.

7.25   With relevance to the tenure split shown, it also cannot consider extra financial support that might potentially be offered by relatives but not mentioned by the household responding to the questionnaire. The affordability calculation also cannot take into account the fact that some older households may be able to pay a rent by using up existing equity they may hold as owner-occupiers.

Table 7.4 Distribution of ordinary and specialist housing* required in Wirral				
Type	*Type profile 2009*	*Type profile 2029*	*Change required*	*% of change required*
Ordinary	131,946	139,424	+7,478	65.6%
Specialist	5,854	9,776	+3,922	34.4%
Total	137,800	149,200	+11,400	100.0%

Source: Fordham Research Wirral household survey (2009) *all forms of sheltered or supported housing etc. – see definition in Glossary

Table 7.5 Tenure of new specialist housing* required in Wirral				
Tenure	*Tenure profile 2009*	*Tenure profile 2029*	*Change required*	*% of change required*
Market	1,725	3,498	+1,772	45.2%
Affordable	4,129	6,278	+2,149	54.8%
Total	5,854	9,776	+3,922	100.0%

Source: Fordham Research Wirral household survey (2009) *all forms of sheltered or supported housing etc. – see definition in Glossary

Adjusted model

7.26 Clearly the overall tenure split the model suggests would be difficult to achieve at best; this is largely because the expected growth in total number of households in Wirral is quite small over the 20 year period, with the stock being expanded by only 0.4% each year. This means that although the shifts required in the composition of the stock overall are actually quite small (for example between 15.7% and 18.7% social housing overall, including both specialist and ordinary accommodation), achieving this change is difficult with newbuild alone, even over a 20 year period.

7.27 There are various possible approaches to this problem, including for example the redevelopment of existing stock, or using demolition and rebuilding as an opportunity to further rebalance the stock. However, one approach that can be explored readily through the market balance model used here is to continue to make use of the private rented sector to provide accommodation for households unable to afford market rents, assisted through the Local Housing Allowance system.

7.28 However, this tenure is relatively insecure and households within it move frequently. Analysis of the survey data shows that single non-pensioner households and multi-adult households without children are not expected to remain in this form of accommodation for as long as pensioner households and households containing children. As single non-pensioner households and multi-adult households are more transient through this stock and are arguably less vulnerable than the other households, the other household groups are considered a greater priority for affordable housing. It is therefore assumed that only pensioner households and households with children within the private rented sector on Local Housing Allowance will be moved to appropriate social rented accommodation. The needs of other types of households not already in social housing are assumed to be met through the Local Housing Allowance system and private rented sector.

7.29 The table below shows the tenure profile required once this adjustment has been made to the model in comparison to the current tenure profile. Again the change required to the housing stock is deduced from the difference between these two profiles. The table indicates that under this scenario, about 47% of the requirement for new housing is for market accommodation, 41% for social housing and 12% for intermediate housing.

Table 7.6 Tenure of new accommodation required in Wirral, excluding specialist housing* (adjusted model)				
Tenure	*Tenure profile 2009*	*Tenure profile 2029*	*Change required*	*% of change required*
Market	113,627	117,174	+3,547	47.4%
Intermediate	850	1,709	+859	11.5%
Social rented	17,469	20,541	+3,072	41.1%
Total	131,946	139,424	+7,478	100.0%

Source: Fordham Research Wirral household survey (2009) *all forms of sheltered or supported housing etc. – see definition in Glossary

7.30   The model suggests that the majority of specialist housing should be in the affordable sector, subject again to the limitations of the model in relation to forecasting the requirement for specialist housing mentioned in relation to Tables 7.4 and 7.5 above. The overall distribution of the requirement between ordinary and specialist accommodation is not affected by the model adjustments, and remains as shown in Table 7.4 above.

Table 7.7 Tenure of new specialist housing* required in Wirral (adjusted model)				
Tenure	*Tenure profile 2009*	*Tenure profile 2029*	*Change required*	*% of change required*
Market	1,725	3,549	+1,824	46.5%
Affordable	4,129	6,227	+2,098	53.5%
Total	5,854	9,776	+3,922	100.0%

Source: Fordham Research Wirral household survey (2009) *all forms of sheltered or supported housing etc. – see definition in Glossary

7.31   These two tenure distributions are not a final recommendation for policy; other factors such as viability (and the outcomes of the CLG model) must be taken into account, as detailed in Chapter 8. The model is able to also provide detail on the size of new dwellings required within each of the three main tenures. For consistency the analysis presented within the remainder of this chapter is based on the adjusted model.

Size of housing required within each tenure

7.32   The table below presents the size of market accommodation required by households resident in Wirral in 20 years time in comparison to the size profile recorded in the sector currently. The implied change to the housing stock is also presented. The table shows that some 44.1% of new market dwellings should be three bedroom properties, with 36.6% containing two bedrooms and 19.3% containing one bedroom. The results show that no four bedroom accommodation is likely to be required overall, as future demand can be met by the stock currently available.

Table 7.8 Size of new market accommodation required in Wirral, excluding specialist housing* (adjusted model)			
Dwelling size	*Size profile 2009*	*Size profile 2029*	*Change required*	*% of change required*
One bedroom	4,791	5,550	+759	19.3%
Two bedrooms	23,201	24,641	+1,440	36.6%
Three bedrooms	58,015	59,749	+1,734	44.1%
Four or more bedrooms	27,619	27,234	−386	0.0%
Total	113,627	117,174	+3,547	100.0%

Source: Fordham Research Wirral household survey (2009) *all forms of sheltered or supported housing etc. – see definition in Glossary

7.33   An additional statistic of some importance is that even after excluding specialist housing, nearly half (47%) of the gross market demand for one bedroom accommodation in 2029 in Wirral (excluding sheltered or other specialist housing) is projected to come from older person households, with most of the remainder occupied by single non-pensioners. Currently, only 39% of all one bedroom market housing is inhabited by older person households, amounting to an additional 709 all-pensioner households living in this type of housing.

7.34   This clearly has significant implications for the types of one bedroom open market property provided; it should largely be of a type that will appeal to (and be accessible to) older households. In addition, the profile of the stock on 2009 is based upon occupied dwellings in 2009; unlike the CLG model it does not include any vacant dwellings or developments currently being built. If among these there are a substantial number of one bedroom properties unlikely to appeal to older households, this could even indicate a current surplus of some types of one bedroom open market property.

7.35   It should be noted that properties of other sizes are also expected to see a substantial increase in the proportion of older residents. In particular, the proportion of older person households in two bedroom market housing (excluding sheltered or other specialist housing) may rise from 39% to about 53%. However the trend is particularly relevant to one bedroom housing because of the low overall demand, and because the main method of delivery of one bedroom housing in recent years has been via flatted developments targeted at young professionals.

7.36   The impact of an aging population extends to all sizes of housing; an increasing proportion of three and four bedroom market housing is expected to be occupied by small older person households by 2029. This is primarily due to older households remaining in family housing after their children leave home. The net effect of this is that although the absolute number of family households requiring three bedroom market housing is expected to fall toward 2029, additional housing of this type will still be needed to meet their requirements, as shown by the model.

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7.37 The table below shows the equivalent results for the social rented sector. The table shows that of the 3,072 additional social rented units required within the Borough over the next 20 years (excluding specialist housing), 8.8% should be one bedroom properties, 43.8% two bedroom accommodation, 21.1% three bedroom dwellings and 26.3% properties with four or more bedrooms.

Table 7.9 Size of new social rented accommodation required in Wirral, excluding specialist housing* (adjusted model)				
Dwelling size	Size profile 2009	Size profile 2029	Change required	% of change required
One bedroom	3,369	3,639	+270	8.8%
Two bedrooms	5,220	6,566	+1,346	43.8%
Three bedrooms	8,387	9,035	+649	21.1%
Four or more bedrooms	493	1,301	+808	26.3%
Total	17,469	20,541	+3,072	100.0%

Source: Fordham Research Wirral household survey (2009) *all forms of sheltered or supported housing etc. – see definition in Glossary

7.38 This analysis can be repeated for intermediate housing and is presented in the table below. The data indicates that of the 859 additional intermediate dwellings required within the Borough, nearly half should be three bedroom properties with a further 41.5% two bedroom accommodation. This analysis of intermediate housing requirements is based on a small sample and should therefore be treated with caution.

