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Stroud District Council  
Post-examination Consolidated  
Strategic Housing Market Assessment

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June 2015

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# A Consolidated SHMA

- A. HDH Planning and Development Ltd has undertaken three pieces of work in relation the Council's Strategic Housing Market Assessment that were submitted to the Examination of the Council's Local Plan:
- a. **Examination Library Reference PS/B18 – Strategic Housing Market Assessment Update** published in draft in 2013, but finalised after extensive public consultation in March 2014. That report set out the socio-economic context, profiled the housing stock and analysed the local housing market before assessing the level of affordable housing need following the model set out in the Strategic Housing Market Assessment Practice Guidance, August 2007. The report covered the six Gloucestershire Councils.
  - b. **Examination Library Reference PS/E13 – SHMA Update Paper: Impact of new Objectively Assessed Need Figures.** The LTBHM model was updated in light of the new OAN figures. This report presents the updated housing mix requirements for each authority resulting from the updated model. The report set out the updated outputs of the LTBHM for the each individual authority and detail the nature of housing required between 2013 and 2031.
  - c. **Examination Library Reference REX/B17 – Annex B - SHMA, Further Update, Affordable Housing.** This paper supplements the earlier publications by providing this additional detail in direct response to the areas where clarification has been requested, however this report is focused only on the District of Stroud. The report does not reproduce the background socio-economic and housing stock and other background information. This report provides a recalculation of outputs for the affordable housing needs model in accordance with the Planning Practice Guidance (PPG) approach using secondary data for Stroud District
- B. These documents, when read together and with the Assessment of Objectively Assessed Need form the Councils Strategic Housing Market Assessment. This document has been prepared for ease of reference and to bring the earlier documents together, and in response to the inspector's concern about the fragmented evidence.

## A Consolidated Document

- C. This document brings together the key sections of Strategic Housing Market Assessment Update (PS/B18) the SHMA Update Paper: Impact of new Objectively Assessed Need figures (PS/E13) and SHMA, Further Update, Affordable Housing (REX/B17 – Annex B) that are relevant to Stroud into one document.
- D. It is important to note that the information set out in this document is simply a re-presentation of information already set out in the earlier documents and no further alterations or updating

has been carried out. As a result different elements of the data are based at different times. We have highlighted the date as appropriate.

- E. The chapters in this update are updated consecutively however at the start of each chapter we have set out the original source.
- F. We have only presented the Long Term Balancing Housing Market Model and the updated Housing Need for Stroud.
- G. This document is made up as follows:
  - a. The first six chapters from the 2014 SHMA which set out the background taken from PS/B18. This is Gloucestershire data.
  - b. Chapter 7 being the SHMA Affordable Housing update taken from REX/B17 Annex B. This is Stroud specific data.
  - c. Chapter 8 being the updated Long Term Balancing Housing Markets Model for Stroud, taken from PS/E13.
  - d. Chapter 9 from the 2014 SHMA with amended mix of housing from Stroud sourced from PS/E13.



# 1. Introduction

THIS CHAPTER IS TAKEN FROM THE LOCAL AUTHORITIES OF GLOUCESTERSHIRE, STRATEGIC HOUSING MARKET ASSESSMENT – MARCH 2014. THE MAJORITY OF THE DATA WAS COLLECTED AND BASED IN 2013.

## Summary

- i) This Strategic Housing Market Assessment (SHMA) Update provides a quantitative and qualitative profile of the current and future housing market identifying both the extent of affordable housing need locally and the nature of additional housing required to best provide for the whole population. It is required to inform the prospective Development Plans being produced in several authorities within the County and because new the National Planning Policy Framework (NPPF) was published in 2012. In addition the Coalition government have made a range of changes to the housing sector, including the introduction of Affordable Rent.
- ii) The study will meet the requirements of paragraph 159 of the National Planning Policy framework and adhere to the approach set out in the Strategic Housing Market Assessment – Practice Guidance and the draft NPPG published in August 2013.

## Purpose

- 1.1 This Strategic Housing Market Assessment (SHMA) Update provides a quantitative and qualitative profile of the current and future housing market identifying both the extent of affordable housing need locally and the nature of additional housing required to best provide for the whole population. This is undertaken using a range of data so that the outputs of this SHMA provide robust evidence that will inform local housing strategies and planning policies. The outputs are provided at County-wide level. Previous work<sup>1</sup> has broadly identified the County of Gloucestershire as constituting a housing market area. The existence of this housing market area was briefly reviewed using price information available at the time of reporting and found to be still accurate, although it is acknowledged that the absence of the new Census data on migration and travel to work flows at time of reporting limited the extent of this review.

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<sup>1</sup> Geography of Housing Market Areas in England. Summary Report. Published in July, 2010 for by National Housing and Planning Advice Unit by Colin Jones, Mike Coombes and Cecilia Wong.

- 1.2 In accordance with the latest Government guidance a variety of existing data sources have been used to provide a diverse evidence base. This includes published local and national secondary data, making use of a recent household survey previously undertaken across the study area, obtaining new primary data on the cost of housing locally and the local drivers of the housing market to fill gaps in the secondary data and via stakeholder consultation - stakeholder views have been sought and incorporated into the study. Stakeholders were consulted at an event after the draft report and via online consultations and finally at an event to publicise the reports conclusions.
- 1.3 These various information sources are used alongside established modelling techniques and the previously published assessments of Objectively Assessed Need to derive outputs to two models – the housing needs assessment model and the Long-term Balancing Housing Markets model (discussed in more detail later in this chapter). This Gloucestershire wide SHMA combines work on the scale of affordable housing need with an objective assessment of the mix of housing and range of tenures that the local population is likely to require from the present day to 2031. This is to ensure that the SHMA covers the remaining plan-period for all adopted and emerging Core Strategies within the Gloucestershire housing market area.

### **Context**

- 1.4 A Strategic Housing Market Assessment (SHMA) was originally published for the six authorities of Gloucestershire in January 2009. However, an additional chapter (16) was added in April 2010 to summarise the results and the policy implications of the 2009 Housing Needs Assessment (HNA) which was subsequently undertaken across the County. This HNA (finalised in 2010) was based on primary data collected in April and May 2009 and provided additional detail on the understanding of the local labour market. The reports met the requirements of Planning Policy Statement 3 (PPS3) and also Planning Policy Statement 12 (PPS12) and adhered to the CLG publication '*Strategic Housing Market Assessment Practice Guidance*' (August 2007).
- 1.5 A number of authorities within Gloucestershire are gathering evidence to inform Development Plans (to be finalised later this year) that will identify the future housing requirements within the authority. The Councils recognise that it would be beneficial for this evidence to include up-to-date housing market need and demand information and have therefore commissioned this SHMA update to provide this. In addition the National Planning Policy Framework (NPPF) was published in Spring 2012 setting out slightly altered requirements of an SHMA. One of the key outputs is that (long-term) future demand for housing should be addressed and the Councils need to be aware of how provision for future housing in neighbouring authorities will affect them. This SHMA update will therefore frame the outputs within these altered requirements.
- 1.6 This update to the SHMA is also timely because the Coalition Government has made a range of changes to the housing sector since the previous SHMA. The most notable for the purposes of this study is Affordable Rent. This new social tenure is the main object of planned future housing investment by the HCA (Homes and Communities Agency) so this

report will establish its potential in Gloucestershire. The impact of other changes, including to changes to Local Housing Allowance, will also be addressed in this report.

- 1.7 This SHMA update report will assess the appropriate response within the current market conditions and new policy landscape. This is done by direct examination of the secondary data and through analysis of an updated household survey dataset. The updated dataset is created by applying the secondary data changes recorded to the primary data collected in 2009/10 as described in Chapter 2. This report will present the results in accordance with the latest Government Guidance.

### Government Guidance

- 1.8 National Planning Policy is now the NPPF. Paragraph 159 of the NPPF (March 2012) sets out the role of an SHMA.

*Local planning authorities should have a clear understanding of housing requirements in their area. They should:*

- *Prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to require over the plan period which:*
  - *meets household and population projections, taking account of migration and demographic change*
  - *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as families with children, older people, disabled people, service families and people wishing to build their own homes); and*
  - *caters for housing demand and the scale of housing supply necessary to meet this demand (para 28)*

- 1.9 Whilst the NPPF outlines how a SHMA fits into the wider housing policy framework, the detailed Practice Guidance (Strategic Housing Market Assessment Practice Guidance, August 2007) provides an indication as to how an SHMA should be undertaken and what topics should be covered. The Practice Guidance provides details about the whole process of conducting a SHMA and, importantly, sets out a comprehensive model for the assessment of affordable housing need. It should be noted that whilst draft National Planning Practice Guidance (NPPG) was published during the drafting of this report, the outputs required from the process and approaches used to arrive at them are largely unchanged.

- 1.10 This report will meet the requirements of paragraph 159 of the NPPF as well as meet the requirements and adhere to the approach set out in the Strategic Housing Market Assessment – Practice Guidance and the draft NPPG published in August 2013.

### Analysis contained in this report

- 1.11 This SHMA update report presents a comprehensive analysis of the Gloucestershire Housing Market. It contains two housing models each with a different objective. Chapter 7 presents the CLG housing need model, calculated in accordance with (chapter five of) the Practice Guidance. (It should be noted that whilst the draft NPPG was published during the

drafting of this report, the stages involved in the calculation of housing need within the housing needs assessment model remain unchanged.) This assesses the absolute need for affordable housing in Gloucestershire using established definitions and a prescribed methodology and expressed as units per year. The outputs enable comparison with previous estimates and estimates made in other areas of the country. The model is an analysis of the situation now and is used to inform local housing strategies over the short term.

1.12 A second model, the Long Term Balancing Housing Markets (LTBHM) model is detailed in Chapter 8 of the report. This model considers the nature of housing required in Gloucestershire over the longer plan-period (the outputs address changes required up to 2031). This model addresses the full housing market rather than focusing on the affordable sector, producing guidance as to the mix and type of housing to be provided to meet the requirements of a future population. The chapter will produce outputs based on the current Objectively Assessed Need of the separate authorities within Gloucestershire (as identified in other published documents). The model is an analysis of the situation over the longer term to inform planning policies on housing mix and tenure.

1.13 The full structure of the report is:

**Chapter 2** describes the methodology used to robustly update the household survey, which forms an important information source for this SHMA update.

**Chapter 3** of the report examines the latest data on the labour market and the resident population.

**Chapter 4** presents a profile of the housing stock in Gloucestershire and the changes that have occurred to it, including the notable growth of the private rented sector which is examined in more detail.

**Chapter 5** is an analysis of the current local housing market and the cost of accommodation in the County.

**Chapter 6** presents a consideration of the current financial capacity of households and their ability to afford market housing.

**Chapter 7** contains the results of the housing needs assessment model in accordance with the Practice Guidance approach – **as updated for Stroud.**

**Chapter 8** sets out an analysis of the entire housing market within the balancing housing markets model – **as updated for Stroud.**

**Chapter 9** summarises the policy implications of these findings within the requirements of NPPF – **for Stroud.**

1.14 The previous SHMA (and other evidence documents) presented a large range of data on the housing market and related subjects, whereas this SHMA update report will be focused on the key information required to understand the housing market currently and how it will change in the future (alongside the consequences of the planning and housing reforms). This report should therefore be read in association with the previous studies, which provide detail on elements of the housing market that have not been addressed within this update

study. Table 1.1 below sets out where the core output requirements set out in the Practice Guidance are located in this report. Please note that discrepancies may occur in some tables between sums of the component items and the total, due to the rounding of constituent figures in the table.

<b>Table 1.1 Meeting the Practice Guidance core outputs</b>	
<i>Item</i>	<i>Location</i>
1) Estimates of current dwellings in terms of size, type, condition and tenure	Chapter 4
2) Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the market.	Chapter 5 and 6
3) Estimate of the total future number of households, broken down by age and type where possible	Chapter 8
4) Estimate of current number of households in housing need	Chapter 7
5) Estimate of future households that will require affordable housing	Chapter 8
6) Estimate of future households requiring market housing	Chapter 8
7) Estimate of size of affordable housing required	Chapter 8
8) Estimate of household groups who have particular housing requirements e.g. families, older people, key workers black and ethnic minority groups, disabled people, young people etc	Chapter 7

Source: Gloucestershire County Strategic Housing Market Assessment, 2013



## 2. Methodology

THIS CHAPTER IS TAKEN FROM THE LOCAL AUTHORITIES OF GLOUCESTERSHIRE, STRATEGIC HOUSING MARKET ASSESSMENT – MARCH 2014. THE MAJORITY OF THE DATA WAS COLLECTED AND BASED IN 2013.

### Summary

- i) The analysis of the local housing market presented in the original report was based on a household survey of 11,125 households in Gloucestershire. 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 Gloucestershire as of March 2013.

### Introduction

- 2.1 In addition to documenting the changes that have been recorded in Gloucestershire since the 2009 SHMA, a new analysis of the housing market has been facilitated by the creation of an updated household dataset. A household survey was completed across the six authorities of Gloucestershire in April and May 2009 using postal questionnaires as part of the County-wide Housing Needs Assessment (HNA). In each constituent authority, the survey was drawn, at random, from the Council Tax Register covering all areas and tenure groups. A total sample of 11,125 was achieved across the County.
- 2.2 This 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 Gloucestershire County and updating the financial profile of households to reflect the changes recorded since the 2010 HNA. This chapter will describe the approach used for these two processes. The method has been used in over 50 previous studies and it has never been criticised at a Planning Inquiry. A supplementary methodology paper has been provided alongside this report to provide further detail on the approach used.

### Re-weighting the dataset

- 2.3 The 2010 HNA estimated that there were a total of 255,945 households in Gloucestershire as of mid-2009. This figure was largely derived from the Councils' HSSA returns and the 2006-based population and household projections. The publication of the initial 2011 Census results have shown that household growth since the previous Census has been much lower than was indicated by all of the household estimates published between 2001 and 2011 and

that across the country the number of households resident is notably lower than had been projected<sup>2</sup>.

2.4 Using the 2011 Census household total for Gloucestershire and uplifting it by the change indicated for the County in the 2008-based household projections (adjusted to reflect that household growth has been slower than projections have previously suggested), it is estimated that the household population in Gloucestershire at March 2013, the base date of this SHMA report, is 259,770. The dataset has therefore been reweighted to this total. This summarises the results at a County-wide level, however the reweighting process took place at a Local Authority level (and the County-level results are aggregated from these). Since the initial analysis was undertaken (and the first draft was published) the 2011-based Interim Household Projections have been published. These indicate that the figures derived in the process are accurate.

2.5 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 (within each individual authority). The variables used to weight the data are listed below:

- Tenure
- Household type
- Age of resident population
- Employment profile of resident population
- Sub-area
- Council Tax Band
- Car ownership
- Accommodation type
- Number of bedrooms
- Ethnicity

2.6 Table 2.1 shows an estimate of the current tenure split in Gloucestershire County. The data shows that 68.8% of households are owner-occupiers with 13.2% in the social rented sector and 18.0% resident in private rented accommodation. A table showing the equivalent information for the constituent Local Authorities of the Council is presented in the Appendices.

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<sup>2</sup> Across England the number of households recorded by the 2011 Census is 350,000 lower than the 2008-based household projections indicated for 2011.



**Table 2.1 Number of households in each tenure group 2013**

<i>Tenure</i>	<i>Total number of households</i>	<i>% of households</i>
Owner-occupied (no mortgage)	92,393	35.6%
Owner-occupied (with mortgage)*	86,228	33.2%
Social rented	34,379	13.2%
Private rented**	46,770	18.0%
Total	259,770	100.0%

\*includes shared ownership, \*\*Includes households living rent free.

Source: Gloucestershire County Strategic Housing Market Assessment, updated household dataset 2013;

### Updating the financial profile

- 2.7 As the original survey data has to be updated from its mid-2009 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 Annual Survey of Hours and Earnings (ASHE) was used to update the earned income of households with an employed member. The change recorded by ASHE over the last three and three quarter years was applied to the dataset to generate a profile for March 2013. As ASHE provides values at a range of points on the earnings distribution, it is possible to update income depending on the change recorded for the particular quartile the original household income of 2009 was in. ASHE also presents results at a Local Authority level so the changes applied to the dataset reflect the conditions in that particular authority.
- 2.9 For example, lower quartile incomes were estimated to have increased by 2.6% since 2009 in Stroud, median incomes have increased by 6.4% and upper quartile incomes have grown by 5.3%. These increases have been applied to the survey data for Stroud to bring it up to a March 2013 base with equivalent figures used for the same process in each of the other five authorities. The incomes of retired households were assumed to increase with inflation (Consumer Price Index, CPI), while the income of benefit dependent households was assumed to follow the trend in overall spending on non-housing related benefits (excluding those benefits not linked to unemployment) per claimant in the individual authority area.
- 2.10 In the absence of any secondary data on the average level of savings in the UK, savings were updated according to inflation (CPI). This indicated an increase of 10.4% over the last three and three quarter years. This increase has been applied to the survey data to bring it up to a March 2013 base. Whilst this increase may appear large, analysis by the Office of National Statistics (ONS) on the proportion of income that households use for savings indicates that households are saving almost three times as much of their income

(proportionally) in the last two years than they were in the two years prior to the previous study (2009).

- 2.11 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 Authority level, with data on the price of all home sales for every quarter of the year. Analysis of Land Registry data suggests that overall, median house prices within Gloucestershire have increased by 3.1% over the past three and three quarter years. As the Land Registry presents data for a range of points on the price distribution and at a Local Authority level, it is possible to update the value of owner-occupied homes by the change in prices recorded for the appropriate price level within the particular authority within Gloucestershire.
- 2.12 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 house worth £100,000 and with £50,000 of equity (in 2009) would now be assumed to be living in a house worth £103,100 and with £51,550 of equity. The actual figures used in this process depend on the data recorded for the specific Local Authority.

## 3. Socio-economic Profile

THIS CHAPTER IS TAKEN FROM THE LOCAL AUTHORITIES OF GLOUCESTERSHIRE, STRATEGIC HOUSING MARKET ASSESSMENT – MARCH 2014. THE MAJORITY OF THE DATA WAS COLLECTED AND BASED IN 2013.

### Summary

- i) Various secondary data sources were reviewed as part of the updating process. The recent Census indicates that in 2011 the population of the County was 596,894 and that since 2001 the population has increased by 5.7%. The size of the household population, has increased at a higher rate between 2001 and 2011 (7.0%).
- ii) Gloucestershire contains a lower proportion of the population that are working age than is found nationally, principally because there is a larger than average proportion of people of pensionable age in the County. The Black, Asian and Minority Ethnic population of Gloucestershire County is just 4.7% of the total population.
- iii) There has been a notable growth in part-time employment in Gloucestershire over the last ten years, whilst the number of people in full-time employment has risen more modestly.
- iv) The proportion of economically active residents that are unemployed in Gloucestershire has increased from 1.6% in January 2007 to 2.8% currently, however unemployment in the County has reduced over the last 12 months.
- v) Gloucestershire contains proportionally more residents working in managerial jobs than is found regionally. The County also contains a higher than average level of working-age residents with level 4 qualifications and above.
- vi) The mean earned income for employees in Gloucestershire in 2012 was £32,664, higher than the equivalent figures for the South West region and England.