Table 7.10 Size of new intermediate accommodation required in Wirral, excluding specialist housing* (adjusted model)				
Dwelling size	Size profile 2009	Size profile 2029	Change required	% of change required
One bedroom	106	140	+34	4.0%
Two bedrooms	556	913	+357	41.5%
Three bedrooms	187	577	+390	45.4%
Four or more bedrooms	0	78	+78	9.1%
Total	850	1,709	+859	100.0%

Source: Fordham Research Wirral household survey (2009) *all forms of sheltered or supported housing etc. – see definition in Glossary

7.39   The drivers behind the changes in sizes of affordable housing required are different to those found in the market sector; the ageing population is a factor, but to a lesser extent. In total, over half (55%) of one bedroom affordable units (excluding sheltered or other specialist housing) are expected to be occupied by older people by 2029, compared to 36% in 2009. The increases in the proportion of older people living in other bedroom sizes are however relatively minor; this is because unlike in the market sector, those applying for affordable housing cannot choose to live in housing larger than they need.

7.40   The main driver behind the high requirement for two and three bedroom units is the prioritisation of families for affordable housing assumed by the model. The model does, however, project a significant increase in the proportion of lone parent households over the 20 year period, partially explaining the particular requirement for smaller family accommodation.

RSS area results

7.41   To provide a greater level of geographical detail, the market balance model based on the adjusted assumptions has been broken down for each RSS Area, and a number of scenarios have been considered for the distribution of newbuild housing across the Borough. The results of this analysis are presented in Appendix A2. This is not a separate model but a breakdown of the one summarised above and so the results from each RSS Area, added together, do not conflict with the Borough-wide results.

Potential impact of increased economic activity on future housing requirements

7.42   The data presented in Chapter 3 showed that residents in Wirral record a lower employment rate and higher unemployment rate than the national and regional average. It is possible to modify the inputs to the market balance model to examine what the impact might be of reduced unemployment on the nature of housing required in the future. This is particularly relevant in Wirral due to the presence of major regeneration initiatives in the Borough, seeking to attract employment to the area.

7.43   The updated household survey indicates that currently 7.7% of households in the Borough are headed by someone who is unemployed. The modified model examines the possibility that the unemployment rate amongst this group of household heads might be halved. Combined with the effect of the demographic projections increasing the proportion of retired households, the scenario shows only 3.4% of households headed by an unemployed person at 2029.

7.44   Based upon current differences in financial situations between households with employed and unemployed heads, the model assumes that the household incomes of those headed by someone in full-time employment rather than unemployed are 4.4 times higher, and savings 3.9 times higher. Similar ratios were applied to those transferred to part-time employment.

7.45   The likely demands and needs for housing generated by the households gaining employment were reassessed according to their new economic circumstances.

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7.46   The table below shows the outputs produced with this scenario. The data indicates that, if unemployment were to halve in Wirral over the next 20 years, then the resulting mix of households would require 67.2% market housing, 13.0% intermediate and 19.7% social rented. It is clear that assuming unemployment will decrease results in an increased requirement for market housing and a reduced requirement for social rented housing.

Table 7.11 Tenure of new accommodation required in Wirral over the next 20 years, excluding specialist housing* (based on improved economic performance) (adjusted model)				
Tenure	*Current tenure profile*	*Tenure profile 2029*	*Change required*	*% of change required*
Market	113,627	118,654	5,028	67.2%
Intermediate	850	1,825	975	13.0%
Social rented	17,469	18,945	1,476	19.7%
Total	131,946	139,424	7,478	100.0%

Source: Fordham Research Wirral household survey (2009) *all forms of sheltered or supported housing etc. – see definition in Glossary

7.47   The model can also estimate the impact of the increased demand for larger property generated by increased economic prosperity. The dataset suggests that at present, a household in employment is likely to live in a property 0.4 bedrooms larger than an unemployed household. To take this into account, a randomly selected 40% of the households transferred into employment in this scenario were assumed to require an additional bedroom. The impact on the size of new dwellings required within each tenure is presented in the figure below.

7.48   The scenario generates a substantial increase in demand for large market accommodation, as might be expected, reversing the negative demand for four bedroom accommodation shown in the main model. One unexpected result is the zero demand for three bedroom housing in the social rented sector; this is because within the social rented stock, properties of this size are particularly likely to be occupied by low income families, while small properties tend to be occupied by older households.

Figure 7.3 Size of accommodation required in required in Wirral over the next 20 years, excluding specialist housing* (based on improved economic performance) (adjusted model)
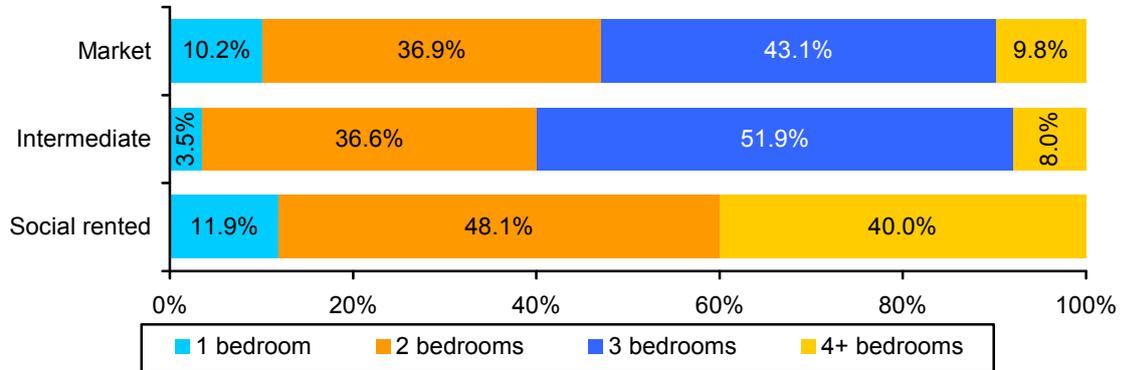
*all forms of sheltered or supported housing etc. – see definition in Glossary

Source: Fordham Research Wirral household survey (2009)

7.49   The scenario does not alter the proportion of specialist housing required in Wirral, since the requirement of a household to live in specialist housing (e.g. for reasons of disability) is not typically altered by changes in their economic situation.

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8. Conclusions and policy implications

Introduction

8.1   The original report set out a series of suggestions about possible policy responses in light of the findings of the SHMA. In this chapter we briefly review these suggestions and comment on where these should be revised as a result of the updated findings.

Affordable housing targets: CLG model

8.2   The 2007 SHMA report used the net annual housing need requirement of 1,767 affordable homes per annum, alongside evidence of custom and practice elsewhere to propose a target of 40% of housing as affordable on appropriate sites.

8.3   This requirement, produced using the CLG model as outlined in Guidance and described in Chapter 6 of this report, has now increased significantly, to 2,784 per year. This is largely due to the decreasing ability of local households to afford market housing in Wirral. However, the current Regional Spatial Strategy for the North West, including Wirral, proposes that only 500 dwellings per annum overall should be built in Wirral.

8.4   Given that the requirement for new affordable housing generated by the model greatly exceeds the proposed rate of building of houses overall, clearly it is not viable to base policy directly on the model. However, it does at least suggest that reducing the current affordable housing target (of 40% of housing as affordable on appropriate sites) would be inappropriate.

Affordable housing targets: Market balance model

8.5   The market balance model, described in Chapter 7 of this report, suggests that based on the overall population growth expected in the area, a build rate of about 570 dwellings per annum could be justified, close to the 500 dwellings per annum proposed by the current Regional Spatial Strategy. According to the market balance model, in order to balance the market in the long-term (over 20 years), about 53% of new build housing would need to be affordable (Table 7.6). This figure assumes that other than for groups classified as in priority need (older people or those with children), the private rented sector together with Local Housing Allowance would continue to be used to meet any additional need.

8.6 The 53% target suggested by the market balance model (Table 7.6) is largely a reflection of the high level of housing need, particularly in eastern parts of Wirral, and again supports maintaining a high target for the construction of affordable housing if possible. However, it is also considerably influenced by the fact that due to the slow population growth in the area, new build housing is expected to make up only a very small proportion of the total stock. It is therefore necessary to build quite a skewed distribution of tenures of newbuild housing to generate even a small change in the tenure of the Borough's overall housing stock. Should overall build rates increase, the proportion of affordable housing needed could be reduced.

8.7 To consider the possible impact of regeneration in Wirral, an alternative projection was also carried out using the market balance model. This used a scenario approximating to some possible effects of regeneration in Wirral, considering this in terms of the effects on unemployment. This showed a substantial impact on housing requirements, reducing the proportion of affordable housing required to attain market balance over the long-term to 33% (Table 7.11).

Affordable housing targets: Summary

8.8 Taking the evidence from the two models together, it is clear that in terms of the proportion of affordable housing to be provided, purely on the basis of housing need, a very high target could be justified. However, the economic scenario presented above does suggest that success in generating employment could cause a significant reduction in the affordable housing requirement through increasing the incomes of local households. Assuming some future success in terms of regeneration in Wirral, a target somewhere between the two figures produced by the market balance model (53% (Table 7.6) and 33% (Table 7.11)) would seem reasonable.

8.9 Therefore maintaining the current target of 40% of newbuild housing being affordable seems appropriate in the Borough, subject to economic viability, on which subject a linked study is being carried out at the present time.

8.10 The original SHMA report proposed that a site threshold below the national guide level stipulated by PPS3 of 15 dwellings should be considered if there were a large number of sites coming forward of the appropriate size (10 to 15 units). This issue will be considered in the economic viability report that follows on from this SHMA update, which will also consider whether the 40% target for affordable housing overall is economically viable.

Intermediate housing

8.11 The original SHMA report noted that there was potential for intermediate housing to form a quarter of the affordable housing provision. It will not be possible to realise this potential until intermediate housing products are established at a cost low enough to cover the majority of the cost band between social renting and private renting.

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8.12   This updated SHMA report has shown that intermediate housing constitutes a smaller proportion of the affordable requirement than was recorded in 2007 in the housing needs assessment model. This reduction is a result of the narrowing of the gap in price between open market private rented and social rented housing. This means that the number of households unable to afford a private rent but able to afford something more than a social rent has decreased.

8.13   Furthermore the analysis of housing need presented in Chapter 6 suggested that all of the need for intermediate housing (7% of total affordable housing, from Table 6.16) was for intermediate rent rather than equity based products such as shared ownership. The market balance model suggested a potentially higher proportion of intermediate could be supported, at about 22% of all affordable housing (Table 7.6).

8.14   However, it should be borne in mind that the model in Chapter 7 (by its nature) takes a long-term view and assumes the movement of all those currently in social housing that are able to afford intermediate housing into these newly established tenures. While in the long-term this is quite possible, as new and moving households able to afford it are allocated intermediate tenures in preference to social renting, the low turnover rates and long-term tenancies in the social rented sector mean that this process is likely to take place very slowly, over decades rather than months or years.

8.15   Since intermediate rent is more difficult to provide than most other forms of intermediate housing, typically requiring a larger subsidy, it is appropriate to set a cautious intermediate housing target in the short-term. It is therefore proposed that 15% of new affordable units should be sought as intermediate (half way between the suggested targets from the CLG model and the market balance model) although this should be reviewed once intermediate products are established at a cost low enough to cover the majority of the cost band between social renting and private renting.

8.16   In terms of the sizes of affordable housing required, the market balance model suggests that the range of new social rented housing required in Wirral tends toward the larger end of the scale; although two bedroom properties make up the largest proportion (44%), about a quarter of the requirement (26%) is for four bedroom units or larger. The model indicates that new intermediate accommodation should principally be two and three bedroom dwellings. Full details are shown in Figure 8.1 at the end of this chapter.

8.17   The main driver behind the high requirement for two and three bedroom units in the affordable sector is the prioritisation of families for affordable housing assumed by the market balance model. This is largely smaller (two and three bedroom) family accommodation, partly due to the expected increase in the proportion of lone parent households.

Market housing

8.18 Although the main focus of both this report and the previous one was on the issue of housing need and affordable housing it is worthwhile providing some brief thoughts on the requirements for market housing.

8.19 An analysis of the size of new market homes required in Wirral to adequately house the future population shows that 19% should be one bedroom properties, 37% should be two bedroom dwellings, and 44% three bedroom homes, with a small negative requirement for larger property.

8.20 It should be noted that it is expected that by 2029 about half of one and two bedroom properties (excluding specialist products such as sheltered housing) will be occupied by older person households, up from an average of 39% in 2009. This clearly has implications for the target market of new properties of this size.

8.21 An alternative economic scenario was also considered within the market balance model, suggesting that if unemployment in the Borough were to decrease, then the requirement for larger market dwellings would increase substantially, with net demand for four bedroom property returning.

PPS3 requirements

8.22 Figure 8.1 frames these policy suggestions within the outputs required by PPS3, which are described in Chapter 1.

8.23 We would suggest pursuing a single target of 40% for the proportion of affordable housing across the Borough, subject to viability testing. Setting a lower target for part of the Borough would mean setting a higher target elsewhere, which given the overall requirement would be likely to encounter problems of viability, reducing the overall delivery of affordable housing.

8.24 The separate viability report, produced alongside this housing market report, shows that in practice due to the economic climate only a much lower target is likely to be economically viable at the current time without the availability of grant. The viability report does however suggest that an aspirational target should be set at 40%, subject to temporary reduction due to changing levels of viability over the plan period. The maximum target level viable at any given time can be determined using a 'Dynamic Viability' approach, explained in detail in the Affordable Housing Viability Study report.

Figure 8.1 Estimated PPS3 requirements: Wirral
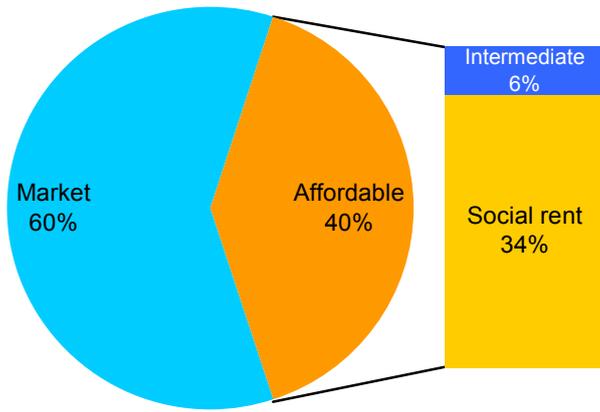
Mix of housing required

60% of new housing should be market and 40% affordable.

Within the affordable sector, this could be broken down to 15% intermediate and 85% social rented, making social rented housing 34% of the total housing required.

Due to difficulties in affording deposits, the requirement for intermediate housing was found to be wholly for intermediate rented products.

Market housing demand

About 31% of current market demand originates from couples without children, and 23% from single non-pensioners.

(Note that this chart only relates to the sources of current market demand as required by PPS3; a net requirement cannot be provided by household type since most properties can in practice cater to multiple types of household.)

The estimated net requirement is for 44% of new market housing to be three bedroom, 37% two bedroom and just 19% one bedroom. A small negative requirement for four bedroom property was found.

Affordable housing requirement

For social rented housing, the largest requirement was for two bedroom housing, but with substantial requirements for larger properties.

In the intermediate sector, the vast majority of the requirement was for two and three bedroom properties.

Source: Fordham Research Wirral household survey (2009), various secondary sources, Fordham Research (2009)

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Affordability

Affordability (or ability to afford) is a measure of whether households can access and sustain the cost of private sector housing. This can be assessed via mortgage or rental costs. The measure of mortgage affordability used in the model is based on Guidance, usually using a standard mortgage multiplier of 3.5 times income. Rental affordability is defined as the total weekly outlay less than 25% of the household's gross weekly income, although this percentage may be varied.

Affordable housing

Affordable housing includes both social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should be at a cost which is below that of housing typically available in the open market and should be available at a sub-market price in perpetuity. This may include some Shared Ownership housing, but such schemes are not by definition affordable, since their overall cost to the purchaser is frequently above market entry level.

There is an ambiguity in PPS3; intermediate housing is defined as being 'below market price or rents', while 'affordable housing' is defined with reference to 'local house prices'. In principle, however, the Guidance defines affordable housing as being targeted at those households 'whose needs are not met by the market', and rationally speaking, this would suggest that all affordable and intermediate housing should be below the overall market entry level, including private rent.

Annual need

The combination of the net future need plus an allowance to deal progressively with part of the net current need (the backlog of need).

Average

The term 'average' when used in this report is taken to be a mean value unless otherwise stated.

Bedroom standard

The bedroom standard is that used by the ONS General Household Survey, and is calculated as follows: a separate bedroom is allocated to each cohabiting couple, any other person aged 21 or over, each pair of young persons aged 10-20 of the same sex, and each pair of children under 10 (regardless of sex). Unpaired young persons aged 10-20 are paired with a child under 10 of the same sex or, if possible, allocated a separate bedroom. Any remaining unpaired children under 10 are also allocated a separate bedroom. The calculated standard for the household is then compared with the actual number of bedrooms available for its sole use to indicate deficiencies or excesses. Bedrooms include bed-sitters, box rooms and bedrooms which are identified as such by respondents even though they may not be in use as such.

Concealed household

A household that currently lives within another household, but which has a preference to live independently.

Current need

Households in current need are those whose current housing circumstances fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing, and homeless people living in temporary accommodation or sharing with others.

Demand

This refers to market demand for housing, rather than simply aspirations. For the purposes of this study, a household is only considered able to create demand for housing if they have both the aspiration to buy or rent that type of housing and the financial capacity to do so.

Entry Level Prices and Entry Level Rents

In the context of Housing Need (and Strategic Housing Market Assessments generally) the entry level price or rent is considered to be the lower quartile of the market. In other words, a quarter of properties (either to buy or rent) will have a lower cost than this figure.