### 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. This chapter uses recently published secondary data to document the current socio-economic profile in Gloucestershire and how it has changed. The information presented compares the circumstances in the County to the regional and national situation where possible and also looks at differences between the authorities within

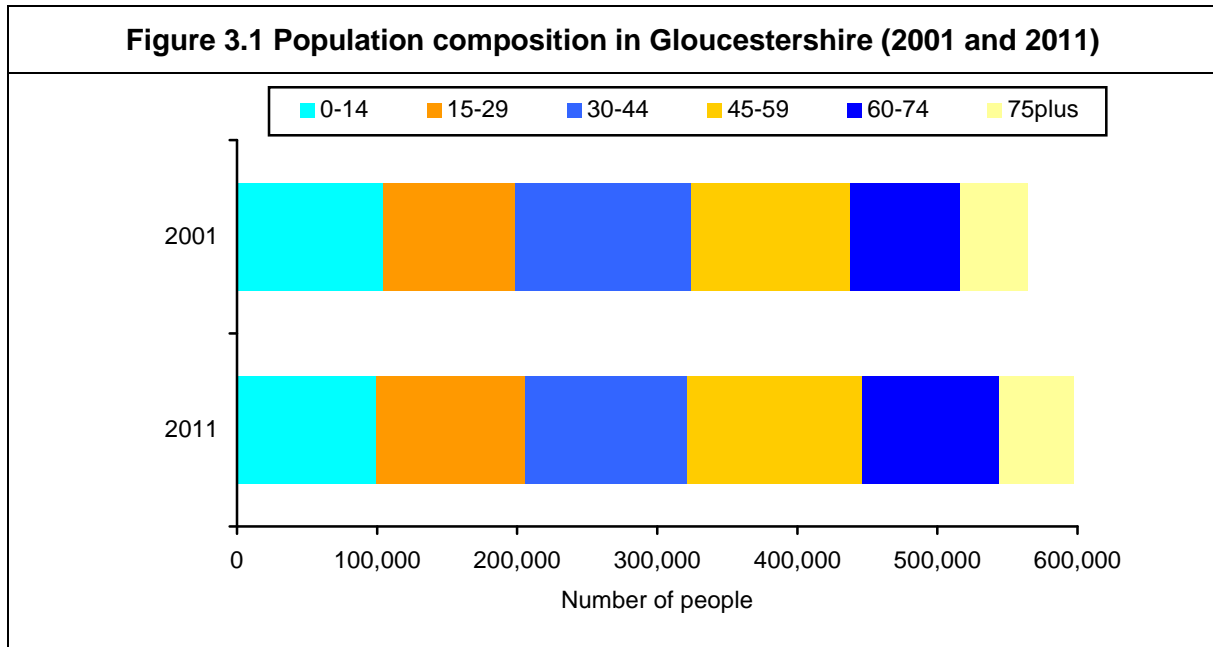
the County. This contextual information is important to understand the current situation and the direction of movement in the area, so that the implications of the housing market models presented in Chapters 6 and 7 can be better understood.

## Demography

- 3.2 The recently released 2011 Census data provides a comprehensive profile of the population of Gloucestershire and how it has changed since the previous Census.

### Population

- 3.3 The Census indicates that the resident population in Gloucestershire in 2011 was 596,894 and that since 2001 the population had increased by 5.7%, over 32,000 people. In comparison the population of the South West region increased by 9.8% between the 2001 and 2011 Census, whilst the population of England increased by 8.9%. Within Gloucestershire, Gloucester recorded the greatest population increase, at 10.7% followed by Tewkesbury (at 7.2%) and Cheltenham (5.2%). Population growth was slowest in Forest of Dean (2.5%) followed by Cotswold (3.1%) and Stroud (4.5%). Figure 3.1 illustrates the age composition of the population in Gloucestershire in 2001 and 2011 according to the Census. It shows that since 2001 the number of people aged 60 or over has markedly increased and the population of the County aged 15 to 29 and 45 to 59 has also increased substantially. In contrast the number of people aged between 30-44 has decreased notably.



Source: 2001 & 2011 Census

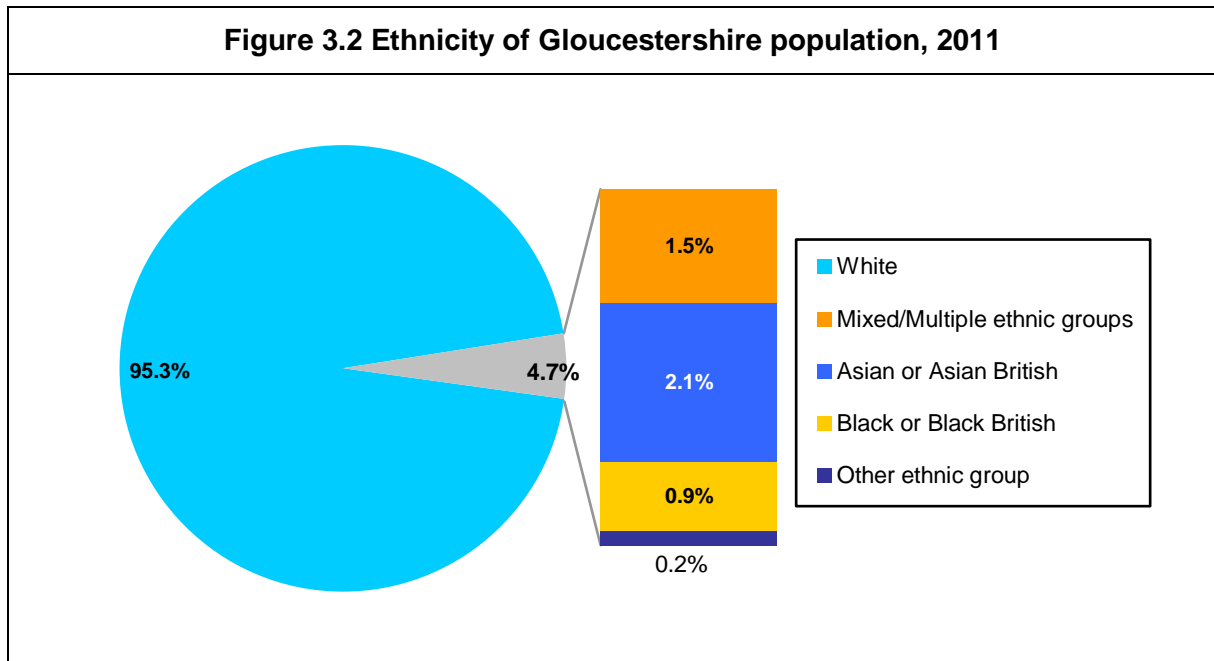
- 3.4 The 2011 Census figures also indicate that Gloucestershire contains a lower proportion of the population that are working age than is found nationally: 63.5% in Gloucestershire and 64.8% across England. This is principally because there are a larger than average proportion of people of pensionable age in the County (18.7% in Gloucestershire compared

to 16.3% in England). The South West region as a whole contains fewer working age people (62.8%) and more pensioners (19.6%) than Gloucestershire.

- 3.5 The 2011 Census indicates that the population density in Gloucestershire is 1,092 people per km<sup>2</sup>, an increase from 1,001 people per km<sup>2</sup> in 2001. The 2011 figure for England is 407 people per km<sup>2</sup>. The figure for the South West region is not currently available.
- 3.6 Some 16.8% of the resident population in Gloucestershire have a long-term health problem or disability, compared to 18.5% of residents in the South West region and 17.6% of people across England. This is quite notable, given the older than average profile of the population. Residents in Cheltenham were particularly unlikely to have a long-term health problem or disability (15.2%) with residents in Forest of Dean most likely (19.6%).

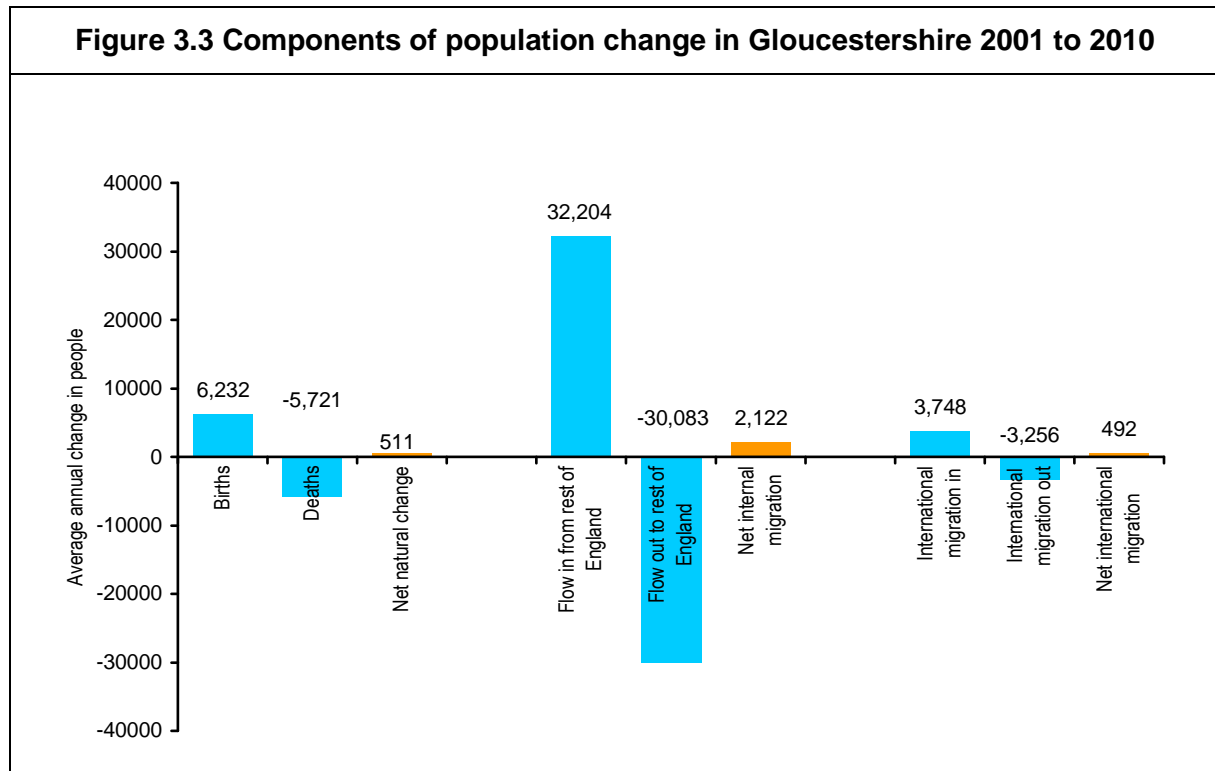
#### Ethnicity

- 3.7 According to the 2001 Census, the proportion of Black, Asian and Minority Ethnic (BAME) (non-White) groups in Gloucestershire County was 2.8%, higher than the figure recorded for the South West region (2.3%) but lower than the national average (9.1%). The 2011 Census suggests that the BAME population of Gloucestershire County has increased to 4.7% of the total population, but remains notably smaller than the national figure (14.5% in England) and equal to the regional figure. This amounts to an increase of around 11,200 people (an increase of 70.0%) in BAME groups between 2001 and 2011. The 2011 Census indicates that Gloucester has the highest BAME population (10.9%) followed by Cheltenham (5.7%) and Tewkesbury 2.5%), whilst Forest of Dean has the smallest BAME population (1.5%) followed by Stroud (2.1%) and Cotswold (2.2%).
- 3.8 Figure 3.2 presents the ethnicity of the population in the County in 2011. The 'Asian or Asian British' represents the largest BAME group in Gloucestershire County (2.1% of total population).



Source: 2011 Census

- 3.9 The Census reveals that just 0.9% of the population of Gloucestershire in 2011 had been resident in the UK for less than two years, compared to 1.0% in the South West region and 1.8% across England. The overwhelming majority of the population of the County have resided in the UK for over 5 years (including those born in the UK); 97.8% in Gloucestershire compared to 97.7% in the South West and 96.0% in England.
- 3.10 Figure 3.3 presents further detail on the components of population change in Gloucestershire between 2001 and 2010. It indicates that an average of 32,204 people moved into the County each year from elsewhere in England, whilst 30,083 people moved from Gloucestershire to elsewhere in the country. This equates to a net growth of 2,122 people per year from internal migration. The figure shows that net internal migration was the largest component of population growth followed by net natural change and net international migration. It is interesting to note that in Cheltenham net international migration was the largest component of population growth and in Gloucester it was net natural change, whilst in all the other authorities it was net internal migration. In Cotswold, Stroud and Forest of Dean natural change resulted in a fall in population.



Source: ONS components of change for England and Wales - annual tables for 1991-2 to 2009-10

### Number of households

- 3.11 The 2011 Census revealed that the household population in Gloucestershire has increased by 7.0% since 2001, a slower rate than regionally (8.6%) and nationally (7.9%). Within Gloucestershire, Gloucester recorded the greatest household growth (10.0%) followed by Tewkesbury (8.5%) and Stroud (7.1%), whilst Forest of Dean had the slowest household growth (5.0%) followed by Cotswold (5.3%) and Cheltenham (5.7%). As the population has increased at a slower rate than the number of resident households between 2001 and 2011, this implies that the average size of households in Gloucestershire is decreasing as is illustrated in Table 3.1.

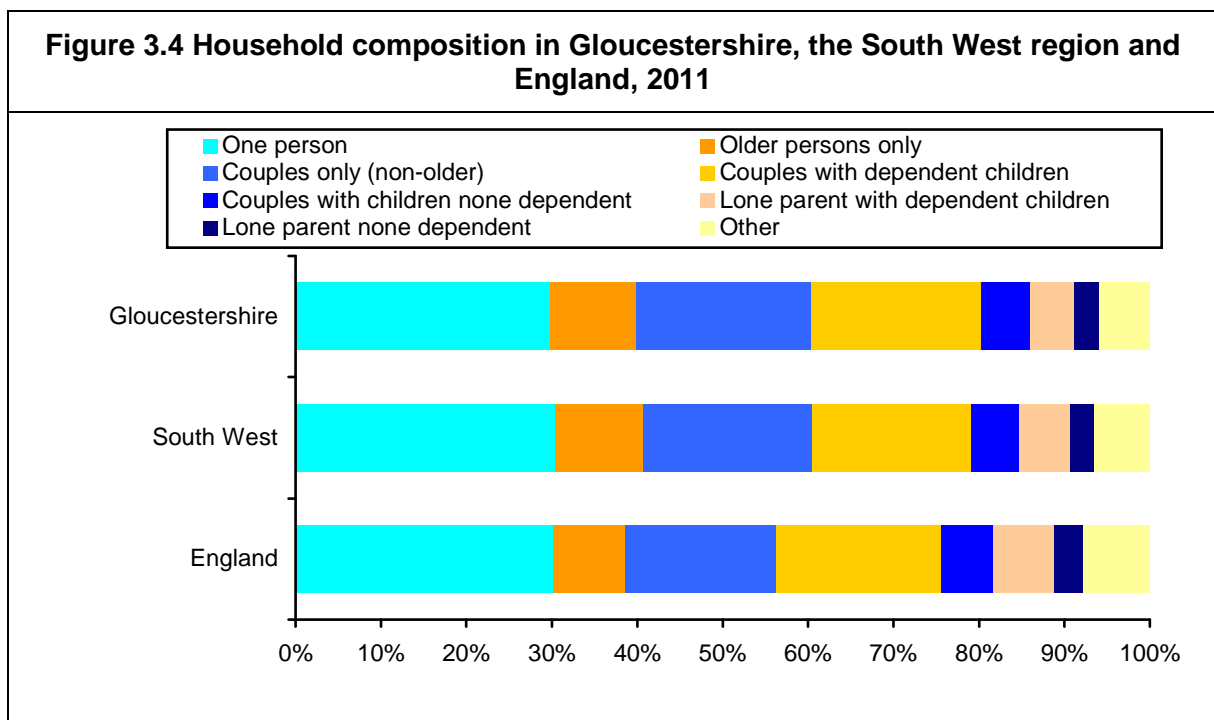
<b>Table 3.1 Change in average household size, 2001 to 2011</b>		
	<i>2001</i>	<i>2011</i>
Population	564,559	596,984
Households	237,872	254,615
Average household size	2.37	2.34

Source: 2001 & 2011 Census

- 3.12 This average household size of 2.34 compares to an average of 2.9 bedrooms per household in the County according to the 2011 Census. The 2011 Census also indicates that 2.7% of households in Gloucestershire had fewer bedrooms than they required (compared to 1.9% across the South West region and 4.8% nationally), whilst 74.9% have at

least one bedroom more than they require (as opposed to 73.3% in the South West and 68.7% across England).

3.13 Figure 3.4 compares the household composition in Gloucestershire in 2011 with that recorded for the South West region and England. The data indicates that older persons only households constitute 10.0% of all households in the County compared to 10.3% in the region and 8.4% nationally. A third (33.7%) of households in Gloucestershire contain children compared to 33.1% in the South West and 36.0% in England. The figure also shows that some 29.8% of households in Gloucestershire contain only one person, marginally lower than the regional and national figures.

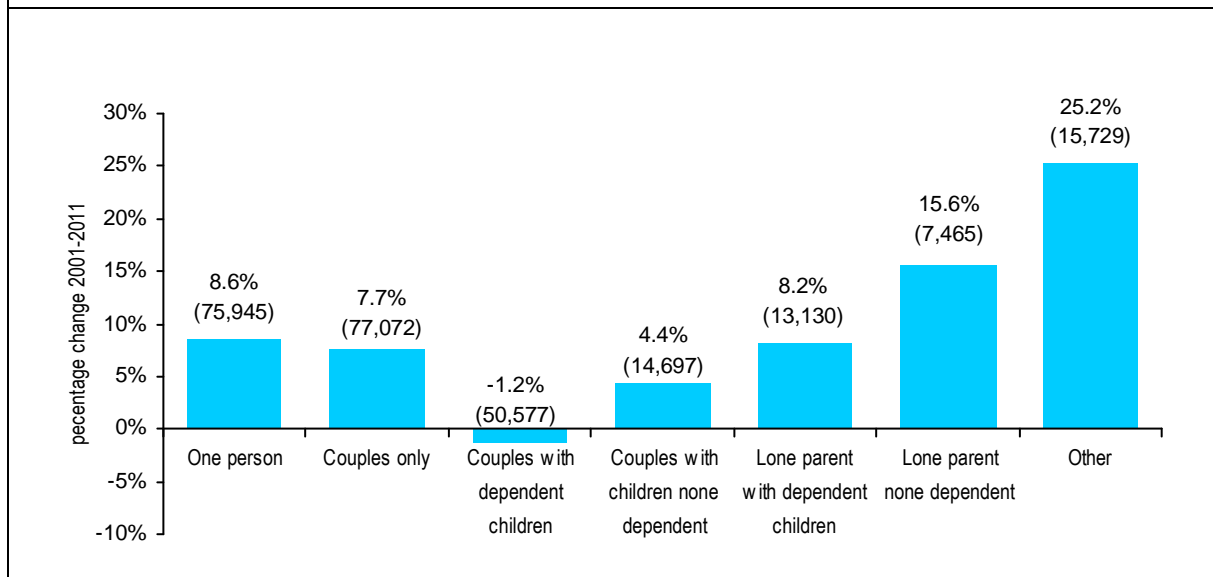


Source: 2011 Census

3.14 Figure 3.5 shows the relative (rather than absolute) change recorded between the 2001 and 2011 Census for the different household groups in Gloucestershire. The figure shows that 'other' households have increased the most (although from a low base), followed by lone parent households with no dependent children (again from a low base). The absolute increase was greatest for one person households followed by couple households. It is interesting to note that couples with only non-dependent children have increased at a notable rate whilst couples with dependent children have decreased. This suggests that household formation rates amongst young adults may have reduced.



**Figure 3.5 Relative change in household types resident in Gloucestershire 2001 to 2011 (Number of households in 2011 presented in brackets)**



Source: 2001 & 2011 Census

## Economy

- 3.15 Considerable data is available on the economic context in Gloucestershire, which enables a detailed profile of the current local economy to be presented.