This approach is endorsed by Guidance (SHMA Practice Guidance Version 2, CLG August 2007, pp. 27), since the very lowest cost properties in the market may be low in price because they are not suitable for all households, or may require additional expenditure on renovation.

Financial capacity

This is defined as 3.5 times household income, plus savings and equity (the value of the property owned by owner-occupiers, typically the family home, net of mortgage). This provides an indication of the amount which the household concerned could afford to pay for housing.

Grossing up

Converting the numbers of actual responses in a social survey to an estimate of the number for the whole population. This normally involves dividing the expected number in a group by the number of responses in the survey.

Household and Head of Household

A household is defined as either one person living alone, or a group of people who have the address as their only or main residence, and who either share one meal a day or share a living room. The household head, when derived from survey data, is taken to be the first adult (person aged 18 or over) detailed by the respondent on the survey form, except in cases where no-one in the household is aged 18 or over. In this case the household head is taken to be the first person listed aged 16 or over.

Household formation

The process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households which form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year which did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs).

Housing Market Area

The geographical area in which a substantial majority of the employed population both live and work, and where most of those changing home without changing employment choose to stay.

Housing need

A household in housing need is defined as a household that lacks their own housing or lives in unsuitable housing and who cannot afford to meet their housing needs in the market, therefore requiring affordable housing.

Housing Register

A database of all individuals or households who have applied to a local authority or an RSL for a social tenancy or for access to some other form of affordable housing. Housing Registers, often called waiting lists, may include not only people with general needs but people with support needs or requiring access because of special circumstances, including homelessness.

Housing type

Refers to the physical built form of a dwelling, for example, a flat or a terraced house.

Income

The term 'income' can be taken to refer to gross household income exclusive of any housing-related benefits (but inclusive of all other benefits, pensions, dividends etc.) unless otherwise qualified.

Intermediate housing

PPS3 defines intermediate housing as '*housing at prices and rents above those of social rent but below market prices or rents and which meet the criteria set out above. These can include shared equity products, other low cost homes for sale and intermediate rent*.' It should be noted, however, that a shared equity product (such as Low Cost Home Ownership) does not automatically become intermediate housing since it is possible for the cost of that product to be higher than entry level market rent.

Key workers

Nationally, key workers are usually defined as individuals in specific occupations considered critical for the smooth running of local infrastructure. Usually these are public sector workers, especially those in the emergency services, although there is no standard or universally agreed definition.

Low Cost Market Housing

New build housing offered for sale as owner-occupied to a specific group of households at a subsidised rate. This would not normally qualify as 'affordable' housing, since it is likely to be above market entry level in terms of cost. While it offers a discount on the usual price of a newly built property, it will usually still be considerably more expensive than private renting, and depending on local market circumstances may sometimes be more expensive than buying a similar second hand property on the open market.

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Lower quartile

The value below which one quarter of the cases in question fall. In relation to house prices, it means the price of the house that is one-quarter of the way up the ranking from the cheapest to the most expensive available in an area.

Mean

The mean is the most common form of average used. It is calculated by dividing the sum of a distribution by the number of incidents in the distribution.

Median

The median is an alternative way of calculating the average. It is the middle value of the distribution when the distribution is sorted in ascending or descending order.

Migration

The movement of people between geographical areas, usually measured as an annual number of households, living in one area at a point in time, who were not resident in that area one year earlier.

Net need

The difference between gross need and the expected supply of available affordable housing units (e.g. from the turnover of existing dwellings).

Newly arising need

Need generated by new households which are expected to form over a period of time and are likely to require some form of assistance to gain suitable housing, taken together with need generated by other existing households whose circumstances change over the period so as to place them in a situation of need (e.g. households losing accommodation because of loss of income, relationship breakdown, eviction, or some other emergency).

Overcrowding

An overcrowded dwelling for the purposes of this study is one which has fewer rooms than are required for the occupants according to the Bedroom Standard (see above).

Planning Policy Statement (PPS)

Planning Policy Statements (PPSs) are prepared by the government after public consultation to explain statutory provisions and provide guidance to local authorities and others on planning policy and the operation of the planning system. They also explain the relationship between planning policies and other policies which have an important bearing on issues of development and land use.

Local authorities must take their contents into account in preparing their development plan documents. The guidance may also be relevant to decisions on individual planning applications and appeals.

Primary data

Information that is collected from a bespoke data collection exercise (e.g. surveys, focus groups or interviews) carried out for this study.

Priority housing need

Although this term may have a wide variety of meanings in other contexts, in this report it has been used solely with reference to the market balance model, to refer to the prioritisation within the model of certain types of household in housing need (older person households and those with children) for allocation of affordable housing.

Random sample

A sample in which each member of the population has an equal chance of selection.

Relets

Social rented housing units which are vacated during a period and become potentially available for letting to new tenants.

Rounding error

Totals in tables may differ by small amounts (typically one) due to the fact that fractions have been added together differently. Thus a table total may say 2011, and if the individual cell figures are added the total may come to 2012. This is quite normal and is a result of the method of calculation; results are weighted to fit the estimated population and therefore an individual response to the survey will not normally be taken to represent an exact number of whole households. The usual practice is to use the stated total (in the above case 2011) rather than the figure of 2012 to which the individual figures sum. That is because the total will have resulted from a rounding <u>after</u> all the fractions are taken fully into account.

Sample survey

Collects information from a known proportion of a population, normally selected at random, in order to estimate the characteristics of the population as a whole.

Sampling frame

The complete list of addresses or other population units within the survey area which are the subject of the survey.

Secondary data

Existing information that has been collected for a different study or different purpose. For example, data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, Annual Business Enquiry).

SHMA (Strategic Housing Market Assessment)

The term SHMA drives from Government Guidance suggesting that the 'evidence base' required for the good planning of an area should be the product of a process rather than a technical exercise.

Social rented housing

PPS3 defines social rented housing as '*rented housing owned by local authorities and Registered Social Landlords, for which guideline target rents are determined through the national rent regime, the proposals set out in the Three Year review of Rent Restructuring (July 2004) were implemented in policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant.*'

Specialist housing

This term is used in this report, in the context of the market balance model, to cover all forms of purpose-designed or communal housing such as sheltered, supported or extra care housing which caters to those (irrespective of age) who are unable to live independently in ordinary housing. It does not include ordinary housing which has had adaptations fitted (such as handrails) or receives services (for example meals on wheels) which may enable someone with support needs to live independently. It also does not include housing targeted at a specific market (for example older people generally) but which is not intended for those unable to live independently in normal housing.

Stratified sample

A sample where the population or area is divided into a number of separate sub-sectors ('strata') according to known characteristics based, for example, on sub-areas and applying a different sampling fraction to each sub-sector.

Specialised housing

Refers to specially designed housing (such as mobility or wheelchair accommodation, hostels or group homes) or housing specifically designated for particular groups (such as retirement housing).

Support needs

Relating to people who have specific additional housing needs, for example associated with a disability or long term illness.

Under-occupation

An under-occupied dwelling, for the purposes of this report, is one which exceeds the number of bedrooms required for the household according to the Bedroom Standard (see above) by two or more bedrooms.

Unsuitable housing

Housing inhabited by a household for which it is deemed unsuitable due to a set of fixed criteria taking into account its size, type, design, location, condition or cost. An individual household can have more than one reason for being in unsuitable housing. A household in unsuitable housing is not considered to be in housing need unless it is also found to be unable to afford suitable housing in the market either to buy or to rent.

Usefully affordable point

The 'usefully affordable point' in the context of this study refers to the mid-point between the cost of social rented housing and the cost of entry-level market housing. It represents a cost at which intermediate housing will be affordable to a reasonable proportion of households unable to access the market, therefore providing a genuine step on the housing ladder. This approach is consistent with that used in the original SHMA report.

Abbreviations

ABI	Annual Business Inquiry
ASHE	Annual Survey of Hours and Earnings
BHM	Balancing Housing Markets model
BME	Black or Minority Ethnic
CLG	Communities and Local Government (Government Department)
CORE	Continuous Recording System (provided by the Tenant Services Authority)
HMRI	Housing Market Renewal Initiative
HSSA	Housing Strategy Statistical Appendix
LHA	Local Housing Allowance
NOMIS	National Online Manpower Information System
ONS	Office for National Statistics
PPS12	Planning Policy Statement 12: Local Spatial Planning
PPS3	Planning Policy Statement 3: Housing
RSL	Registered Social Landlord
RSS	Regional Spatial Strategy (e.g. North West of England Plan)
SEH	Survey of English Housing
SHMA	Strategic Housing Market Assessment
VAT	Value Added Tax

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Appendix A1. Further housing market gaps

A1.1 The tables below present the 'housing ladders' that exist for one, two, three and four bedroom properties in each of the sub-markets in Wirral. The price to purchase a home is converted into a weekly cost to permit comparison with rental costs. This is done by applying the median fixed rate available for mortgages currently to the cost of the home to derive the weekly payment required. This replicates the analysis presented in Table 4.9.