### Employment in Gloucestershire County

- 3.16 The latest data available on the economy in Gloucestershire indicates that there is some capacity to undergo growth. NOMIS3 data on 'job density' (this is a measure of the number of jobs per person of working age) for 2010 shows that there are 0.84 jobs per working age person in the County. This is slightly higher than the South West region (0.82) and England as a whole (0.78). The figure of 0.84 represents an increase from the 0.81 recorded in 2006 before the start of the economic downturn.
- 3.17 Cheltenham records the highest job density in 2010 at 0.95 jobs per working age person, followed by Gloucester (at 0.94). At 0.55, Forest of Dean records a notably lower level of job density than any other authority in the County.
- 3.18 Data is also available from the ONS 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. ONS indicates that the number of VAT registered businesses at the end of 2011 in the County was 26,250; this is increase from the figure of 24,770 recorded in 2006 before the economic downturn. The increase in VAT registered businesses over this period may have been caused by a lack of

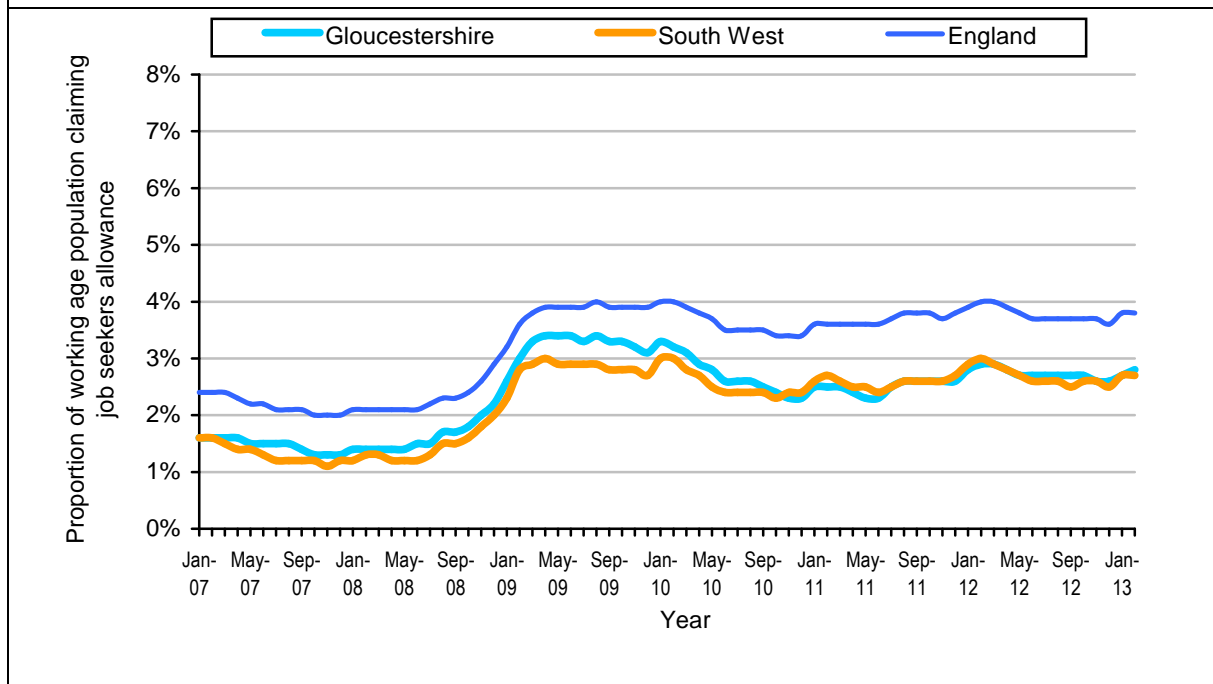
<sup>3</sup> NOMIS is a website provided by the Office of National Statistics that contains a range of labour market data at local authority level. [www.nomisweb.co.uk](http://www.nomisweb.co.uk)

employment opportunities, driving more people to self-employment. It is worth noting that the number of enterprises that have closed in Gloucestershire exceeded the number that opened in 2009 and 2010, but in 2011 more opened than closed.

#### Employment profile of residents in the County

- 3.19 Although the overall economic performance of Gloucestershire provides important context, an understanding of the affect of the economic climate on the resident population is more crucial to this study.
- 3.20 The Census provides an overview of the employment situation in Gloucestershire in 2011. It shows that of all residents in work (excluding those that are also students), 16.9% are self-employed, with 60.5% full-time employees and 22.6% part-time employees. The levels of part-time employment and self-employment are above both the national (15.7% and 22.1% respectively) averages but below the regional figures (17.6% and 23.7%). Since the 2001 Census the number of part-time employees in Gloucestershire has increased by 22.1%, whilst the number of full-time employees has risen by 2.7%. The number of self-employed residents has increased by 22.7%. The relatively large increase in part-time employment (relative to full-time employment) suggests that there is an increasing proportion of the workforce with lower incomes.
- 3.21 The ONS publishes the number of people claiming Job Seekers Allowance on a monthly basis. This provides an up-to-date measure of the level of unemployment of residents in an area. Figure 3.6 shows the change in the proportion of the working age population claiming Job Seekers Allowance in Gloucestershire since January 2007. The figure indicates that the Gloucestershire unemployment level has been similar to the level for the South West region but below the national average. All three areas experienced a substantial increase in Job Seekers Allowance claimants in the autumn of 2008 due to the economic downturn.
- 3.22 Gloucester records the highest level of unemployment within the County (4.2% as of February 2013), followed by Cheltenham (3.2%) and Forest of Dean (2.7%). Unemployment is lowest in Cotswold (1.6%) followed by Stroud and (2.0%) Tewkesbury (2.2%). Whilst Gloucester records the highest level of unemployment amongst residents, the City provides an important sub-regional employment hub and there is a notably larger number of people working within Gloucester than in the other authorities in the County.
- 3.23 Since January 2007, unemployment in Gloucestershire has increased by 76.6% (as opposed to 74.9% regionally and 64.9% nationally). However, unemployment has decreased in the last twelve months in Gloucestershire (by 5.1%) a pattern similar to that recorded regionally (a 4.7% decrease) and nationally (an 8.4% decrease). Since the 2010 housing needs assessment was finalised (June 2010) unemployment in the County has increased by 7.3% (compared to 14.3% across the South West and 11.4% nationally).

**Figure 3.6 Proportion of people claiming Job Seekers Allowance in Gloucestershire County (2007-2013)**



Source: ONS Claimant count

- 3.24 It is worth noting that Gloucestershire has a relatively small proportion of young people unemployed; 4.4% of 18 to 24 year olds in the County are unemployed compared to 4.3% at the regional level and 5.8% nationally. The level of long-term unemployed residents (more than 12 months unemployed) however is at an average level (0.7% of the working age population, compared to 0.6% in the South West region and 1.0% for England).
- 3.25 The Census 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 40.9% of employed residents in Gloucestershire work in groups 1 to 3, a similar level to that recorded for the South West region and England. Gloucestershire has a slightly smaller proportion of the workforce in groups 6-7 and 9-8 than is found regionally and nationally. Cotswold is the authority within the County with the highest proportion of employed residents working in groups 1 to 3 (45.3%) followed by Cheltenham (45.2%), whilst Gloucester records the lowest proportion (34.0%).
- 3.26 The table also shows that since the 2001 Census there has been a considerable increase in the number of people resident in Gloucestershire County employed within groups 6 to 7 and a smaller increase in the number employed within groups 1 to 3.

<b>Table 3.2 Occupation structure</b>				
<i>Occupation Groups</i>	<i>Gloucestershire 2011</i>	<i>South West 2011</i>	<i>England 2011</i>	<i>Change in # of people employed in Gloucester- shire since 2001</i>
Group 1-3: Senior, Professional or Technical	40.9%	39.7%	41.1%	12.6%
Group 4-5: Administrative, skilled trades	24.8%	24.4%	22.8%	4.6%
Group 6-7: Personal service, Customer service and Sales	17.0%	18.2%	17.7%	37.0%
Group 8-9: Machine operatives, Elementary occupations	17.3%	17.7%	18.3%	-6.6%
Total	100.0%	100.0%	100.0%	9.9%

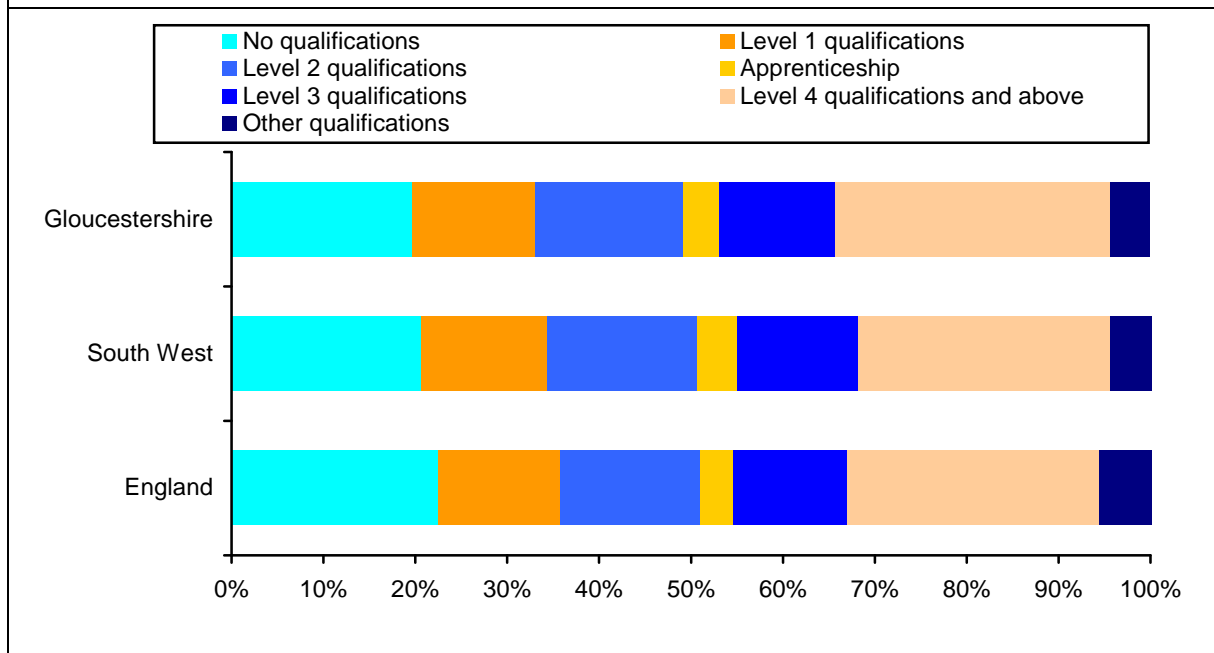
Source: 2001 & 2011 Census

- 3.27 Analysis of the 2011 Census data indicates that public administration & defence and manufacturing industries are relatively large employers for residents in Gloucestershire compared to the national average. The opposite is true for the transport and storage sector. Comparison with the 2001 Census data indicates that the economy in Gloucestershire has become more diverse over the last ten years in response to the decrease in the relative importance of the manufacturing and agriculture, forestry & fishing sectors.

#### Qualifications

- 3.28 Figure 3.7 shows the highest qualification level of the working-age residents of Gloucestershire, compared to the regional and national equivalents as recorded in the 2011 Census. Level 1 qualification is the lowest (equivalent of any grade at GCSE or O-level) and Level 4 the highest (undergraduate degree or higher).
- 3.29 The data indicates that some 19.6% of working-age residents in the County have no qualifications, lower than the figure for the South West region and England (20.7% and 22.5% respectively). Gloucestershire also has more residents with Level 4 or higher qualifications. Cheltenham has the highest proportion of working age residents with Level 4 or higher qualifications (36.2%) and Gloucester the lowest (22.2%).
- 3.30 It is important to note that the proportion of working-age residents in Gloucestershire without qualifications has reduced since the 2001 Census and the proportion with Level 4 or higher qualifications has increased notably (from 21.1% in 2001 to 29.9% in 2011).

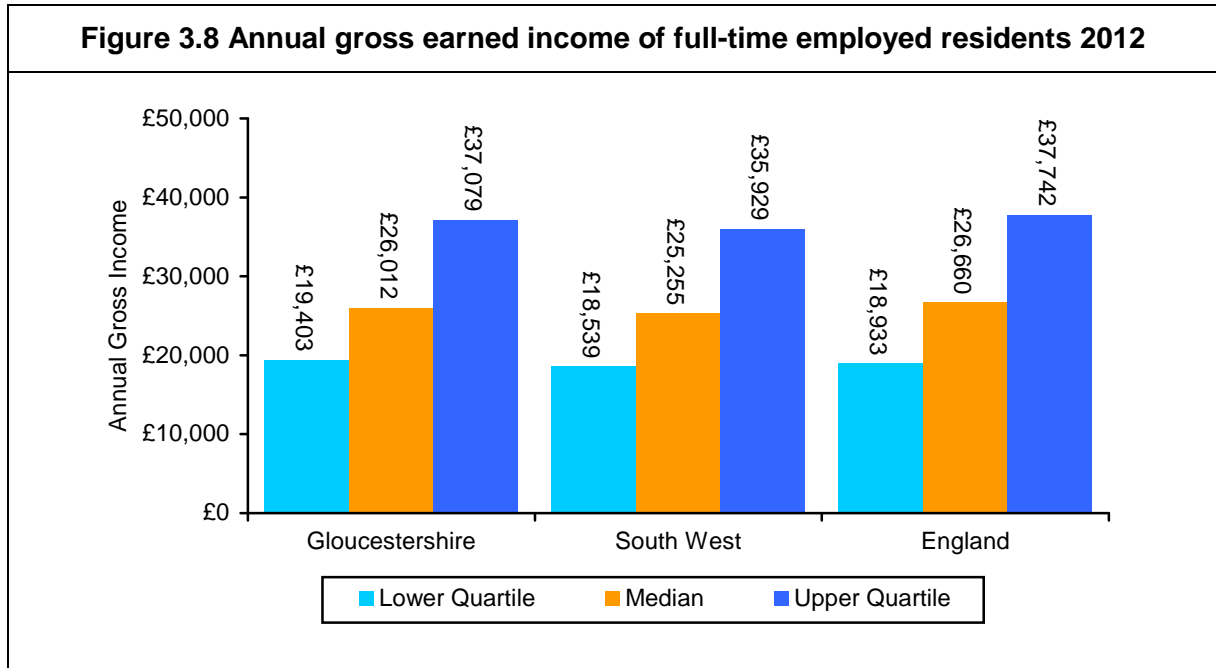
**Figure 3.7 Highest qualification level of residents in Gloucestershire, the South West region and England, 2011**



Source: 2011 Census

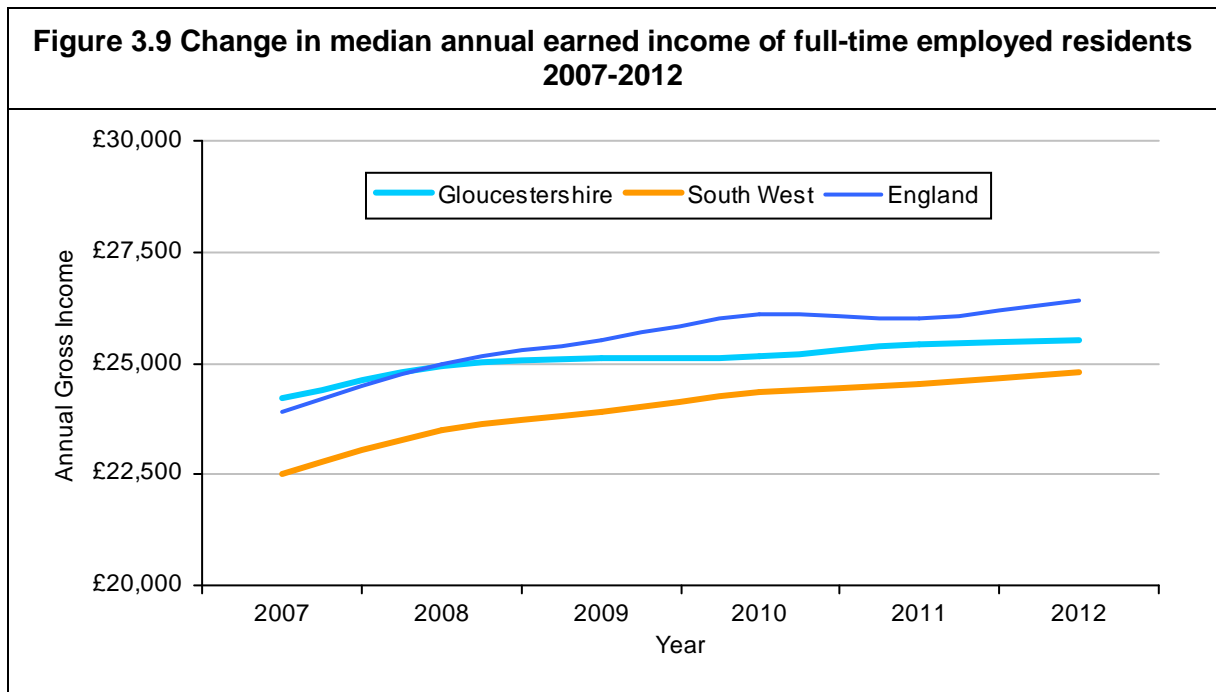
### Earnings

- 3.31 The mean earned income for full-time employees resident in Gloucestershire County in 2012 was £32,664, according to the ONS Annual Survey of Hours and Earnings, higher than both the South West region (at £30,062) and England (£32,089). It is important to note that these figures assess individual earned incomes rather than household incomes. As Figure 3.8 shows, at all points on the distribution, annual gross income in Gloucestershire County is higher than the equivalent in the South West region, but lower than the national figures (except for lower quartile earnings).
- 3.32 Across the individual authorities of Gloucestershire, Stroud records the highest median earned income (£28,017) followed by Cheltenham, (£28,688) and Tewkesbury (£25,989), whilst Gloucester has the lowest mean earned income (£23,197) then Cotswold (£25,080) and Forest of Dean (£25,667). Whilst the income of residents of Gloucester are relatively low the income of full-time employees working in the City is very similar to the County average.



Source: ONS Annual Survey of Hours and Earnings (2012)

3.33 Figure 3.9 shows the change in the median earned income of full-time employees resident in Gloucestershire, the South West region and England since 2007. Gloucestershire County has recorded a smaller increase since 2007 (5.5%) than the South West region (10.1%) and England (10.4%).



Source: ONS Annual Survey of Hours and Earnings (2008-2012)

3.34 ONS have produced estimates of the proportion of households in poverty in 2008 for each middle-super output area (MSOA) in England and Wales, although these are classed as experimental statistics and should be treated with caution. The lowest figure recorded for the

MSOAs in Gloucestershire is 10.4% of households in poverty and the highest is 36.2%. In comparison the median figure across England and Wales is 19.9%. Overall of the 75 MSOAs in Gloucestershire, 17 recorded a higher percentage than the national median, and 58 had a lower figure. This suggests that households in poverty are not a significant issue in the County.

- 3.35 In addition in December 2012 the CLG published data tracking economic and child income deprivation at neighbourhood level in England between 1999 and 2009. This showed that of the 326 authorities in England, Gloucester was ranked the 108<sup>th</sup> worst for child income deprivation in 2009, with Forest of Dean ranked 184<sup>th</sup>, Cheltenham 196<sup>th</sup>, Tewkesbury 216<sup>th</sup>, Stroud 261<sup>st</sup> and Cotswold 282<sup>nd</sup>.





## 4. The Housing Stock

THIS CHAPTER IS TAKEN FROM THE LOCAL AUTHORITIES OF GLOUCESTERSHIRE, STRATEGIC HOUSING MARKET ASSESSMENT – MARCH 2014. THE MAJORITY OF THE DATA WAS COLLECTED AND BASED IN 2013.