Table A1.1 Weekly costs of one bedroom housing in Wirral				
	HMRI Area	*North East*	*South East*	*West*
Social rent	£58	£58	£58	£58
Intermediate (rent)*	£67	£69	£71	£68
Entry-level private rent	£75	£80	£83	£78
Entry-level purchase	£80	£88	£88	£121

Source: Online estate and letting agents survey 09.06.09, CORE Area Lettings Report for Wirral (2008/09)

* Assumed to be priced at usefully affordable point

Table A1.2 Weekly costs of two bedroom housing in Wirral				
	HMRI Area	*North East*	*South East*	*West*
Social rent	£66	£66	£66	£66
Intermediate (rent)*	£79	£82	£88	£96
Entry-level private rent	£91	£97	£109	£125
Entry-level purchase	£90	£133	£138	£166

Source: Online estate and letting agents survey 09.06.09, CORE Area Lettings Report for Wirral (2008/09)

* Assumed to be priced at usefully affordable point

Table A1.3 Weekly costs of three bedroom housing in Wirral				
	HMRI Area	*North East*	*South East*	*West*
Social rent	£74	£74	£74	£74
Intermediate (rent)*	£92	£99	£99	£105
Entry-level private rent	£109	£124	£122	£136
Entry-level purchase	£117	£150	£166	£216

Source: Online estate and letting agents survey 09.06.09, CORE Area Lettings Report for Wirral (2008/09)

* Assumed to be priced at usefully affordable point

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Table A1.4 Weekly costs of four bedroom housing in Wirral				
	HMRI Area	*North East*	*South East*	*West*
Social rent	£74	£74	£74	£74
Intermediate (rent)*	£94	£113	£121	£165
Entry-level private rent	£114	£152	£167	£256
Entry-level purchase	£141	£196	£243	£352

Source: Online estate and letting agents survey 09.06.09, CORE Area Lettings Report for Wirral (2008/09)

* Assumed to be priced at usefully affordable point

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Appendix A2. Long-term market balance – RSS Area results and scenarios

Introduction

A2.1   This Appendix presents the results of the long-term market balance model (with adjusted assumptions) for the three RSS Areas in Wirral, as shown in the map below.

Figure A2.1 Map of RSS Areas in Wirral
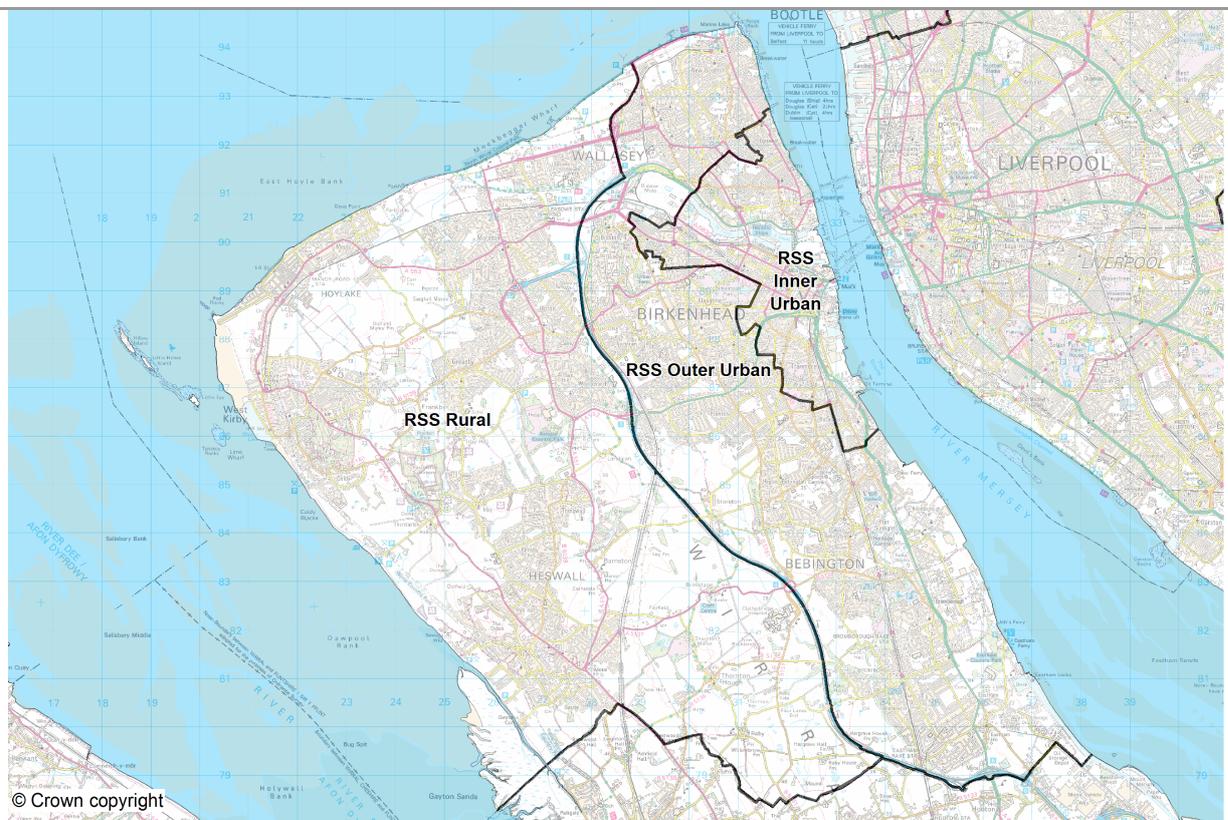
Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

A2.2   These are calculated on the basis of applying the results from the population and household projections shown in Chapter 7 to the existing population and household profile in each RSS Area. A more localised 'ideal' tenure profile is then calculated, and the newbuild required to reach this profile over the next 20 years is then calculated.

Limitations

A2.3   This approach has limitations, as will be seen in the detailed analysis of each area below. In particular, it produces results in the RSS Inner Area which could not realistically be translated into a local target and which reflects the current concentration of low income households in that area, as explained below.

A2.4   There are also more general questions about whether need can or should be met where it arises on a local scale, which will need to be determined by the Council as part of the Local Development Framework. While an individual household's need should ideally be met within a reasonable distance of their existing employment or social networks, attempting to locally meet all need arising within each area could result in nearly all affordable housing being built in areas with existing concentrations of low income households. This may reinforce existing social and economic divisions within the Borough and impede regeneration efforts. The location of new housing will also need to support the Council's wider spatial priorities.

A2.5   The preferred method of delivery of affordable housing is currently to require developers of new market housing to provide affordable housing in proportion to the amount of market housing they provide. As this must generally be delivered on-site, rather than elsewhere, the location of new social housing is effectively tied to the location of new market housing. Since the model only seeks to analyse the demand and requirement for each tenure of housing (rather than where it can most easily or practicably be delivered), this is not reflected within the model.

A2.6   In order to demonstrate the likely impact of these issues, we have included a number of scenarios designed to redistribute the new build requirements produced by the model from where they arise to locations where it is more feasible for those demands to be met. These figures are not policy recommendations and we would suggest setting a single set of Borough-wide targets, as outlined in Chapter 8 of this report.

Scenario A: Housing distributed according to projected demand/need

A2.7   In this scenario, we leave the geographical distribution of housing requirements up to the population projections, providing a broad indication of what might happen without policy intervention, and showing the situation in terms of locally generated housing requirements in each RSS area.

A2.8   Due to the very high level of housing need in the Inner Urban area, the resulting housing requirements produced by the model (shown in the chart below) could not realistically be met. This is partly because the model (in this scenario) does not take into account the significant regeneration efforts taking place within this area.

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A2.9   The model does demonstrate that the main requirement for affordable housing arising from within the RSS Inner Area is for social rented housing. Very few existing households are capable of affording intermediate tenures in this area. In addition, most of the requirement is for two and four bedroom units.