### Summary

- i) The recent Census indicates that in 2011 there were 268,944 dwellings in the County and that since 2001 the dwelling stock had increased by 9.0%, a lower level than the South West as a whole, but a greater rate than nationally.
- ii) Gloucestershire contains an average number of homes with no usual residents in, principally vacant properties and second homes, although Cotswold has a notably higher rate of second homes.
- iii) The most common property type in the County is semi-detached houses, followed by detached and terraced houses. Only 15.1% of dwellings are flats, lower than the figures for the region (19.0%) and the England as a whole (22.1%).
- iv) The size of the private rented sector increased by over 70% in the County between 2001 and 2011. This substantial growth matches regional and national trends. Much of the growth of the private rented sector in Gloucestershire, has been from prosperous households unable to access home ownership, but also young adults remaining in shared accommodation in the sector for longer and also households requiring financial support (Local Housing Allowance) to afford a market home.
- v) There is an increasing proportion of households with children resident in the private rented sector in the County, with pensioner households becoming less significant. Households in the sector have a broad range of incomes.
- vi) It is estimated that in Gloucestershire in 2013 27.4% of households in the private rented sector are supported by Housing Benefit or Local Housing Allowance, compared to around 25% nationally.

### Introduction

- 4.1 Analysis of the stock of housing allows a broad assessment of the range of properties currently within the County. A range of data sources, including the 2011 Census, will be used to provide an overview of the housing stock in Gloucestershire and how it has changed. The profile of dwellings in Gloucestershire will be compared to the regional and national situation where possible. This contextual information is important to understand the

current situation and the direction of movement in the area, so that the implications of the housing market models presented in Chapters 7 and 8 can be better understood.

- 4.2 The biggest change to the dwelling stock recorded is in the tenure profile, most notably the growth of private rented accommodation. The growth of this sector and the changing profile of households resident in it will be examined at a national level using recently published research, and also at a local level based on County-wide data and the opinions of letting agents operating in Gloucestershire. The cost of this tenure will be examined in the following chapter.

### **Dwelling stock**

- 4.3 The Census indicates that there were 268,944 dwellings in Gloucestershire in 2011 and that since 2001 the number of dwellings has increased by 9.0%, over 22,000 properties. In comparison the dwelling stock in the South West region increased by 9.9% between the 2001 and 2011 Census, whilst the dwelling stock of England increased by 8.3%. Gloucester recorded the greatest increase in dwellings between 2001 and 2011 (12.2%) followed by Tewkesbury (10.9%) and Stroud (8.6%). In contrast, Cheltenham had the smallest increase in stock (6.3%) followed by Forest of Dean (7.5%) and Cotswold (8.4%).
- 4.4 According to the Census there were 14,952 homes with no usual resident household in Gloucestershire in 2011. This represents 5.5% of all of the accommodation available for residence in the County a figure lower than the average for the South West of 6.0% but higher than the figure for England as a whole of 4.3%. The proportion of accommodation with no usual resident household in Gloucestershire has increased markedly since 2001, when a figure of 3.4% was recorded. At 9.3%, Cotswold has a particularly large proportion of dwellings with no usual resident household.
- 4.5 The 2011 Census clarifies that homes with no usual residence include second homes, vacant dwellings and short-term residents/visitors at the accommodation on the night of the Census. Information from the Council's 2011 Housing Strategy Statistical Appendix (HSSA) submission suggests that the number of vacant properties in Gloucestershire as of 1st April 2011 was 8,835. This suggests that the number of second homes in the County is in the region of 5,800-6,100 (around 2.3% of all accommodation in Gloucestershire). The same approach suggests that around 3.3% of all accommodation in the South West of England is second homes as is 1.4% of all accommodation nationally. The highest figure within the constituent authorities of Gloucestershire is Cotswold, where it is estimated that 6.4% of dwellings are second homes. The vacancy rate in 2011 in Gloucestershire was estimated to be 3.4%<sup>4</sup>, compared to 2.7% across the region and 2.9% nationally.
- 4.6 According to the various Councils' 2012 ELASH (English Local Authority Statistics on Housing, the replacement of the HSSA) returns, there are an estimated 5,990 Houses in Multiple Occupation (HMOs) in Gloucestershire. Almost 60% of these HMOs are in Cheltenham and a further quarter are in Stroud. Of the 5,990 HMOs in the County, 456 are

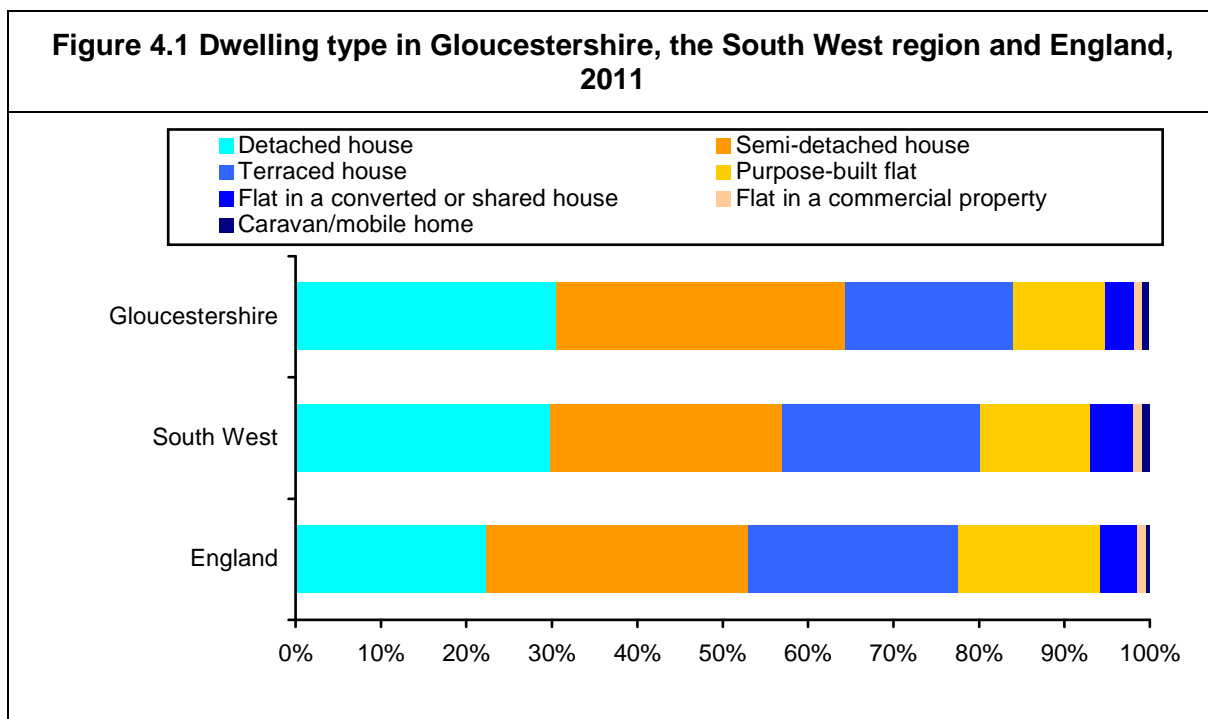
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<sup>4</sup> Any homes not available to be occupied permanently, such as second homes, are excluded from the total stock figure, when calculating the vacancy rate.

estimated to require a mandatory licence. There are 41,593 dwellings in the County that have a Category 1 Hazard (as assessed within the Health and Housing Safety Rating System). Some 28.7% of these dwellings with a Category 1 Hazard are found in Stroud, 26.2% in Cotswold and 22.9% in Forest of Dean.

**Accommodation profile**

4.7 Figure 4.1 compares the type of accommodation in Gloucestershire in 2011 with that recorded for the South West region and England. Gloucestershire contains more detached houses and fewer terraced properties than the regional and national averages. Only 15.1% of dwellings are flats, lower than the figures for the region (19.0%) and the England as a whole (22.1%). The most common property type in the County is semi-detached houses, followed by detached and terraced houses. Forest of Dean has a notably high proportion of detached properties, at 44.9%, whilst Cheltenham contains the greatest percentage of flats (28.0%).



Source: 2011 Census

4.8 Since 2001 the number of purpose built flats has increased by 31.1%, although they remain just 10.8% of the total dwelling stock. The number of flats in a converted or shared house has also increased notably by 18.2%, again from a very low base. The change in the number of houses has been less notable; the number of detached houses has increased by 7.5%, semi-detached houses by 6.0% and terraced houses by 8.4%.

4.9 Table 4.1 compares the size of accommodation (in terms of bedrooms) in Gloucestershire, the South West region and England. The table indicates that the County has a smaller proportion of small (two or fewer bedrooms) properties than the South West region and

England as a whole. The table also indicates that 23.5% of dwellings in Gloucestershire contain four or more bedrooms compared to 21.4% across the region and 19.0% nationally.

- 4.10 Gloucester contains the greatest proportion of small dwellings; 43.8% have two or fewer bedrooms, followed by Cheltenham (38.2%) and Stroud (33.7%). The dwelling stock in Cotswold comprises the fewest dwellings with two or fewer bedrooms (31.8%) followed by Tewkesbury (31.9%) and Forest of Dean (32.5%). Cotswold has the greatest proportion of large dwellings; with 28.4% containing four or more bedrooms, followed by Stroud (27.0%), Tewkesbury (25.5%), Forest of Dean (22.6%), Cheltenham (20.8%) and Gloucester (18.7%).

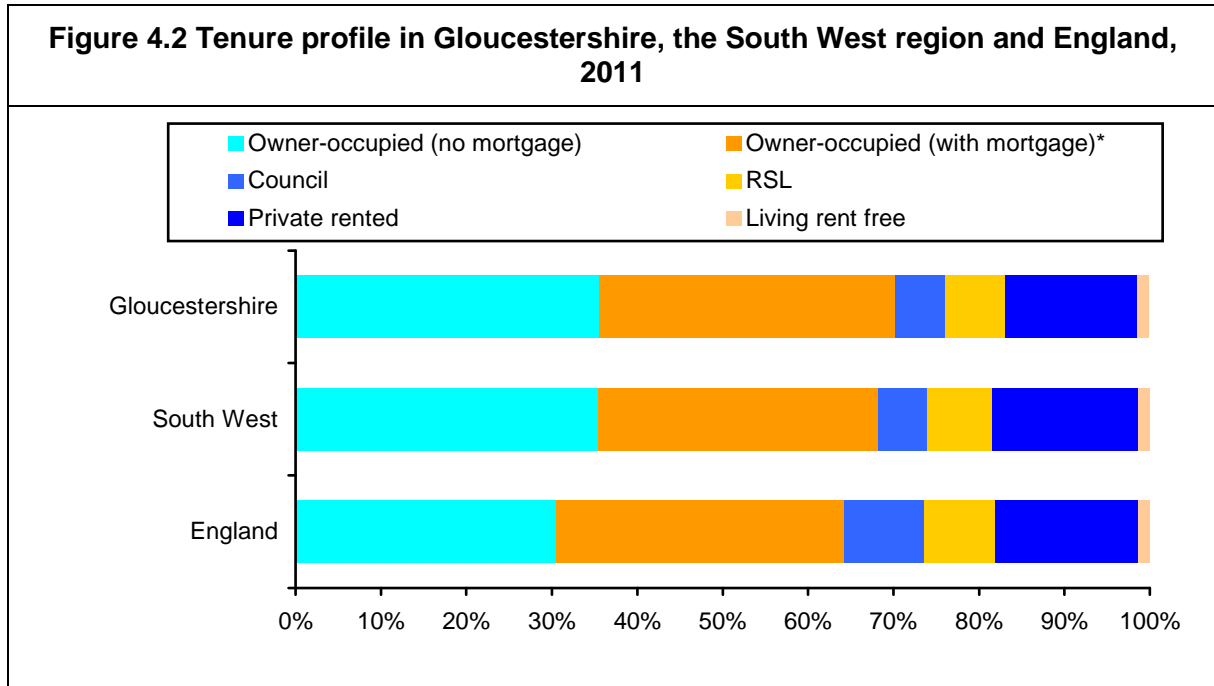
<b>Table 4.1 Size of dwelling stock in Gloucestershire, the South West region and England, 2011</b>			
<i>Property size</i>	<i>Gloucestershire</i>	<i>South West</i>	<i>England</i>
No bedrooms	0.2%	0.2%	0.2%
1 bedroom	10.1%	10.7%	11.8%
2 bedrooms	25.7%	27.3%	27.9%
3 bedrooms	40.6%	40.4%	41.2%
4 bedrooms	17.7%	16.1%	14.4%
5 or more bedrooms	5.8%	5.3%	4.6%
Total	100.0%	100.0%	100.0%

Source: 2011 Census

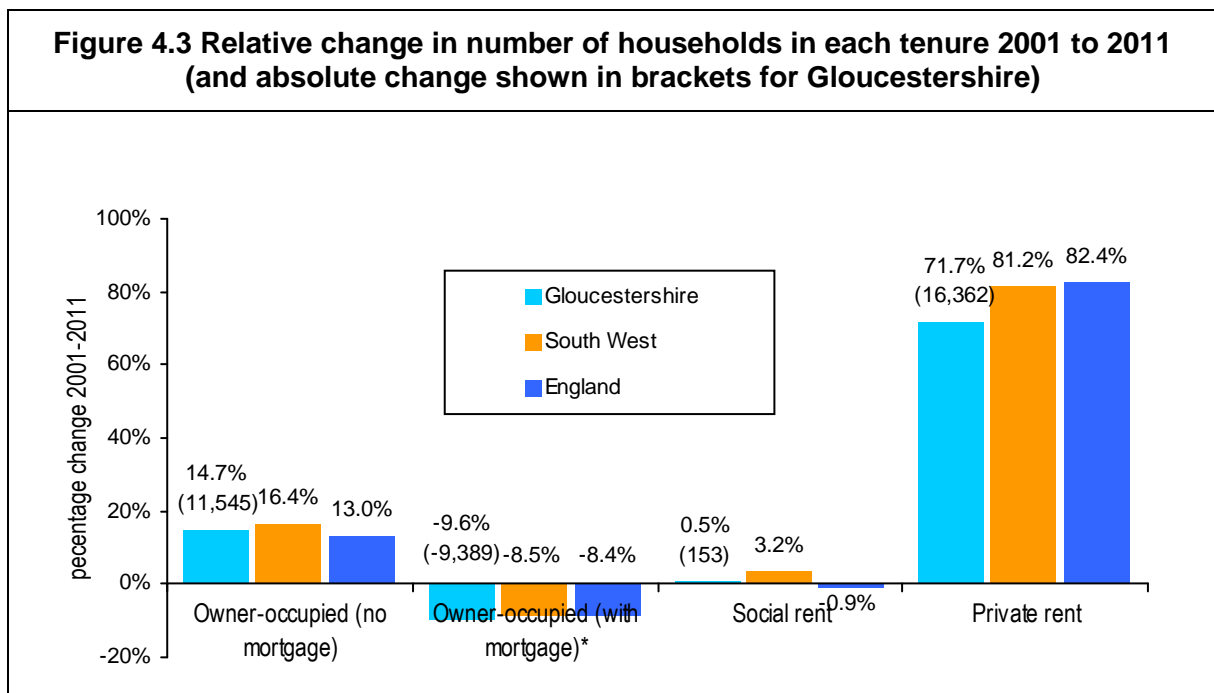
- 4.11 The number of bedrooms in a property was not collected in the 2001 Census, however both the 2001 and 2011 Census recorded the total number of rooms in a dwelling. A comparison of the figures for Gloucestershire shows that the number of larger dwellings has recorded the greatest rise; between 2001 and 2011 the number of properties with 8 or more rooms increased by 25.0% and the number of properties with 7 rooms rose by 16.4%. In contrast the number of homes with five rooms declined. There was also a notable increase in the number of smaller dwellings, with the number of properties with three or fewer rooms increasing by 17.2%.

### **Tenure**

- 4.12 Figure 4.2 compares the tenure of households in Gloucestershire in 2011 with that recorded for the South West region and England. The data indicates that households in the County are more likely to be owner-occupiers (both with a mortgage and without a mortgage) than households across the region and all households in England. The proportion of households in Gloucestershire resident in the social rented sector is lower than in the South West region and across England as a whole, whilst the size of the private rented sector is smaller than the national average and the regional average.



4.13 Figure 4.3 shows the change in the size of each tenure between the 2001 and 2011 Census. The figure shows that in Gloucestershire, the South West region and England as a whole the private rented sector has increased dramatically, although the growth of 71.7% in the County is lower than that recorded nationally. The number of owner-occupiers with no mortgage has also recorded an increase in all three areas, whilst owner-occupiers with a mortgage have decreased. The social rented sector has shown the smallest change, increasing by 0.5% in Gloucestershire. The affect of the growth in the private rented sector on the price of rents is discussed in the next chapter.



\*Includes shared ownership. Source: 2001 & 2011 Census

### **The private rented sector**

- 4.14 This growth in the private rented sector alongside the related availabilities of other tenures has had a notable impact on housing market dynamics and the decisions made by households within the housing market. The report 'Who Lives in the Private Rented Sector' published in January 2013 by the British and Social Housing Foundation (BSHF) will be used to describe the drivers behind the growth of the tenure nationally and the consequent changing nature of households within it, whilst the updated household survey dataset and the views of local letting agents will be used to illuminate the situation in Gloucestershire.

#### The growth of the private rented sector

- 4.15 The BSHF report notes that the growth in the private rented sector at the start of this century was caused by the availability of buy-to-let mortgages allied to rising house prices which led to the sector being considered a good investment. The economic downturn from mid-2007 onwards changed these conditions but the private rented sector continued to grow, although for different reasons in different parts of the country. In more prosperous areas, the growth has been driven by the inaccessibility of owner-occupation due to both high house prices and unfavourable mortgage lending criteria. In less prosperous areas, growth has resulted from the limited supply of social rented housing, with households being forced into the private rented sector instead. In addition, across the country, demand for the tenure has increased from households choosing to live in the sector due to its greater flexibility during this period of economic uncertainty.
- 4.16 Gloucestershire can be considered a more prosperous area and much of the growth recorded in the private rented sector in the County has been from employed households (although the inaccessibility of social housing for households unable to afford market accommodation has also driven growth of the sector). According to the Census, 71.4% of household heads in the private rented sector were in employment in Gloucestershire in 2001. The updated household survey dataset suggests that the figure for the tenure currently is 76.7% . Demand for the sector has also increased in Gloucestershire due to the growth in household groups that typically look to reside in the tenure – young adults and also from households that traditionally do not live in this tenure in Gloucestershire – households with children.
- 4.17 As described in paragraph 3.3, the Census revealed that the number of people aged between 15-29 in the County increased by over 9,500 between 2001 and 2011, resulting in additional demand for private rented accommodation. Discussions with letting agents reflected that some of the increased activity over the last few years was a consequence of more demand from young people sharing, but also from couples who do not yet wish to buy.
- 4.18 Agents indicated that there has also been an increase in households with fairly young children renting in the County. Typically these households would be moving from an urban area to a suburban or rural area within the County and looking to buy a property with more

space, however the less favourable mortgage lending criteria now offered mean that these households are now moving to equivalent accommodation in the private rented sector rather than waiting in situ till they can afford to purchase a home.

- 4.19 Agents noted that demand still exists for private rented property in Gloucestershire and that the cost of larger private rented properties in the County had notably increased even during the wider economic downturn. The demand for properties at the lower end of the market, likely to be occupied by benefit-supported tenants, was quite high in certain parts of the County, most notably Gloucester and Forest of Dean, but demand for mid-range homes for the households with children described above was thought to be most secure in the medium-term. Overall three bedroom property was considered to be most in demand.
- 4.20 Agents indicated that households with children usually use a different set of criteria when selecting a private rented home, considering the size of the outdoor space on the property as well as the space indoors. Accessibility of schools was also a significant determinant as to where households with children consider – resulting in rental markets operating very locally for this group. For other households looking to rent, the market area considered was wider, although many had clear ideas about which parts of the County they would consider living in.

#### Profile of households in the sector

- 4.21 As the BSHF report notes the size of the growth of the private rented tenure '*means that the sector is now housing new types of household that it did not previously house in any significant quantity*'. The BSHF report also documents the nature of this change in households in the sector nationally, which is summarised below:
- Despite the ageing of the broader population, the proportion of younger households in the private rented sector is increasing.
  - Whilst single person households and households containing two adults and no children comprise over 60% of the sector, this proportion has decreased since the turn of the century. There has been a significant growth in the number of households with children in the sector and they are over-represented in this tenure relative to their frequency in the wider population – around 15% of households with children live in the private rented sector.
  - Households from across the income spectrum reside in the tenure, although there is a slight over-representation of the lower income groups.
  - Affordability in the private rented sector is an increasingly important issue, with rents rising faster than earnings. Nearly 40% of households spend over 30% of their income on housing and more than 15% spend over half their income on housing.
- 4.22 A comparison of the profile of households in the private rented sector in Gloucestershire in 2001 as recorded by the Census, to the profile of households in the tenure now according to the updated household survey dataset, reveals that the proportion of pensioner households

and single non-pensioner households in the tenure has decreased, whilst the proportion of multi-adult households without children and households with children has increased.

- 4.23 The updated household survey dataset indicates that, compared to the other tenures, households in the private rented sector are on average younger (with a median age of household heads of 38, as opposed to 44 in the owner-occupied with mortgage sector, 56 for social rented households and 65 in the owner-occupied no mortgage sector). The overall household profile within the tenure is relatively balanced, although lone parents are disproportionately likely to reside in private rented accommodation and pensioner households disproportionately unlikely to.
- 4.24 Data from the 2011 Census indicates that the average household size of 2.25 people in the private rented sector in Gloucestershire is slightly lower than that recorded in the tenure across the South West region (2.29) and for England as a whole (2.37), suggesting a greater proportion of smaller households.
- 4.25 The updated household survey dataset suggests that there is a broad range of incomes amongst households in the private rented sector in Gloucestershire and whilst incomes in the £15,000 to £25,000 range are most common (24.1% of households) there are a notable number of households with incomes in excess of £40,000 (22.3% of households).

#### The nature of the benefit-supported private rented sector

- 4.26 The BSHF report, using figures from the Family Resources Survey, estimates that in 2009/10 around a quarter of private tenants were in receipt of Housing Benefit; although it is acknowledged that this is likely to be a slight underestimate as the Family Resources Survey under-reports the claiming of Housing Benefit. It is estimated that in Gloucestershire in 2013 just under a quarter (27.4%) of households in the private rented sector are supported by Housing Benefit or Local Housing Allowance (known hereafter as benefit-supported tenants), a very similar figure. The BSHF report also notes that within the benefit-supported private rented sector nationally:
- There are fewer younger households than the private rented sector as a whole, however the largest growth has been from the 16-24 year old age group.
  - There are more households with children than in the private rented sector as a whole, and they constitute over half of all households in the sector – a figure that is continuing to grow.
  - The majority of households are not in work (an average of 78% over the last decade), however over 90% of new Housing Benefit claimants in the last two years are in work.
  - Households are more likely to reside in their home for longer periods; 43% having lived in their home for three or more years, compared to 31% of all private tenants.
- 4.27 Table 4.2 compares benefit-support households in the private rented sector in Gloucestershire with households resident in the tenure in the County without this benefit,



using data from the updated household dataset. The table shows that the benefit-supported sector is much more likely to contain pensioner households and lone parent households than the non-benefit-supported sector. The average age of households in the benefit-supported sector is consequently older at 41.

4.28 There is a dramatic difference in the employment profile of these households, with 46.4% of those in the benefit-supported sector containing an employed person in the household, compared to 90.8% of households in the non-benefit-supported sector. This affects the household income recorded, with the median income for households in the benefit-supported private rented sector less than a third of the figure for households in the non-benefit-supported sector.

<b>Table 4.2 Comparison of households within the private rented sector</b>			
	<i>Benefit-supported</i>	<i>Non-benefit-supported</i>	<i>All private rented households</i>
<i>Household type</i>			
Single pensioners	13.4%	4.3%	6.8%
2 or more pensioners	3.7%	2.1%	2.6%
Single non-pensioners	25.8%	29.2%	28.3%
2 or more adults, no children	12.0%	43.5%	34.9%
Lone parent	28.8%	2.6%	9.7%
2+ adults 1 child	8.3%	8.8%	8.7%
2+ adults 2+ children	8.0%	9.5%	9.0%
Total	100.0%	100.0%	100.0%
<i>Median age of household head</i>	41	37	38
<i>Whether employed person in household</i>			
Yes	46.4%	90.8%	78.7%
No	53.6%	9.2%	21.3%
Total	100.0%	100.0%	100.0%
<i>Median household income</i>	£8,219	£29,409	£21,823

Source: Gloucestershire County Strategic Housing Market Assessment, 2013



## 5. The Housing Market

THIS CHAPTER IS TAKEN FROM THE LOCAL AUTHORITIES OF GLOUCESTERSHIRE, STRATEGIC HOUSING MARKET ASSESSMENT – MARCH 2014. THE MAJORITY OF THE DATA WAS COLLECTED AND BASED IN 2013.

### Summary

- i) According to data from the Land Registry, the mean house price in Gloucestershire in the third quarter of 2012 was £244,410. Data shows that since the previous report prices have risen notably and property sales have risen markedly.
- ii) The housing markets in operation in Gloucestershire County were re-examined and the nine price markets and eight rental markets previously identified were found to be appropriate. The Cotswold North and Winchcombe price market is the most expensive part of the County and the Gloucester and Forest of Dean Central & South price markets the cheapest.
- iii) The cost of housing by size was re-assessed for all tenures in the County. Entry-level prices in Gloucestershire range from £69,800 for a one bedroom home in the Forest of Dean Central and South price market up to £356,300 for a four bedroom property in the Cotswold North and Winchcombe price market. Entry-level rents in Gloucestershire range £375 per month for a one bedroom home in the Gloucester, Dursley, Wotton & Vale and Forest of Dean rental markets up to £1,150 per month for a four bedroom property in the Cotswold North and Winchcombe rental market.
- iv) An analysis of the gaps between each tenure shows that there is a very large income gap between the social rented sector and market rent. This indicates that intermediate housing priced within this gap could potentially be useful for a number of households in Gloucestershire. The significant gap between market entry rents and market entry purchase indicates notable potential demand for part-ownership products for households in this gap.
- v) Flexible Tenancies are being introduced as a new tenure. They will allow Affordable Rent to be charged. Affordable Rent will be based on the open market value of each property. Within Gloucestershire, as bedroom size increases the range of Affordable Rents possible increases.

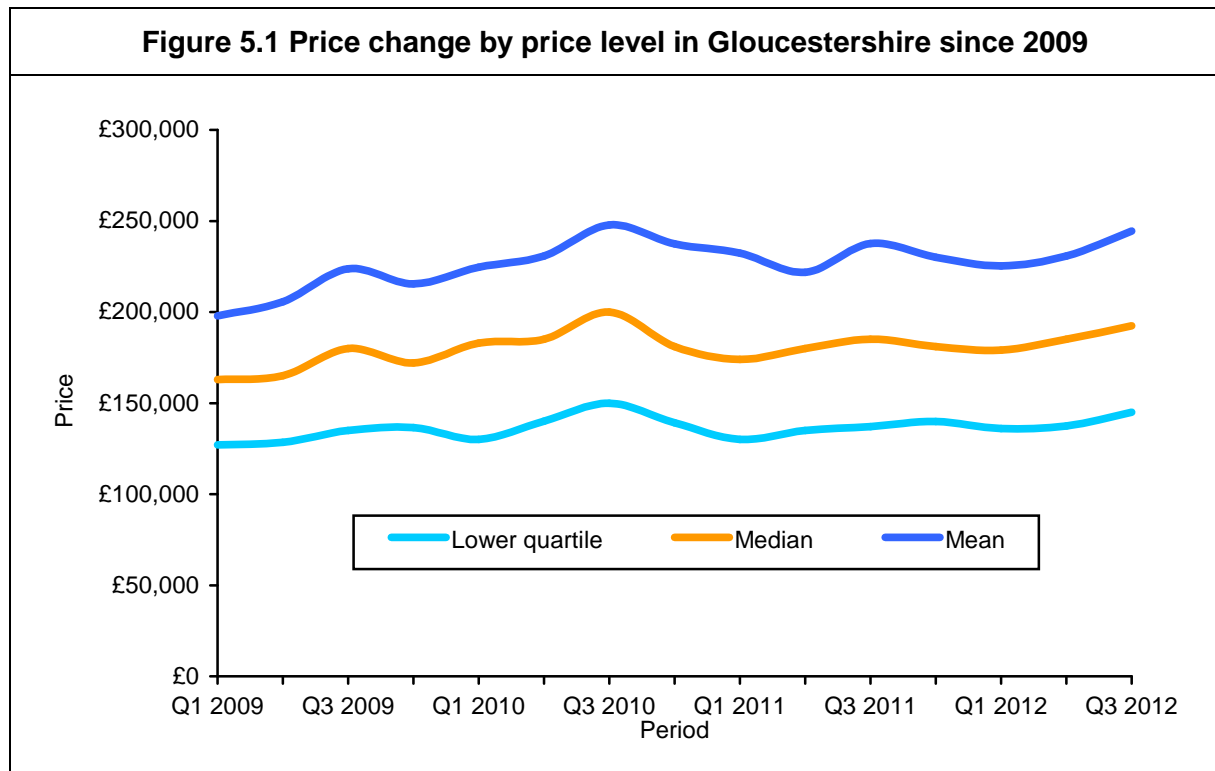
## Introduction

- 5.1 An effective SHMA is founded on a thorough understanding of local housing – what it costs, how this varies and in what direction the market is heading. This chapter initially describes the changes in the housing market that have been recorded in the constituent authorities, Gloucestershire and England since the 2010 HNA (the last time the housing market was profiled in detail). Subsequently it re-assesses the entry-level costs of housing in Gloucestershire, to document how this has changed since the 2010 HNA. A comparison of the cost of different tenures will be used to identify the housing market gaps that exist.
- 5.2 Affordable Rent is intended to help fill the gaps that exist in the current housing market. The most important issue for the Councils to determine is the level at which Affordable Rent should be set. This chapter will therefore also consider the potential cost of Affordable Rent in Gloucestershire.
- 5.3 The situation in Gloucestershire
- 5.4 The most recent house price data available at the time of the 2010 HNA report was from the first quarter of 2009. The Land Registry has now published data through to 2012. The equivalent figures for the first quarter of 2012 will therefore be presented (so the data is not influenced by seasonal variations). It is therefore possible to assess the changes recorded in each authority in Gloucestershire over this period, alongside the county-wide and national figures.
- 5.5 Table 5.1 shows the change in average prices between the first quarter of 2009 and the first quarter of 2012 for England, Gloucestershire and the constituent authorities. The table shows that between 2009 and 2012 average prices increased at the same rate in Gloucestershire as they have nationally, although average prices in Cheltenham, Tewkesbury and Cotswold have increased at a faster rate than across England as a whole. Across the County, Gloucester recorded the slowest growth in house prices, followed by Forest of Dean.
- 5.6 Overall properties in Gloucestershire are on average cheaper than those in England, but properties in Cheltenham and Cotswold are more expensive than the national average. Average prices in Cotswold are markedly higher than in other authorities in the County, whilst average prices in Gloucester are markedly lower, although this partly reflects the higher proportion of smaller dwellings in the City than elsewhere in the County.

Area	Average price Jan - Mar 2009	Average price Jan - Mar 2012	Percentage change recorded 2009-2012
England	£201,172	£229,490	14.1%
Gloucestershire	£197,467	£225,347	14.1%
Cheltenham	£201,607	£246,869	22.5%
Cotswold	£288,001	£344,953	19.8%
Forest of Dean	£179,976	£191,475	6.4%
Gloucester	£145,243	£149,358	2.8%
Stroud	£202,130	£234,210	15.9%
Tewkesbury	£179,480	£218,022	21.5%

Source: Land Registry via CLG

5.7 Figure 5.1 shows price change by property price level since the first quarter of 2009. The figure shows that prices at all levels follow the same pattern of seasonal peaks and troughs. Median prices have increased the most over the last three and a half years (by 18.1%)<sup>5</sup> and lower quartile prices the least (14.2%).



Source: Land Registry via CLG

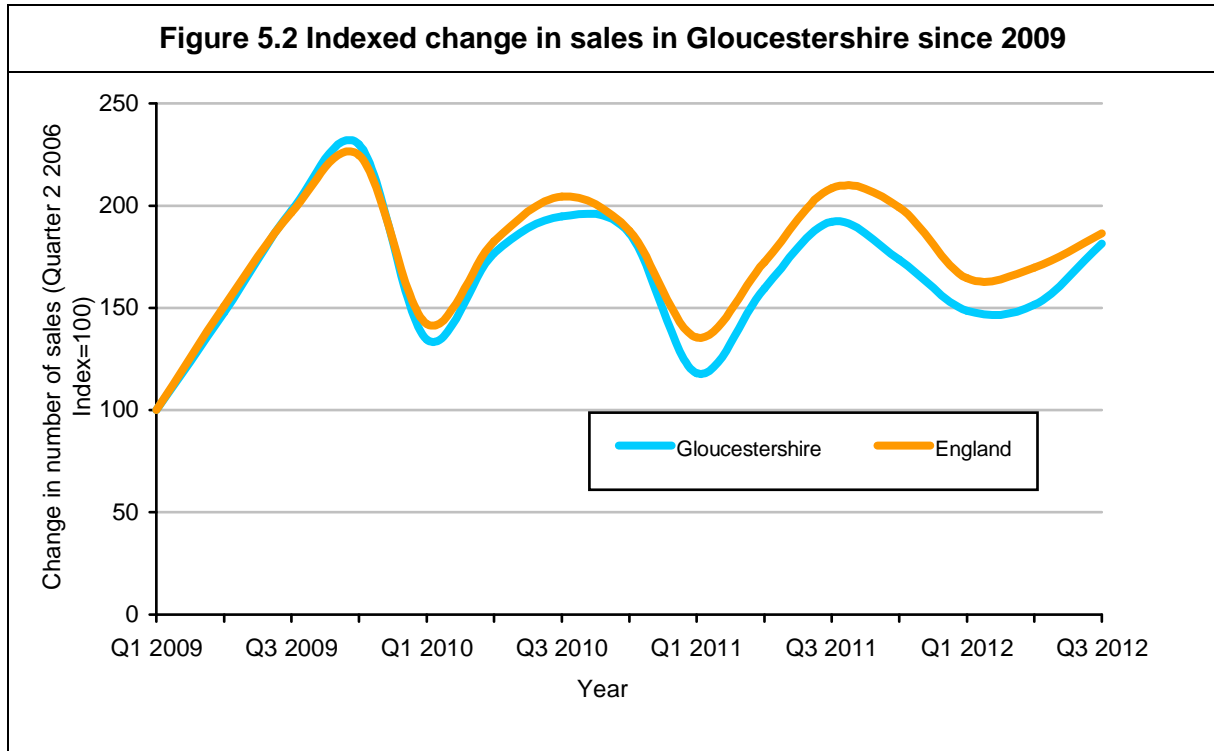
<sup>5</sup> This figure differs notably from the figure set out in paragraph 2.11 because it covers a different time period (Q1 2009 to Q3 2013 rather than May 2009 to March 2013) The figure is higher for the Q1 2009 to Q3 2013 period because it includes more of the affect of the seasonal fluctuation in prices.

5.8 Table 5.2 shows the change in the number of property sales between the first quarter of 2009 and the first quarter of 2012. The table indicates that property sales have notably increased since the very low historical levels recorded at the time of the previous SHMA report. Gloucestershire County records the level of sales increasing by 48.5% during this period, lower than the national figure of 64.5%. Within Gloucestershire, sales levels have grown fastest in Forest of Dean and slowest in Cotswold.

<b>Table 5.2 Change in the number of property sales</b>			
<i>Area</i>	<i>Number of sales Jan - Mar 2009</i>	<i>Number of sales Jan - Mar 2012</i>	<i>Percentage change recorded 2009-2012</i>
England	87,289	143,554	64.5%
Gloucestershire	1,251	1,858	48.5%
Cheltenham	273	433	58.6%
Cotswold	186	236	26.9%
Forest of Dean	137	236	72.3%
Gloucester	268	403	50.4%
Stroud	220	315	43.2%
Tewkesbury	167	235	40.7%

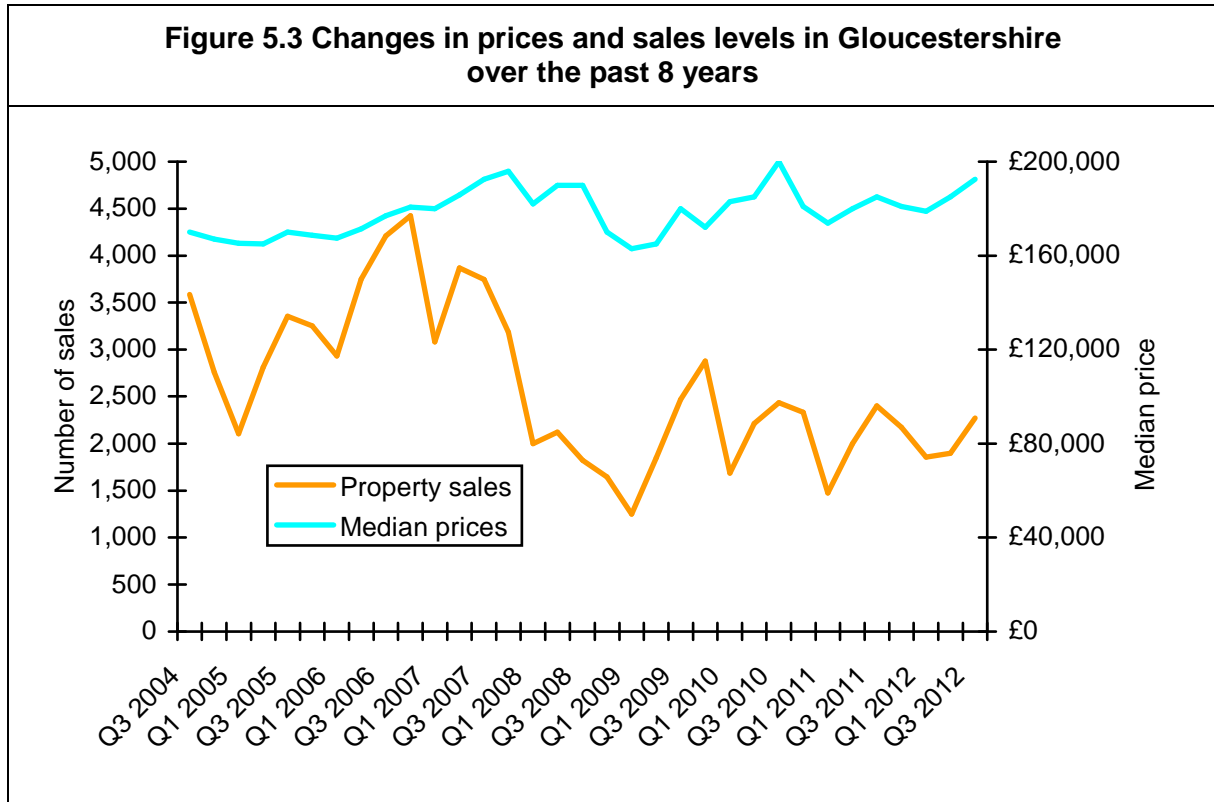
Source: Land Registry via CLG

5.9 Figure 5.2 shows the indexed change in the number of property sales since the first quarter of 2009 for Gloucestershire and England. The figure suggests that in Gloucestershire the pattern follows that recorded for England and, despite seasonal fluctuations, sales levels are much higher now than they were at the start of 2009.