Figure A2.2 Profile of accommodation required in the RSS Inner Area (adjusted model)

*Total new build required, 2009-2029: 537 ordinary housing, 439 specialist housing** (total: 49/yr)*
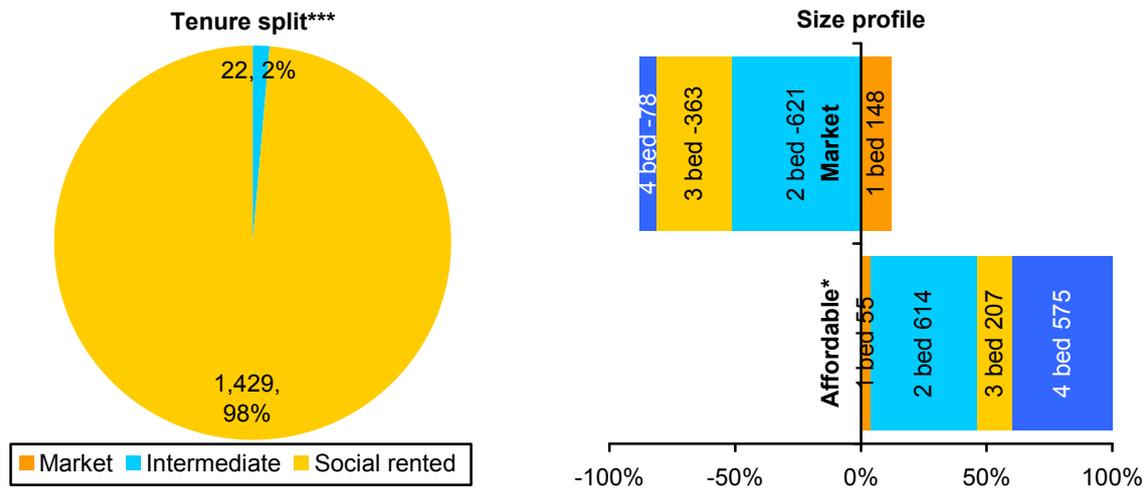
Tenure split*

22, 2%

1,429, 98%

■ Market ■ Intermediate ■ Social rented

Size profile

Market: 4 bed -78, 3 bed -363, 2 bed -621, 1 bed 148

Affordable*: 1 bed 55, 2 bed 614, 3 bed 207, 4 bed 575

-100%   -50%   0%   50%   100%

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

* Includes both social rent and intermediate ** all forms of sheltered or supported housing etc. – see definition in Glossary – not shown in charts *** Negative requirement for market housing (-914) not shown

A2.10   The following two charts show the corresponding outputs for the RSS Outer Area and RSS Rural Area. While these results reflect the requirements arising from people living in these areas, they are also directly linked to the non-deliverable RSS Inner Area outputs above. To deliver them without taking the RSS Inner Area results into account would leave the requirements of many people currently living in the RSS Inner Area unmet. They would also require a far higher build rate in the RSS Rural Area than current spatial priorities would allow.

A2.11   The chart below shows that there is a much more significant market for intermediate housing among households in the RSS Outer Area than in the RSS Inner Area, with a fifth of the total newbuild requirement arising in this area being for this tenure. Market housing makes up about 60% of the locally arising requirement in the RSS Outer Area.

A2.12   The model also shows a substantial demand for three bedroom market sector properties in the RSS Outer Area, with a moderate demand for two bedroom units, and very little for one bedroom units. Although a small surplus of four bedroom units is indicated, this does not mean we would expect this number of properties to sit empty in either the long or short term since they could be used to meet the part of the shortage of three bedroom units. There is a locally generated requirement for all sizes of affordable housing except one bedroom units.

Figure A2.3 Profile of accommodation required in the RSS Outer Area (adjusted model)

Total new build required, 2009-2029: 2,977 ordinary housing, 1,631 specialist housing** (total: 230/yr)
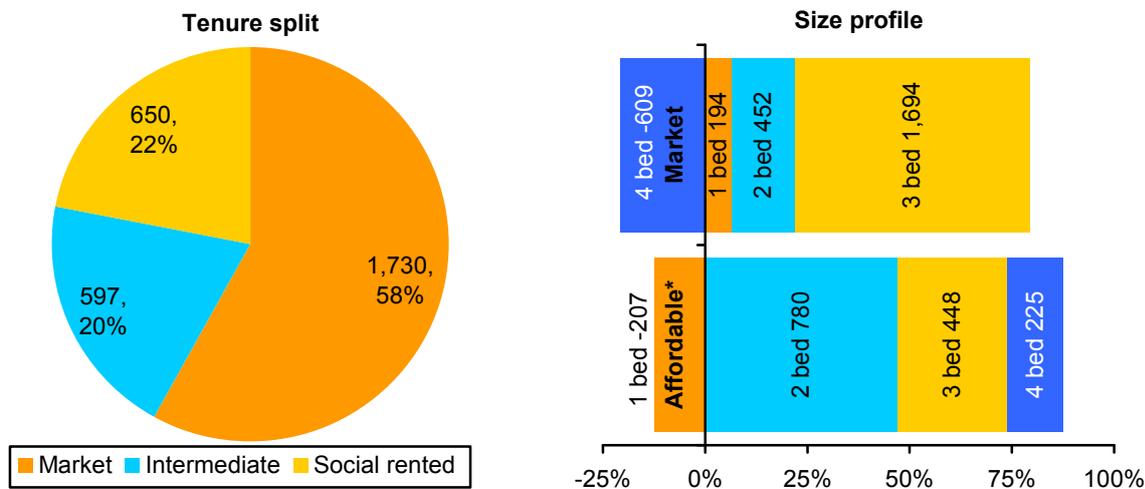
Tenure split

- 650, 22%
- 597, 20%
- 1,730, 58%

Market | Intermediate | Social rented

Size profile

Market: 4 bed -609 | 1 bed 194 | 2 bed 452 | 3 bed 1,694

**Affordable***: 1 bed -207 | 2 bed 780 | 3 bed 448 | 4 bed 225

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009   * Includes both social rent and intermediate ** all forms of sheltered or supported housing etc. – see definition in Glossary – not shown in charts

A2.13   In the RSS Rural Area, the model demonstrates that the requirement arising from the local population is mostly (nearly 70%) for market housing, with a particular demand suggested for two bedroom units. Otherwise there is a positive requirement for all sizes of both market and affordable housing with no large imbalances shown. As is frequently found in this type of area, there is a higher requirement for one bedroom units (both market and affordable) than average for the Borough. This is because of the relatively low proportion of these dwellings in the existing stock compared to the RSS Outer Area or the RSS Inner Area, and also demand arising locally, particularly from pensioner households.

Figure A2.4 Profile of accommodation required in the RSS Rural Area (adjusted model)

Total new build required, 2009-2029: 3,964 ordinary housing, 1,851 specialist housing** (total: 291/yr)
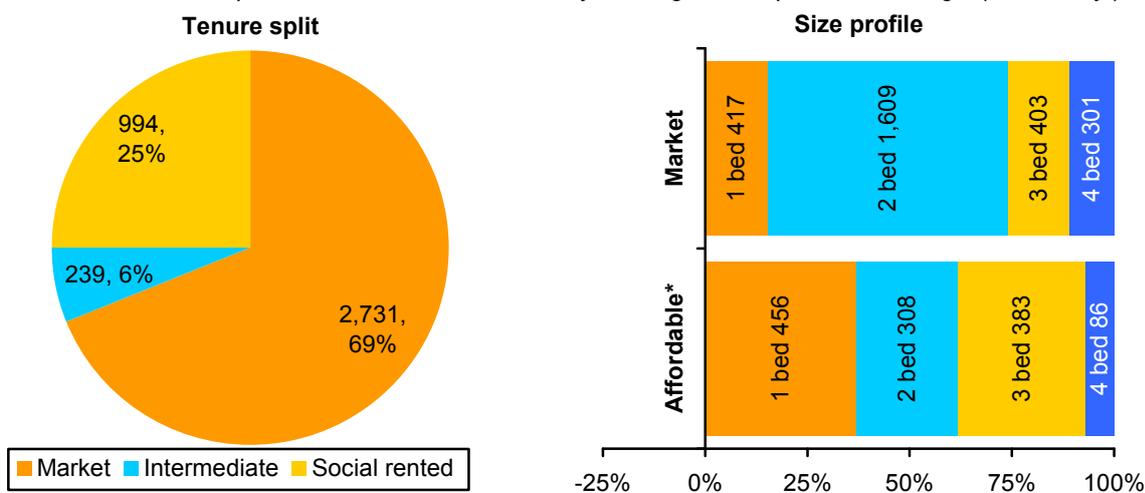
Tenure split

- 994, 25%
- 239, 6%
- 2,731, 69%

Market | Intermediate | Social rented

Size profile

Market: 1 bed 417 | 2 bed 1,609 | 3 bed 403 | 4 bed 301

Affordable*: 1 bed 456 | 2 bed 308 | 3 bed 383 | 4 bed 86

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009   * Includes both social rent and intermediate ** all forms of sheltered or supported housing etc. – see definition in Glossary – not shown in charts

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Scenario B: Force 60% market housing in RSS Inner Area

A2.14   In this scenario, we considered the flows of households which would be necessary to create a more viable tenure distribution, of 60% market housing and 40% affordable housing, in the RSS Inner Area. This required making two changes: firstly distributing some of the future requirement for additional affordable housing out of the RSS Inner Area. This requirement was assumed to be moved to the neighbouring RSS Outer Area. None of this requirement was moved to the RSS Rural Area, since this area faces considerable constraints on development, and might be argued to be a less practical location for lower income households reliant on public transport for employment.