Source: Land Registry via CLG

- 5.10 It is useful to briefly review housing market activity over a longer period to consider the influences on property price changes. Figure 5.3 shows the variation in median prices and property sales levels since 2004. The data suggests that property prices remained relatively stable over the last eight years despite property sales declining dramatically for part of that period (Summer 2007 to Summer 2009).



Source: Land Registry via CLG

### The cost of housing

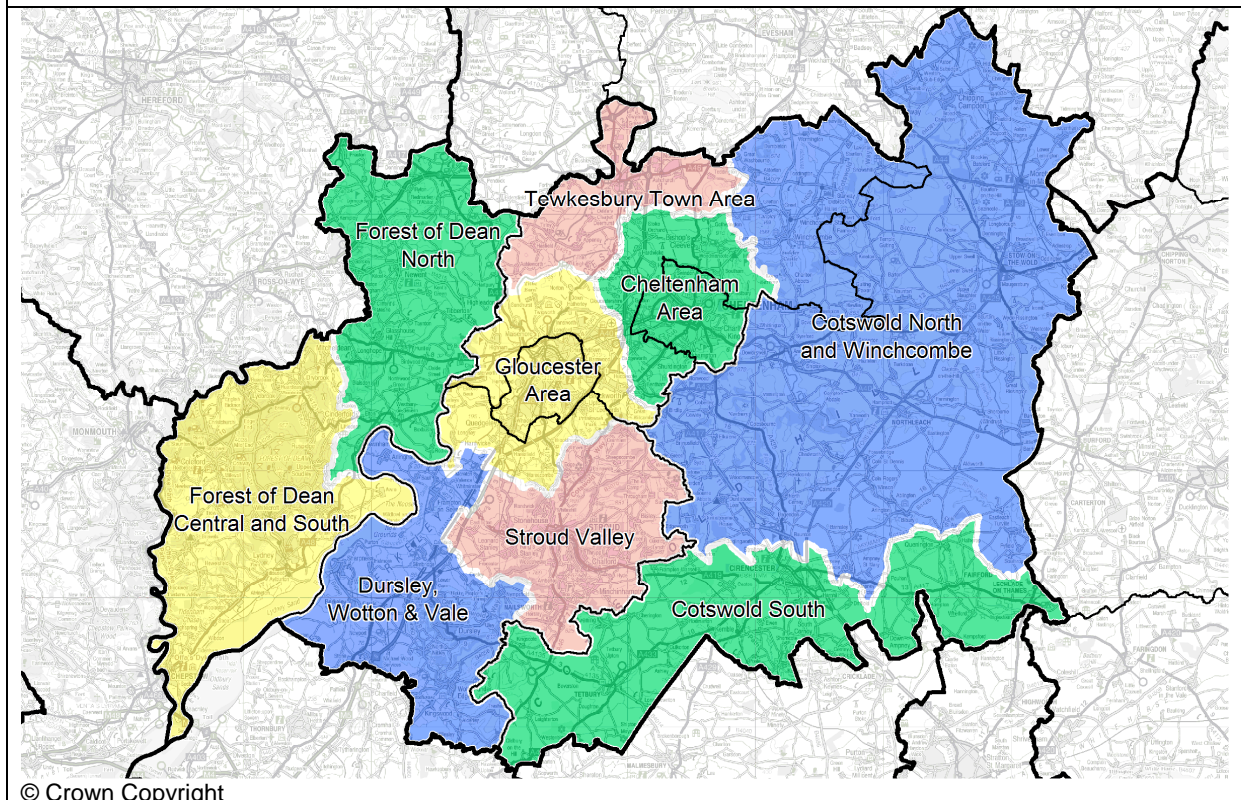
5.11 To fully understand the affordability of housing within an area, it is necessary to collect data on the cost of housing by number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household as determined by the bedroom standard. As part of this study we have therefore undertaken a new price survey to assess the current cost of housing in the County. This has involved both reviewing the different price markets within Gloucestershire identified in the previous SHMA report and establishing the entry-level cost of housing by number of bedrooms in each price market that exists.

#### Sub-markets

5.12 The 2010 HNA report identified nine price markets within Gloucestershire (and eight rental market areas with the two price markets in Forest of Dean combined), based on ward boundaries. Variations in prices and market rents have been re-assessed to see if the housing market in Gloucestershire is still divided in the same way as in 2009. The new analysis of the housing market indicated that these nine price markets (and eight rental markets) still characterise the different areas of Gloucestershire, although they have changed since 2009 in different ways. The nine price markets are presented in Figure 5.4.



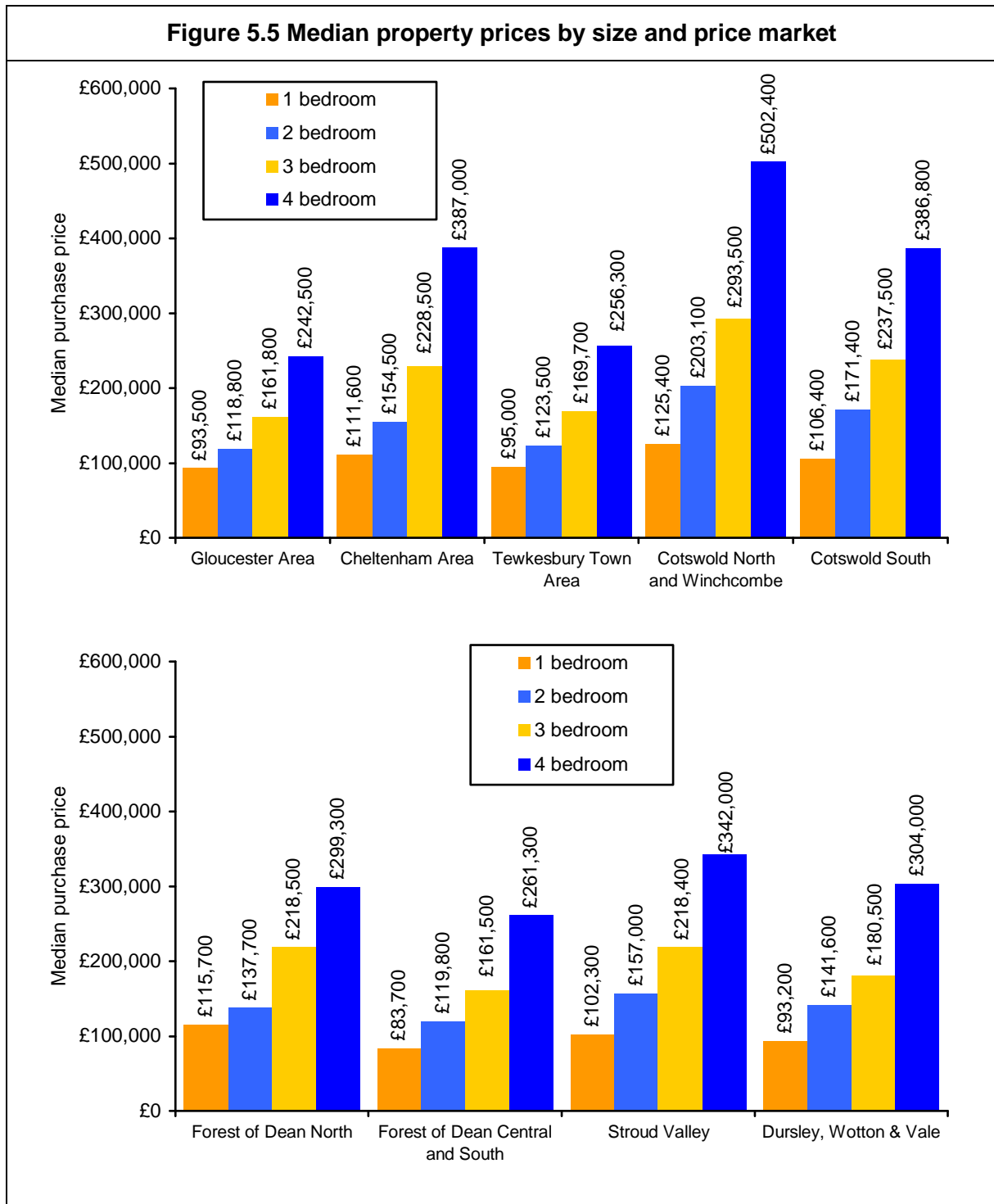
**Figure 5.4 Price areas in Gloucestershire used for affordability tests**



Source: Gloucestershire County Strategic Housing Market Assessment, 2013

#### Home ownership

- 5.13 Median property prices by number of bedrooms were obtained in each of these nine price markets via an online search of properties advertised for sale during March 2013. The results of this online price survey are presented in Figure 5.5. The prices recorded include a discount to reflect that the full asking price is not usually achieved (with sales values typically 5% lower).
- 5.14 The figure shows that the price increase between three and four bedroom homes is largest in all price markets (both in relative and absolute terms) except Dursley, Wotton & Vale where the largest relative difference is between two and three bedroom homes. Across the County Median four bedroom homes are typically 59% more expensive than three bedroom homes, with three bedroom homes on average 41% higher than two bedroom dwellings and two bedroom properties 43% more expensive than one bedroom accommodation. Overall prices are highest in the Cotswold North and Winchcombe price market followed by the Cheltenham and Cotswold South price markets. Prices are lowest in the Gloucester and Forest of Dean Central & South price markets.



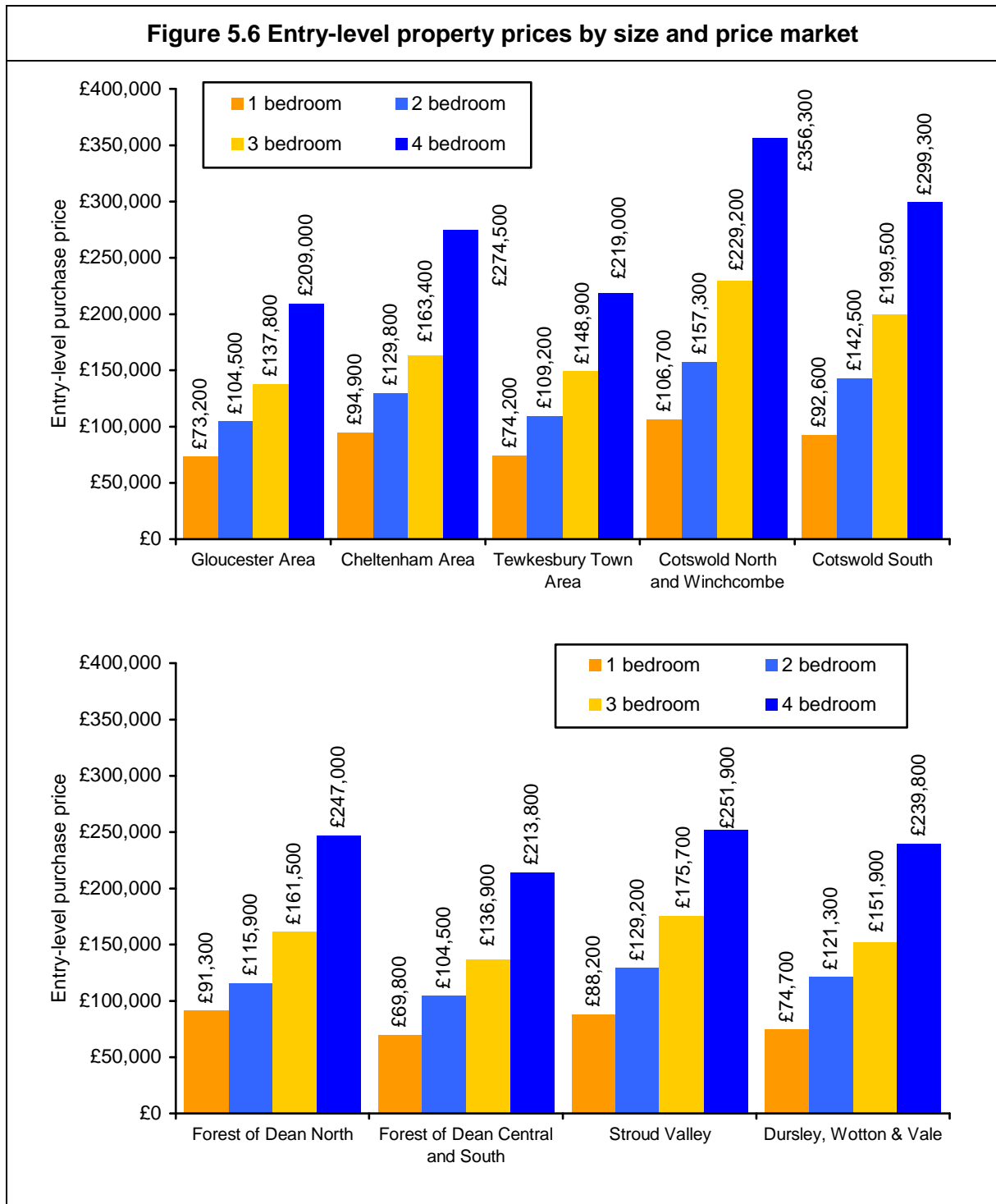
Source: Online estate agents survey March 2013

5.15 The online survey also collected information at different points of the price distribution. Entry-level property prices for each price market area are presented in Figure 5.6 below. In accordance with the Practice Guidance (and to replicate the approach used in the previous report), entry-level prices are based on lower quartile prices.

5.16 The figure indicates that entry-level prices in Gloucestershire County range from around £69,800 for a one bedroom home in the Forest of Dean Central and South price market up

to £356,300 for a four bedroom property in the Cotswold North and Winchcombe price market. In terms of market availability the analysis showed that three bedroom properties are most commonly available to purchase in all price markets, except Forest of Dean Central and South, where four bedroom properties are most frequent, and Cheltenham, where two bedroom homes have the greatest availability.

**Figure 5.6 Entry-level property prices by size and price market**



Source: Online estate agents survey March 2013

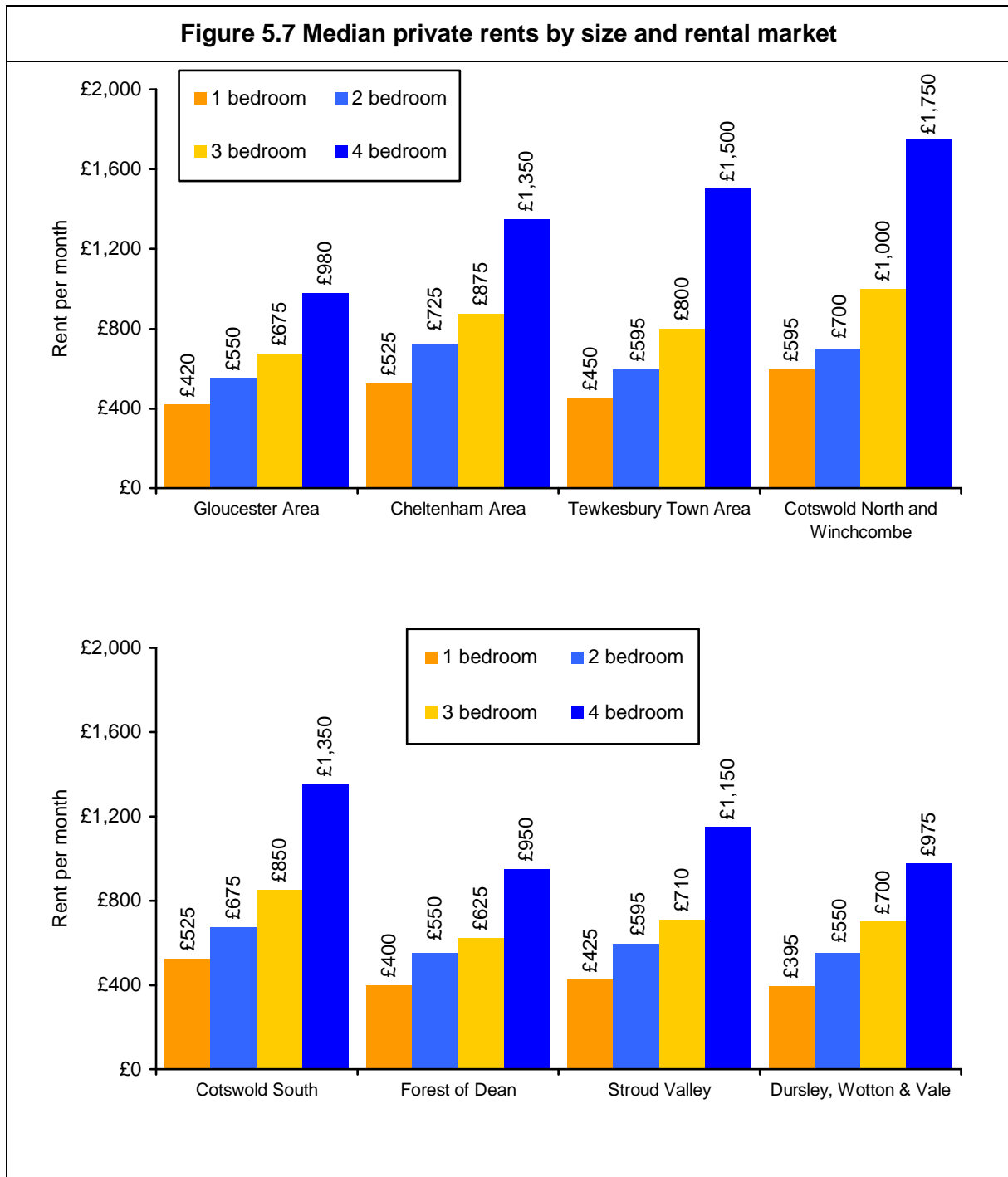
5.17 Table 5.3 shows how entry-level prices have changed between 2009 and 2013. It indicates that in all price market areas three and four bedroom entry-level prices have increased by more than one and two bedroom prices, with the notable exception of Tewkesbury. The table also shows that some property prices have fallen, principally one and two bedroom homes, with the Forest of Dean price markets recording the biggest decreases. Overall entry-level prices have increased most in the Gloucester and Stroud Valley price markets.

<b>Table 5.3 Change in entry-level prices in the price markets of Gloucestershire 2009 to 2013</b>					
<i>Accommodation size</i>	<i>Gloucester Area</i>	<i>Cheltenham Area</i>	<i>Tewkesbury Town Area</i>	<i>Cotswold North and Winchcombe</i>	<i>Cotswold South</i>
One bedroom	6.1%	2.6%	19.5%	-3.4%	-1.3%
Two bedroom	5.4%	0.8%	7.9%	-5.7%	-3.2%
Three bedroom	7.0%	4.5%	1.2%	8.3%	14.3%
Four bedroom	13.6%	6.6%	-2.3%	11.7%	12.6%
<i>Accommodation size</i>	<i>Forest of Dean North</i>	<i>Forest of Dean Central and South</i>	<i>Stroud Valley</i>	<i>Dursley, Wotton &amp; Vale</i>	
One bedroom	-14.4%	-11.2%	5.1%	-7.2%	
Two bedroom	-8.0%	-5.3%	6.0%	-7.5%	
Three bedroom	6.4%	-4.0%	12.8%	8.3%	
Four bedroom	7.4%	8.1%	19.0%	4.3%	

Source: Online survey of property prices 2009 and 2013

#### Private rent

5.18 Discussions with letting agents revealed that the principle factor determining the rent of a unit is not its general location, but the condition and situation of the property. The median price for private rented accommodation by property size and rental market is presented in Figure 5.7. The rents presented in the report are charged rents rather than advertised, (with letting agents indicating a discount of around £20 per month for smaller properties and £50 per month for larger properties). As before, the Cotswold North and Winchcombe rental market is the most expensive, followed by Cotswold South and Gloucester. The Prices are lowest in the Gloucester and Forest of Dean Central & South price markets. The cheapest rental markets are Gloucester, Dursley, Wotton & Vale and Forest of Dean. The data shows that the price increase for a larger property size is quite consistent across all the market areas (about 20 to 35% more to move up from a one or two bedroom home and 50-60% to move up from a three bedroom homes).

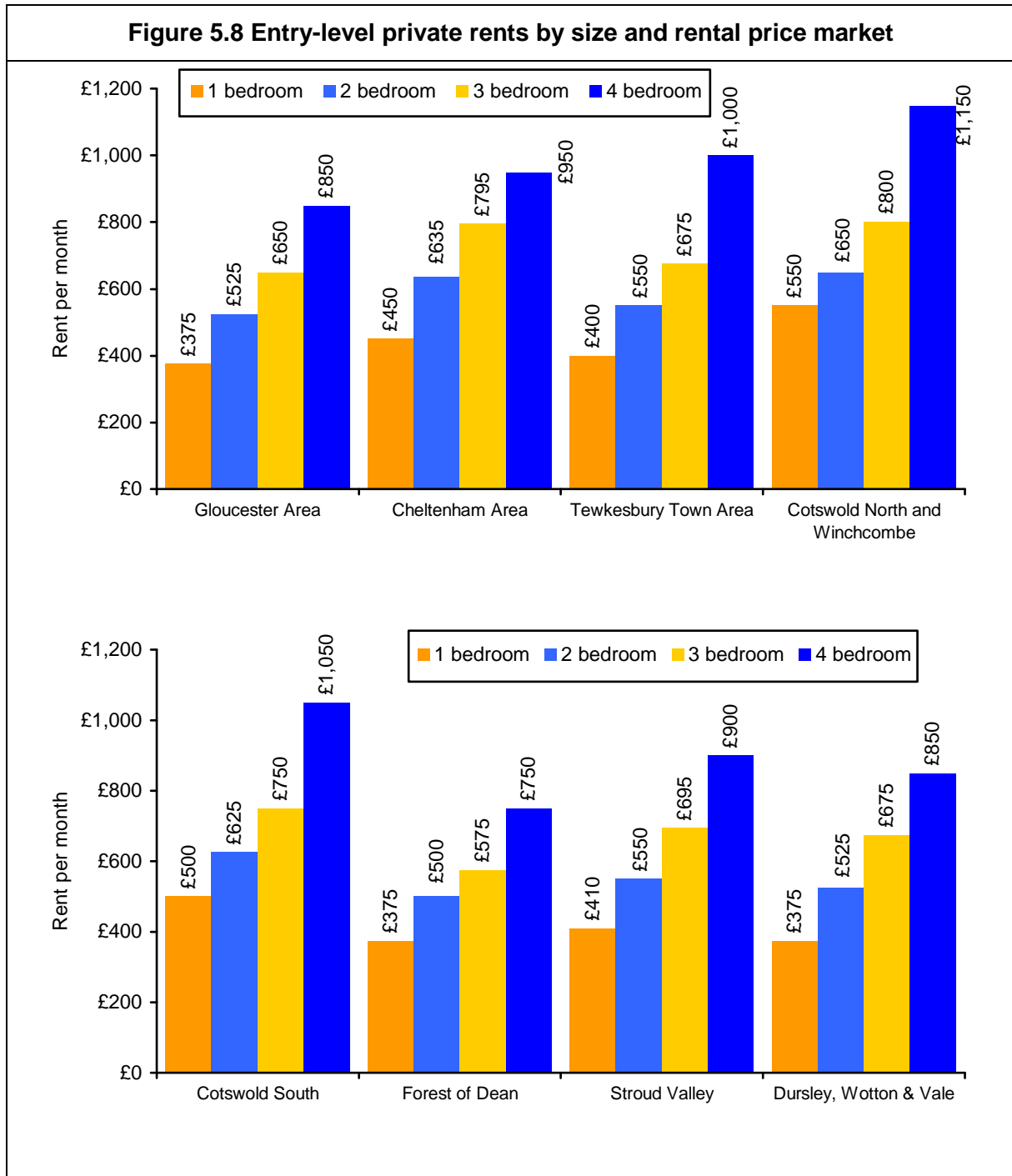


Source: Online letting agents survey March 2013

Entry-level rents

5.19 The entry-level price for private rented accommodation by property size and rental market is presented in Figure 5.8. These entry-level rents represent the charged (rather than advertised) cost and were validated during our discussion with local letting agents. In accordance with the Practice Guidance (and to replicate the approach used in the previous report), entry-level prices are based on lower rents. The figure indicates that entry-level rents in Gloucestershire range from £375 per month for a one bedroom home in the Gloucester,

Dursley, Wotton & Vale and Forest of Dean rental markets up to £1,150 per month for a four bedroom property in the Cotswold North and Winchcombe rental market. The profile of properties available is somewhat different to that for purchase, with a greater proportion of one and two bedroom homes available to rent and fewer four bedroom properties.



Source: Online letting agents survey March 2013

5.20 Table 5.4 shows how the County-wide entry-level rents have changed between 2009 and 2013. The table indicates that rents have increased fairly inconsistently across the County,

although the Tewkesbury & Cotswold North & Winchcombe rental markets have recorded the largest increase.

<b>Table 5.4 Change in entry-level rents in the rental markets of Gloucestershire 2009 to 2013</b>				
<i>Accommodation size</i>	<i>Gloucester Area</i>	<i>Cheltenham Area</i>	<i>Tewkesbury Town Area</i>	<i>Cotswold North and Winchcombe</i>
One bedroom	-1.3%	0.0%	14.3%	22.2%
Two bedroom	5.0%	5.8%	10.0%	8.3%
Three bedroom	12.1%	10.4%	18.4%	14.3%
Four bedroom	13.3%	2.2%	17.6%	15.0%
<i>Accommodation size</i>	<i>Cotswold South</i>	<i>Stroud Valley</i>	<i>Dursley, Wotton &amp; Vale</i>	<i>Forest of Dean</i>
One bedroom	4.2%	0.0%	4.2%	-1.3%
Two bedroom	0.8%	10.0%	1.0%	6.4%
Three bedroom	7.1%	13.9%	-0.7%	-0.9%
Four bedroom	8.2%	12.5%	7.6%	19.0%

Source: Online survey of property prices 2009 and 2013

### Social rents

- 5.21 The cost of social rented accommodation by dwelling size in Gloucestershire can be obtained from Homes & Communities Agency's Statistical Data Return dataset for the RSL sector and the Councils individual ELASH returns for the Council stock. Table 5.5 illustrates the cost of social rented dwellings in Gloucestershire County. As can be seen the costs are significantly below those for private rented housing, particularly for larger houses, indicating a significant potential gap between the social rented and market sectors.

<b>Table 5.5 Social rented cost in Gloucestershire, 2012</b>						
Bedrooms	<i>Cheltenham</i>	<i>Cotswold</i>	<i>Forest of Dean</i>	<i>Gloucester</i>	<i>Stroud</i>	<i>Tewkesbury Borough</i>
1 bed	£301	£342	£296	£264	£277	£319
2 bed	£337	£399	£344	£320	£328	£366
3 bed	£374	£449	£370	£354	£352	£395
4+ bed	£409	£497	£399	£414	£409	£451

Source: HCA's Statistical Data Return 2012; Individual Council's ELASH 2012

### Analysis of housing market 'gaps'

- 5.22 Housing market gaps analysis has been developed to allow easy comparisons of the costs of the tenure range. Figure 5.9 below shows the housing ladder that exists for one bedroom properties in each price market in Gloucestershire. The housing ladder is illustrated by comparing the different types of housing in terms of the income required to afford them. To

do this, we have divided the entry-level property price by 3.5 to get an income figure<sup>6</sup> and multiplied the annual rent by four to produce a comparable figure (to reflect that no more than 25% gross income is spent by households on renting). This latter step was carried out for both social<sup>7</sup> and market rents. This is in accordance with the affordability criteria set out in the Practice Guidance.

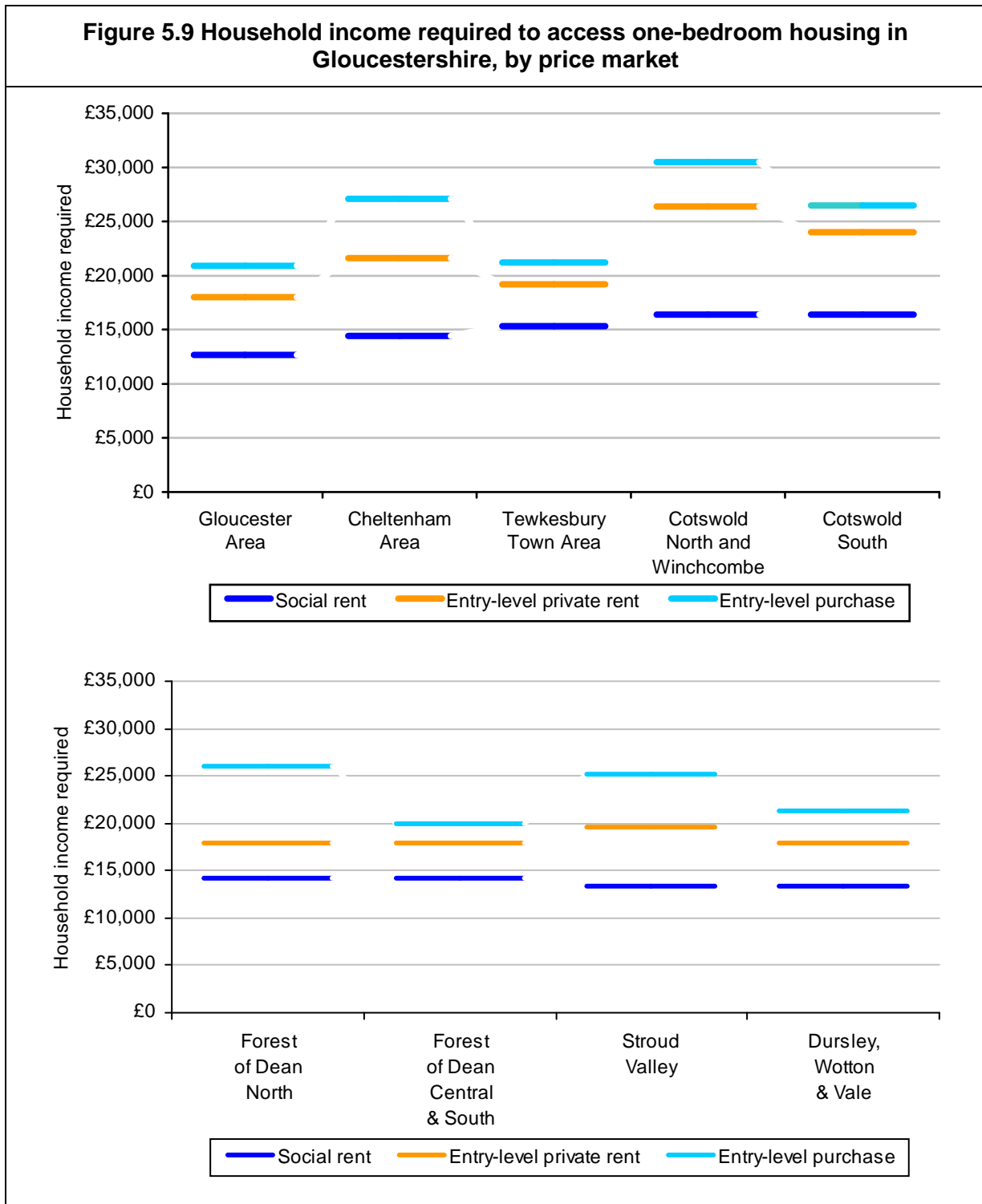
- 5.23 The figure shows a comparison of the likely income requirements per household for different types of housing. Measurement of the size of the gaps between these ‘rungs of the ladder’ helps assess the feasibility of households moving between the tenures - the smaller the gaps, the easier it is for a household to ascend the ladder.
- 5.24 The figure indicates that in all price markets, the gap between social rent and market rent is larger than the gap between market rent and entry-level home ownership. The gaps within the Cotswold North & Winchcombe price market are particularly large; an additional £10,000 per year is required to access a one bedroom private rented home over the cost of a one bedroom social rented property, with a further £4,000 required to move to an owner-occupied home.

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<sup>6</sup> Whilst a deposit of at least 5% is typically required when trying to purchase a home, we have excluded this requirement for this illustrative exercise.

<sup>7</sup> It should be noted that although price markets cross Local Authority boundaries, the social rent levels used for this illustration are from the authority in which the majority of the price market is located.

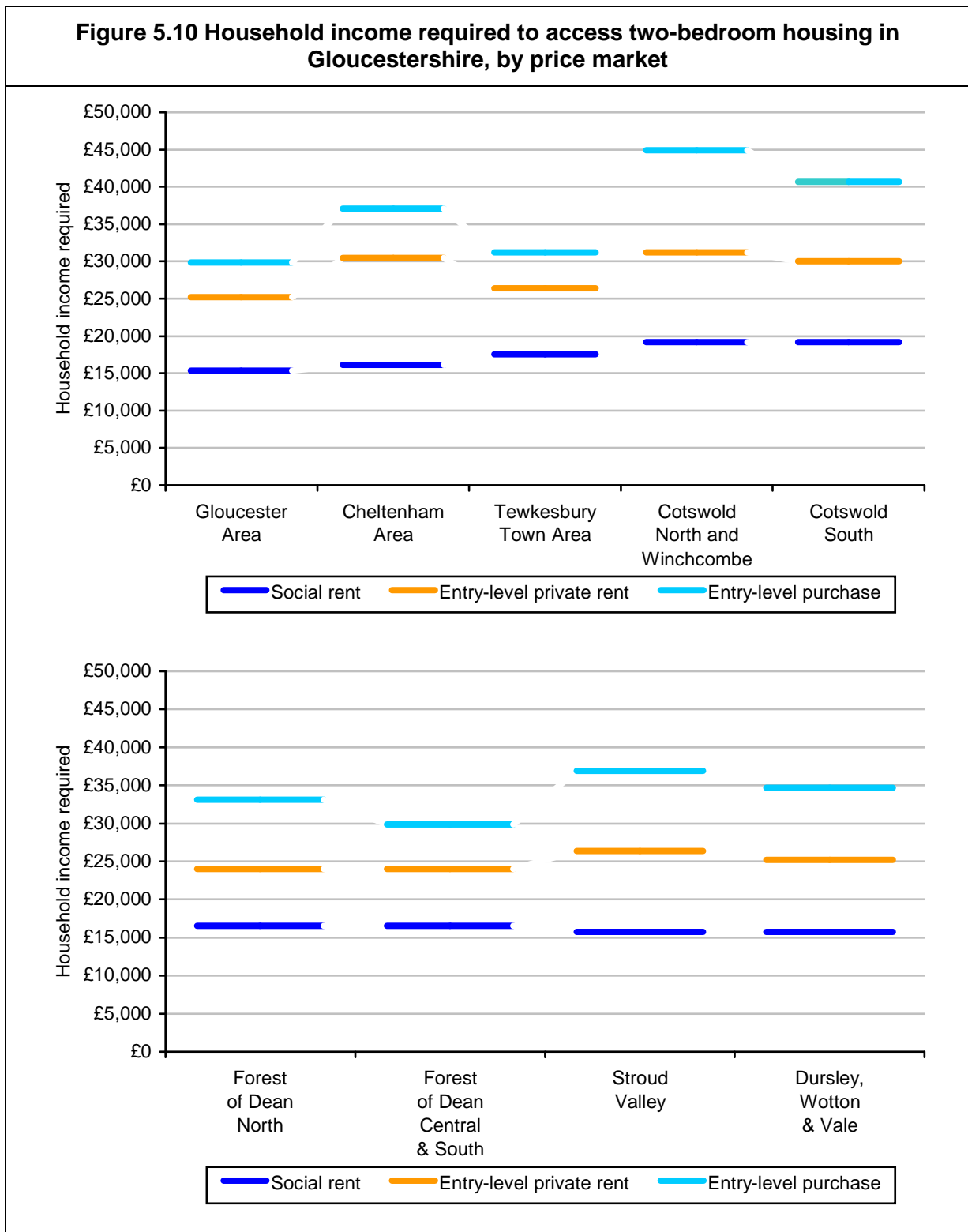




Source: Online estate and letting agents survey March 2013; HCA's Statistical Data Return 2012; Individual Council's ELASH 2012

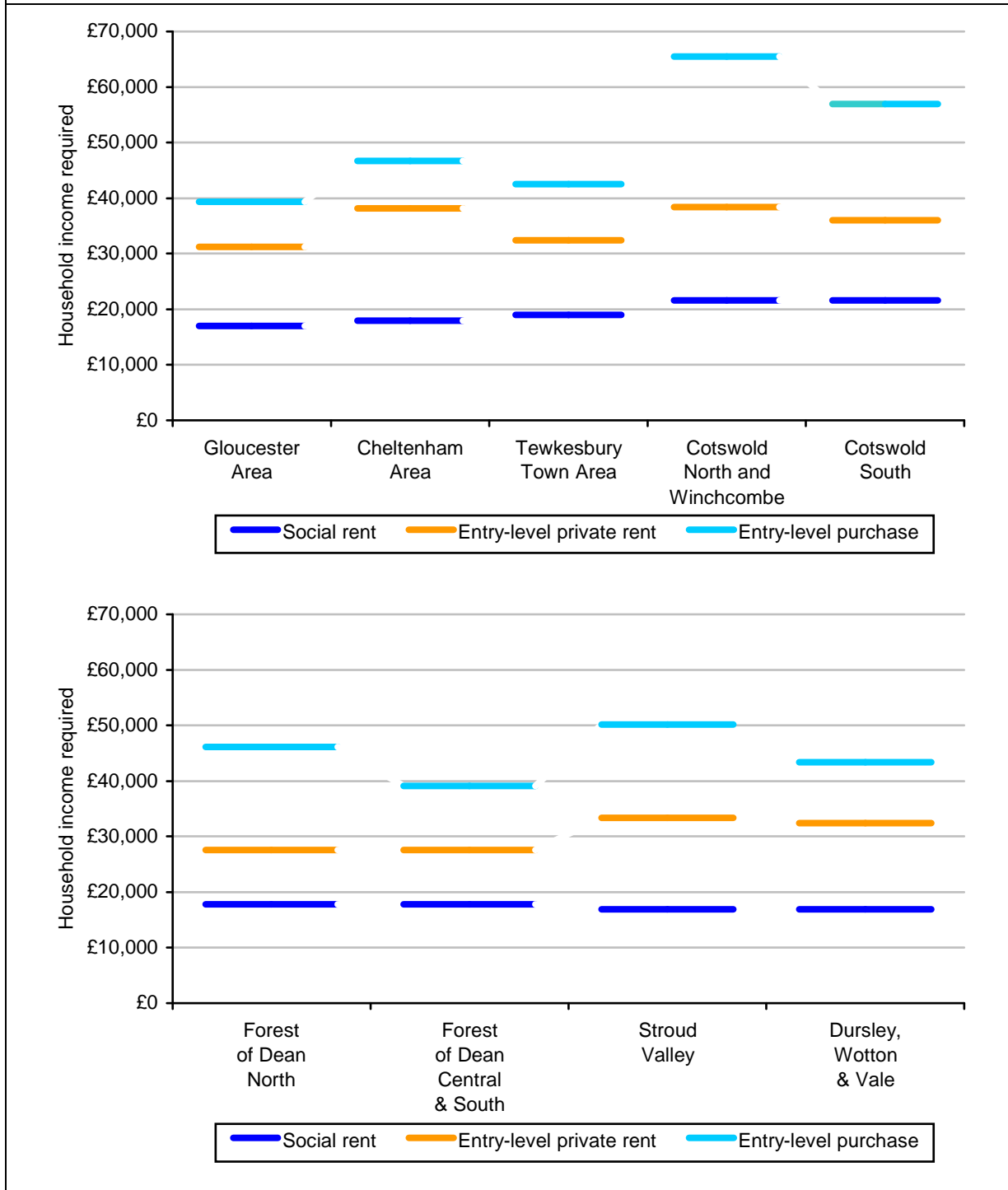
5.25 Figures 5.10 to 5.12 show the equivalent information for two, three and four bedroom homes. It is clear that as the property size increases, so do the gaps between the cost of the tenures – to move from a four bedroom social rented home in the Cotswold North & Winchcombe price market to one in the private rented sector would require an additional

£31,000, and a further £46,000 would be required to purchase a four bedroom property in the area.