A2.15   The second change was to redistribute much of the future requirement for market housing from the RSS Rural Area to the RSS Inner Area. This can be justified on the grounds that there is less development land available in the RSS Rural Area, and regeneration programmes aim to re-attract substantial numbers of people able to afford market housing into the RSS Inner Area.

A2.16   The outputs from this scenario suggest a build rate in the RSS Inner Area that would be low relative to current proposals but would still direct over 75% of the Borough's new housing to the RSS Inner Area and RSS Outer Area. In addition, the relatively high proportion of market housing in the RSS Inner Area required by this scenario (60%) results in a lower proportion being suggested for the other two RSS Areas.

A2.17   As can be seen in the chart below, the demand for affordable housing in the RSS Inner Area remains for two and four bedroom units. The demand for market housing is nearly all for small units (about 85% one and two bedroom), which reflects the displacement of much of this demand from the RSS Rural Area, where the requirement for one and two bedroom market housing is relatively high.

Figure A2.5 Profile of accommodation required in the RSS Inner Area (adjusted model)

Total new build required, 2009-2029: 2,120 ordinary housing, 1,211 specialist housing** (total: 167/yr)
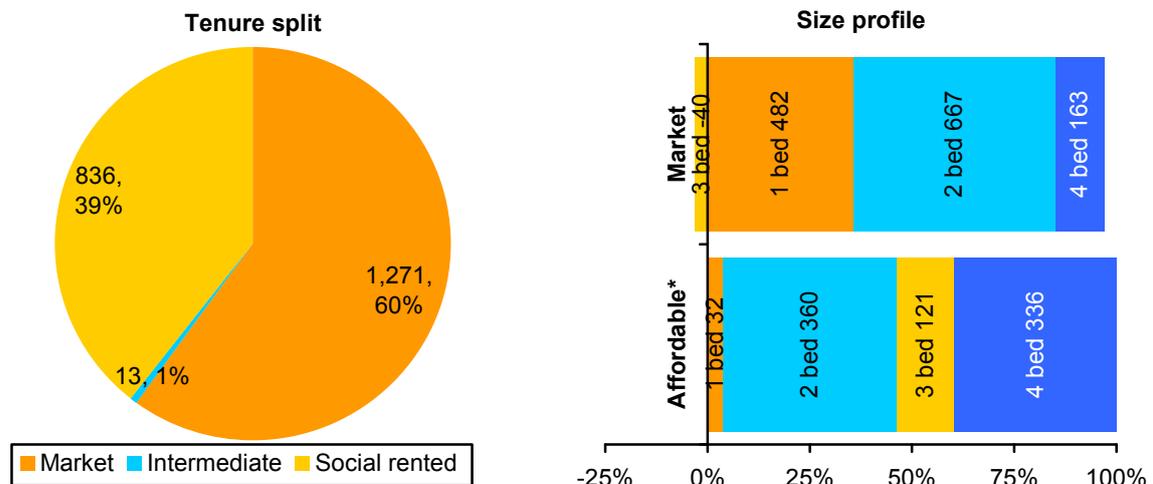

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009   * Includes both social rent and intermediate ** all forms of sheltered or supported housing etc. – see definition in Glossary – not shown in charts

A2.18   In the RSS Outer Area, the key effect of the scenario is to increase the proportion of social housing required, and to decrease the proportion of intermediate housing. This is due to the transfer of some of the affordable housing requirement out of the RSS Inner Area, where requirements are particularly strong for two bedroom social rented units.   There is no change in the amount or sizes of market housing required.

Figure A2.6 Profile of accommodation required in the RSS Outer Area (adjusted model)

Total new build required, 2009-2029: 4,073 ordinary housing, 2,077 specialist housing** (total: 307/yr)
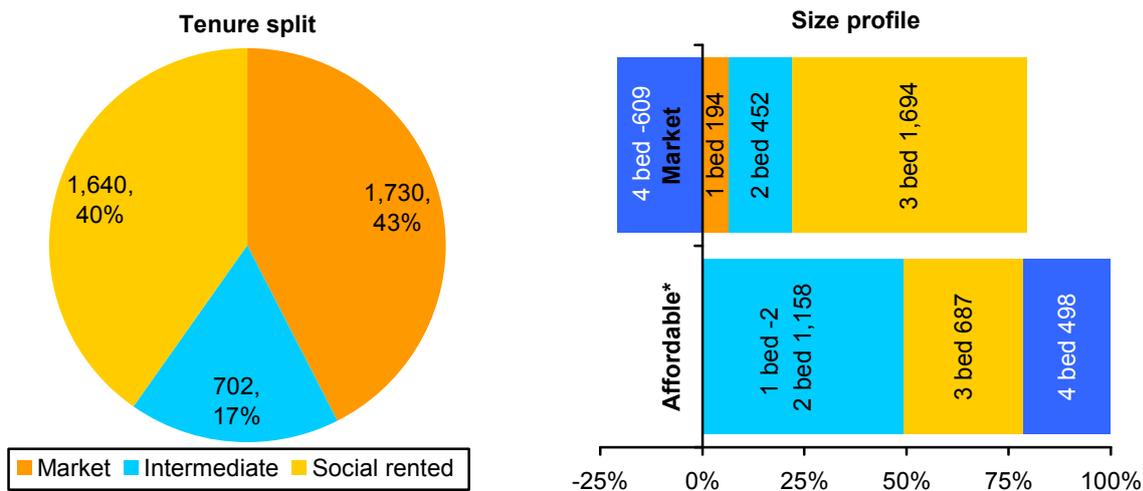

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009   * Includes both social rent and intermediate ** all forms of sheltered or supported housing etc. – see definition in Glossary – not shown in charts

A2.19   In the RSS Rural Area, the key change is to decrease the build rate of market housing, which is displaced into the RSS Inner Area. Since no requirement for any type of housing is moved into this RSS area in this scenario, the proportions of housing required by bedroom size remain the same as in the base model (Scenario A).

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Figure A2.7 Profile of accommodation required in the RSS Rural Area (adjusted model)

Total new build required, 2009-2029: 1,286 ordinary housing, 633 specialist housing** (total: 96/yr)
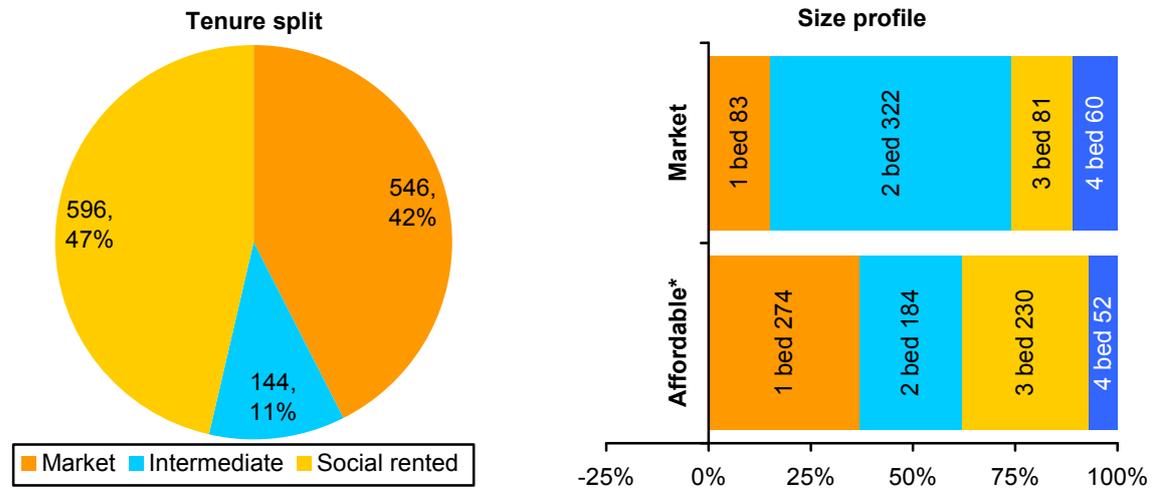
Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009   * Includes both social rent and intermediate ** all forms of sheltered or supported housing etc. – see definition in Glossary – not shown in charts

A2.20   The Table below summarises the transfers of housing requirements between areas made for Scenario B.

Table A2.1 Transfers of housing requirements made in Scenario B		
Area	Transfer into pool	Receive from pool
RSS Inner	41.5% of affordable housing	100% of market housing
RSS Outer	-	100% of affordable housing
RSS Rural	80% of market housing 40% of affordable housing	-

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009

### Scenario C: Force a build rate of 400 per annum in the RSS Inner Area

A2.21   In this scenario, we considered the flows of households which would be necessary to meet the build rate of 400 new dwellings per annum proposed under regeneration plans for the RSS Inner Area. This constitutes 70% of all proposed newbuild in the Borough and would require future requirements for housing of all types to be moved into the RSS Inner Area, from both the RSS Outer Area and the RSS Rural Area.

A2.22   The flows out of the RSS Rural Area and the RSS Outer Area have been distributed to leave both areas with about 60% market housing in their remaining distributions. The total requirement in the RSS Inner Area under this scenario is for 44% market housing. The regeneration process aims to increase the overall economic prosperity of the area, which could increase the future requirement for market housing by providing increased employment opportunities. Were this to occur, a larger proportion of market housing could be provided in this area than indicated by the model. This scenario could therefore be considered more practical than either Scenario A or Scenario B. The results are shown in the charts below.

A2.23   The main impact on the RSS Inner Area is to increase the requirement for market housing to about 44% of the total. The proportion of intermediate housing required, at 9% of the total, remains low. While the requirement for affordable housing is distributed across all dwelling sizes, the majority of the requirement for market housing is for one and two bedroom units.

Figure A2.8 Profile of accommodation required in the RSS Inner Area (adjusted model)

Total new build required, 2009-2029: 5,276 ordinary housing, 2,732 specialist housing** (total: 400/yr)
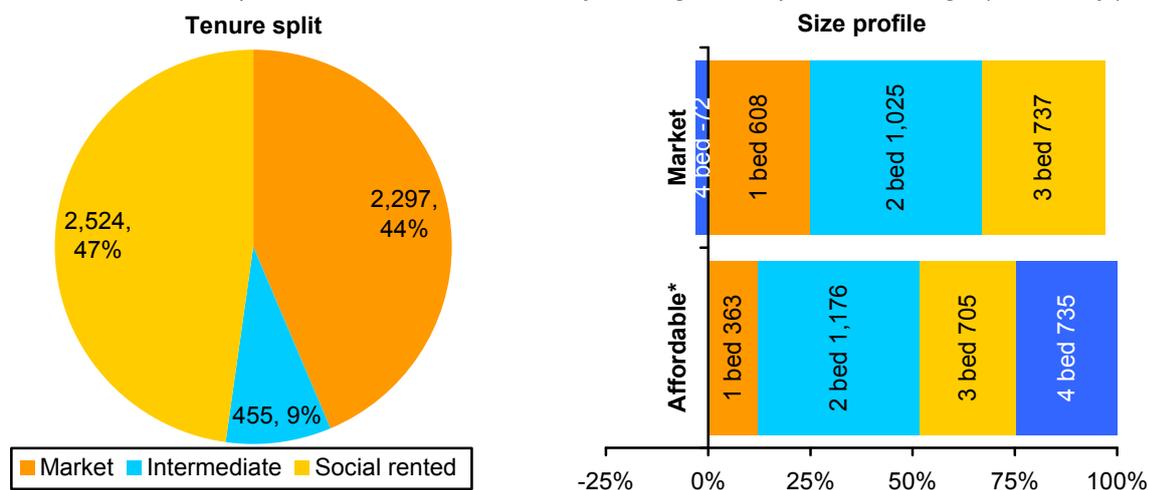

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009   * Includes both social rent and intermediate ** all forms of sheltered or supported housing etc. – see definition in Glossary – not shown in charts

A2.24   In the RSS Outer Area, this scenario results in a much lower overall build rate. There is a requirement for 56% market housing, with a large proportion of affordable housing (21% of all new housing) in the intermediate sector. Because (unlike in the scenario B) no housing requirements are transferred into the area, the requirements for sizes of housing remain unchanged from the base model (Scenario A).

Figure A2.9 Profile of accommodation required in the RSS Outer Area (adjusted model)

*Total new build required, 2009-2029: 1,745 ordinary housing, 972 specialist housing** (total: 136/yr)*
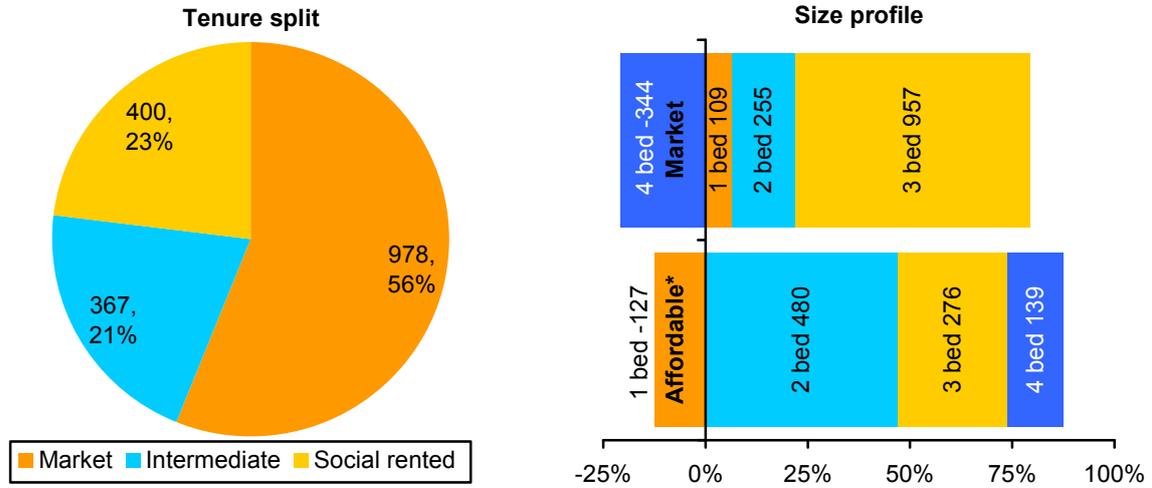
Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009 * Includes both social rent and intermediate ** all forms of sheltered or supported housing etc. – see definition in Glossary – not shown in charts

A2.25   In the RSS Rural Area, the build rate is reduced substantially and the proportion of market housing required is reduced to 59%. The requirement by size of housing is not changed from the base model (Scenario A), since no requirements for housing are moved into the area from elsewhere.

Figure A2.10 Profile of accommodation required in the RSS Rural Area (adjusted model)

Total new build required, 2009-2029: 458 ordinary housing, 218 specialist housing** (total: 34/yr)
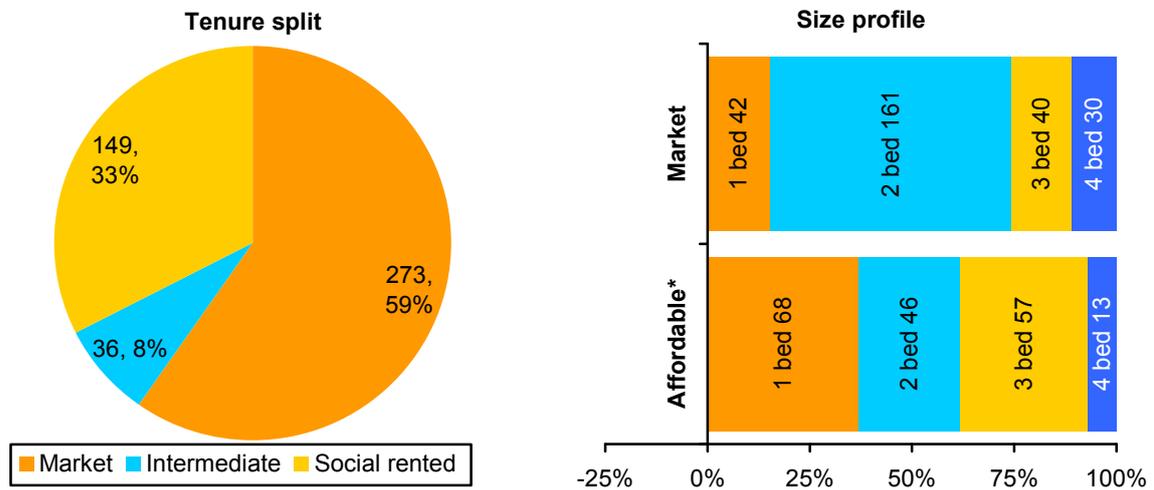
Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009   * Includes both social rent and intermediate ** all forms of sheltered or supported housing etc. – see definition in Glossary – not shown in charts

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A2.26   The table below summarises the transfers of housing requirements between areas made for Scenario C.

Table A2.2 Transfers of housing requirements made in Scenario C		
Area	Transfer into pool	Receive from pool
RSS Inner		100% of market housing 100% of affordable housing
RSS Outer	43.5% of market housing 39.5% of affordable housing	
RSS Rural	90% of market housing 85% of affordable housing	

Source: Wirral Strategic Housing Market Assessment Update, Fordham Research 2009