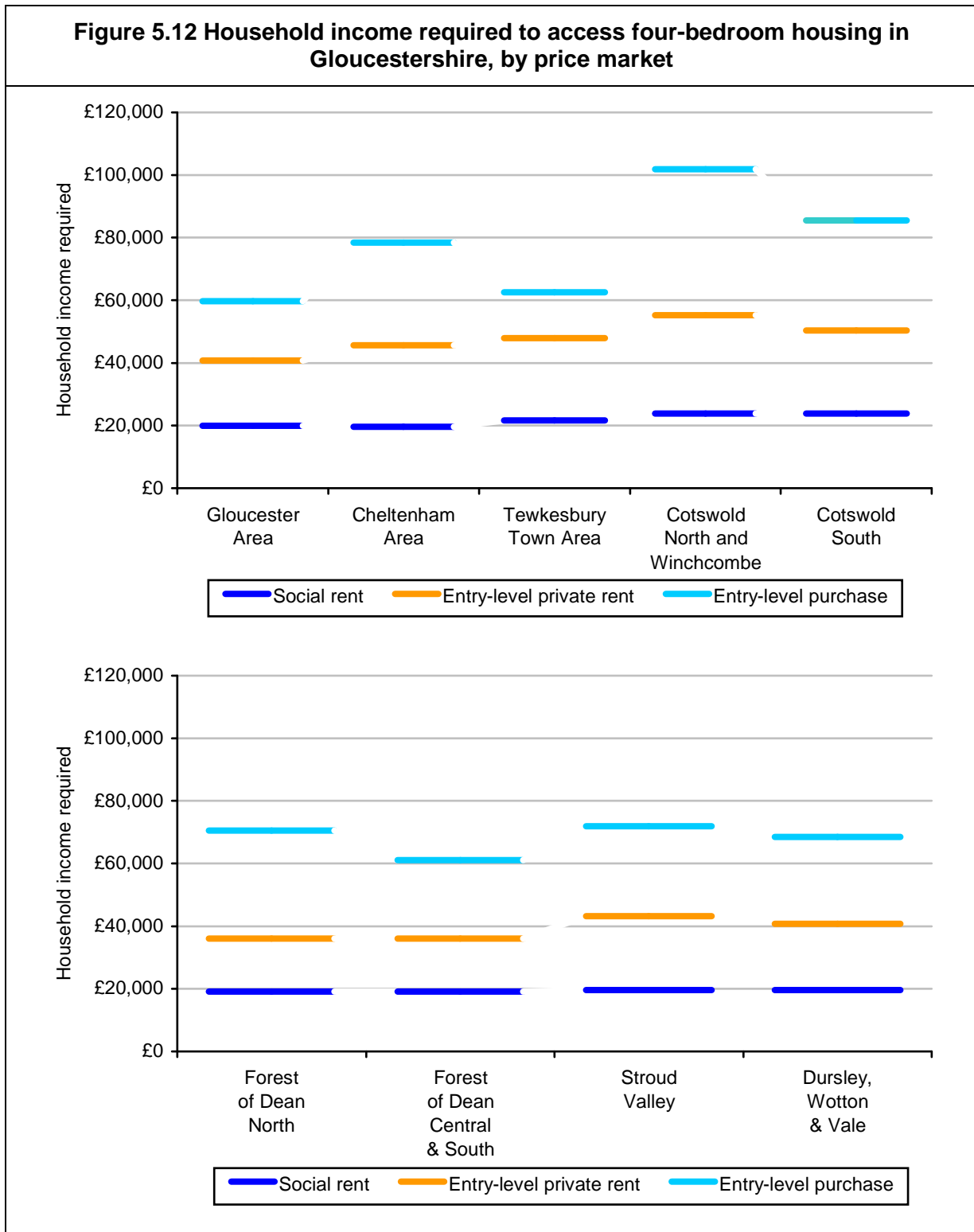


Source: Online estate and letting agents survey March 2013; HCA's Statistical Data Return 2012; Individual Council's ELASH 2012

**Figure 5.11 Household income required to access three-bedroom housing in Gloucestershire, by price market**



Source: Online estate and letting agents survey March 2013; HCA's Statistical Data Return 2012; Individual Council's ELASH 2012



Source: Online estate and letting agents survey March 2013; HCA's Statistical Data Return 2012; Individual Council's ELASH 2012

5.26 Table 5.6 shows the size of the gaps in each of the price market areas in Gloucestershire. The table indicates, for example, that one bedroom market entry rents in the Gloucester price market are 41.9% higher (in terms of income required) than the cost of social rented accommodation. The very large gap recorded between social rents and market entry rents in

all price markets and for all property sizes indicates that intermediate housing could potentially be useful for a large number of households in Gloucestershire.

5.27 The Cheltenham price market records the largest percentage difference between social rent and market rent for all dwelling sizes other than one bedroom accommodation, where the largest gap is found in Cotswold North and Winchcombe. A large range of households are therefore likely to be without an affordable tenure suitable for them in these areas. The smallest percentage difference between social rent and market rent is recorded in the Forest of Dean price markets.

<b>Table 5.6 Scale of key housing market gaps in Gloucestershire</b>					
<b>One bedroom</b>					
<i>Price-market</i>	<i>Income required social rent</i>	<i>Income required lower quartile market rent</i>	<i>Income required lower quartile home ownership</i>	<i>Social rent/ market rent gap</i>	<i>Rent/buy gap</i>
Gloucester Area	£12,683	£18,000	£20,914	41.9%	16.2%
Cheltenham Area	£14,435	£21,600	£27,114	49.6%	25.5%
Tewkesbury Town Area	£15,329	£19,200	£21,200	25.3%	10.4%
Cotswold North and Winchcombe	£16,404	£26,400	£30,486	60.9%	15.5%
Cotswold South	£16,404	£24,000	£26,457	46.3%	10.2%
Forest of Dean North	£14,194	£18,000	£26,086	26.8%	44.9%
Forest of Dean Central and South	£14,194	£18,000	£19,943	26.8%	10.8%
Stroud Valley	£13,301	£19,680	£25,200	48.0%	28.0%
Dursley, Wotton & Vale	£13,301	£18,000	£21,343	35.3%	18.6%
<b>Two bedroom</b>					
<i>Price-market</i>	<i>Income required social rent</i>	<i>Income required lower quartile market rent</i>	<i>Income required lower quartile home ownership</i>	<i>Social rent/ market rent gap</i>	<i>Rent/buy gap</i>
Gloucester Area	£15,336	£25,200	£29,857	64.3%	18.5%
Cheltenham Area	£16,163	£30,480	£37,086	88.6%	21.7%
Tewkesbury Town Area	£17,549	£26,400	£31,200	50.4%	18.2%
Cotswold North and Winchcombe	£19,170	£31,200	£44,943	62.8%	44.0%
Cotswold South	£19,170	£30,000	£40,714	56.5%	35.7%
Forest of Dean North	£16,525	£24,000	£33,114	45.2%	38.0%
Forest of Dean Central and South	£16,525	£24,000	£29,857	45.2%	24.4%
Stroud Valley	£15,747	£26,400	£36,914	67.6%	39.8%
Dursley, Wotton & Vale	£15,747	£25,200	£34,657	60.0%	37.5%

Source: Gloucestershire County Strategic Housing Market Assessment, 2013

<b>Table 5.6 continued Scale of key housing market gaps in Gloucestershire</b>					
<b>Three bedroom</b>					
<i>Price-market</i>	<i>Income required social rent</i>	<i>Income required lower quartile market rent</i>	<i>Income required lower quartile home ownership</i>	<i>Social rent/ market rent gap</i>	<i>Rent/buy gap</i>
Gloucester Area	£16,971	£31,200	£39,371	83.8%	26.2%
Cheltenham Area	£17,949	£38,160	£46,686	112.6%	22.3%
Tewkesbury Town Area	£18,952	£32,400	£42,543	71.0%	31.3%
Cotswold North and Winchcombe	£21,555	£38,400	£65,486	78.1%	70.5%
Cotswold South	£21,555	£36,000	£57,000	67.0%	58.3%
Forest of Dean North	£17,761	£27,600	£46,143	55.4%	67.2%
Forest of Dean Central and South	£17,761	£27,600	£39,114	55.4%	41.7%
Stroud Valley	£16,886	£33,360	£50,200	97.6%	50.5%
Dursley, Wotton & Vale	£16,886	£32,400	£43,400	91.9%	34.0%
<b>Four bedroom</b>					
<i>Price-market</i>	<i>Income required social rent</i>	<i>Income required lower quartile market rent</i>	<i>Income required lower quartile home ownership</i>	<i>Social rent/ market rent gap</i>	<i>Rent/buy gap</i>
Gloucester Area	£19,866	£40,800	£59,714	105.4%	46.4%
Cheltenham Area	£19,621	£45,600	£78,429	132.4%	72.0%
Tewkesbury Town Area	£21,653	£48,000	£62,571	121.7%	30.4%
Cotswold North and Winchcombe	£23,879	£55,200	£101,800	131.2%	84.4%
Cotswold South	£23,879	£50,400	£85,514	111.1%	69.7%
Forest of Dean North	£19,143	£36,000	£70,571	88.1%	96.0%
Forest of Dean Central and South	£19,143	£36,000	£61,086	88.1%	69.7%
Stroud Valley	£19,609	£43,200	£71,971	120.3%	66.6%
Dursley, Wotton & Vale	£19,609	£40,800	£68,514	108.1%	67.9%

Source: Gloucestershire County Strategic Housing Market Assessment, 2013

## Affordable Rent

- 5.28 Affordable Rents are being introduced to help fill the gaps that exist in the current housing market. Affordable Rent is a new form of affordable housing intended to house households in need of rented affordable housing. Affordable Rents can be set at up to 80% of open market rents. This section, therefore profiles in more detail the private rented sector, on which the tenure is based, and then considers the potential cost of Affordable Rent in the various rental markets within Gloucestershire.

### Understanding the private rented sector (PRS) in Gloucestershire

- 5.29 The section considers the breadth of the private rented market for each property size within each rental market in Gloucestershire. Table 5.7 shows the cost at the key points of the rental distribution. It can be seen from the figures in the Table that in all rental markets each property size operates in largely distinct markets as there are notable differences between the median rents for each property size and overlap within the inter-quartile ranges is minimal (overlap is only recorded in Cheltenham and between one and two bedroom homes in Cotswold North).

<b>Table 5.7 Private sector rent level in Gloucestershire (cost per month)</b>				
<b>Gloucester Area rental market</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£325	£395	£525	£795
Lower Quartile	£375	£525	£650	£850
Median	£420	£550	£675	£980
Upper Quartile	£450	£595	£695	£1,150
Maximum	£600	£750	£850	£1,500
Inter-quartile range	£75	£70	£45	£300
% difference between quartiles	20.0%	13.3%	6.9%	35.3%
<b>Cheltenham Area rental market</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£425	£450	£650	£750
Lower Quartile	£450	£635	£795	£950
Median	£525	£725	£875	£1,350
Upper Quartile	£595	£850	£1,100	£1,600
Maximum	£1,250	£1,800	£1,750	£2,800
Inter-quartile range	£145	£215	£305	£650
% difference between quartiles	32.2%	33.9%	38.4%	68.4%
<b>Tewkesbury Town Area rental market</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£350	£475	£575	£750
Lower Quartile	£400	£550	£675	£1,000
Median	£450	£595	£800	£1,500
Upper Quartile	£500	£625	£950	£1,750
Maximum	£600	£775	£1,250	£2,500
Inter-quartile range	£100	£75	£275	£750
% difference between quartiles	25.0%	13.6%	40.7%	75.0%
<b>Cotswold North and Winchcombe rental market</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£450	£515	£595	£850
Lower Quartile	£550	£650	£800	£1,150
Median	£595	£700	£1,000	£1,750
Upper Quartile	£675	£795	£1,150	£1,950
Maximum	£850	£1,450	£1,700	£2,700
Inter-quartile range	£125	£145	£350	£800
% difference between quartiles	22.7%	22.3%	43.8%	69.6%

Source: Online letting agents survey March 2013



<b>Table 5.7 continued Private sector rent level in Gloucestershire (cost per month)</b>				
<b>Cotswold South rental market</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£425	£520	£620	£850
Lower Quartile	£500	£625	£750	£1,050
Median	£525	£675	£850	£1,350
Upper Quartile	£595	£700	£995	£1,700
Maximum	£695	£900	£1,195	£2,850
Inter-quartile range	£95	£75	£245	£650
% difference between quartiles	19.0%	12.0%	32.7%	61.9%
<b>Forest of Dean rental market</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£325	£400	£495	£675
Lower Quartile	£375	£500	£575	£750
Median	£400	£550	£625	£950
Upper Quartile	£430	£575	£700	£1,250
Maximum	£550	£800	£1,250	£2,000
Inter-quartile range	£55	£75	£125	£500
% difference between quartiles	14.7%	15.0%	21.7%	66.7%
<b>Stroud Valley rental market</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£350	£450	£650	£850
Lower Quartile	£410	£550	£695	£900
Median	£425	£595	£710	£1,150
Upper Quartile	£460	£675	£765	£1,500
Maximum	£550	£950	£1,200	£2,250
Inter-quartile range	£50	£125	£70	£600
% difference between quartiles	12.2%	22.7%	10.1%	66.7%
<b>Dursley, Wotton &amp; Vale rental market</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£325	£400	£650	£800
Lower Quartile	£375	£525	£675	£850
Median	£395	£550	£700	£975
Upper Quartile	£450	£575	£750	£1,200
Maximum	£490	£750	£900	£1,750
Inter-quartile range	£75	£50	£75	£350
% difference between quartiles	20.0%	9.5%	11.1%	41.2%

Source: Online letting agents survey March 2013

- 5.30 For all property sizes, the extremes of each market overlap somewhat with the next size of dwelling. For example, in all rental markets a household in a high quality two-bed dwelling could live in a median priced three-bed property at the same rent but they would have to accept a noticeable drop in quality.

#### Affordable Rents compared with open market rents

- 5.31 We have considered various forms of averaging to derive a median market rent, from which the Affordable Rent at 80% could be calculated. The most effective, we believe, is to take the median from the middle range of observed rents. Tables 5.8 to 5.15 compare the observed ranges of rent in the PRS with the Affordable Rents based at 80% of these levels. Social rent and Local Housing Allowance (LHA) levels are also included. The tables show that social rent levels in Gloucestershire are consistently below the entire range of rates for Affordable Rent products<sup>8</sup> and the gap between social rent and Affordable Rent increases with property size.
- 5.32 Five Broad Rental Market Areas (BRMA) apply across Gloucestershire; with the majority of the County located within the Gloucester BRMA and the Cheltenham BRMA, but parts of Cotswold falling within the West Wiltshire BRMA and the South Warwickshire BRMA and parts of Forest of Dean falling within the Herefordshire BRMA. The LHA rate for all the applicable BRMAs within each rental market area, as set by the Valuation Office Agency are also included in each table. This is based on the 30th percentile of open market rents. In most markets the LHA rates are above the median and often above the maximum Affordable Rent level.
- 5.33 In Gloucestershire the LHA rates are generally above the median Affordable Rent but below the maximum Affordable Rent. In this instance, if the intended households for Affordable Rent homes require the entire rent to be covered by LHA, the properties available should be drawn from the lower-middle end of the market, in which case the rent level would be below the LHA rate.
- 5.34 In terms of providing an Affordable Rent product that is above the social rent level but suitably below the entry-level (lower quartile) market rent, the tables suggest that the most suitable properties to be made available for Affordable Rent would be ones equivalent to those in the 'lower-middle' section of the open market.

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<sup>8</sup> Except for one bedroom Affordable Rents at 80% of lower quartile prices in the Gloucester rental market located within the Tewkesbury Local Authority area.

<b>Table 5.8 Rent levels by tenure - Gloucester Area rental market (cost per month)</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
<b>PRS</b>				
Lower Quartile	£375	£525	£650	£850
Median	£420	£550	£675	£980
Upper Quartile	£450	£595	£695	£1,150
<b>Affordable Rent</b>				
Minimum (80% of lower quartile)	£300	£420	£520	£680
Median (80% of median)	£336	£440	£540	£784
Maximum (80% of upper quartile)	£360	£476	£556	£920
<b>Social rent</b>				
Gloucester LA area*	£264	£320	£354	£414
Tewkesbury LA area*	£319	£366	£395	£451
Stroud LA area*	£277	£328	£352	£409
<b>LHA rate</b>				
Gloucester BRMA **	£395	£525	£625	£795

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012; Individual Council's ELASH 2012, \*\* Valuation Office Agency March 2013

<b>Table 5.9 Rent levels by tenure - Cheltenham Area rental market (cost per month)</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
<b>PRS</b>				
Lower Quartile	£450	£635	£795	£950
Median	£525	£725	£875	£1,350
Upper Quartile	£595	£850	£1,100	£1,600
<b>Affordable Rent</b>				
Minimum (80% of lower quartile)	£360	£508	£636	£760
Median (80% of median)	£420	£580	£700	£1,080
Maximum (80% of upper quartile)	£476	£680	£880	£1,280
<b>Social rent</b>				
Cheltenham LA area*	£301	£337	£374	£409
Tewkesbury LA area*	£319	£366	£395	£451
<b>LHA rate</b>				
Cheltenham BRMA**	£475	£615	£725	£1,000

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012; Individual Council's ELASH 2012, \*\* Valuation Office Agency March 2013

<b>Table 5.10 Rent levels by tenure – Tewkesbury Town Area rental market (cost per month)</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
<b>PRS</b>				
Lower Quartile	£400	£550	£675	£1,000
Median	£450	£595	£800	£1,500
Upper Quartile	£500	£625	£950	£1,750
<b>Affordable Rent</b>				
Minimum (80% of lower quartile)	£320	£440	£540	£800
Median (80% of median)	£360	£476	£640	£1,200
Maximum (80% of upper quartile)	£400	£500	£760	£1,400
<b>Social rent</b>				
Tewkesbury LA area*	£319	£366	£395	£451
<b>LHA rate</b>				
Cheltenham BRMA**	£475	£615	£725	£1,000
Gloucester BRMA **	£395	£525	£625	£795

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012; Individual Council's ELASH 2012, \*\* Valuation Office Agency March 2013

<b>Table 5.11 Rent levels by tenure - Cotswold North and Winchcombe rental market (cost per month)</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
<b>PRS</b>				
Lower Quartile	£550	£650	£800	£1,150
Median	£595	£700	£1,000	£1,750
Upper Quartile	£675	£795	£1,150	£1,950
<b>Affordable Rent</b>				
Minimum (80% of lower quartile)	£440	£520	£640	£920
Median (80% of median)	£476	£560	£800	£1,400
Maximum (80% of upper quartile)	£540	£636	£920	£1,560
<b>Social rent</b>				
Cotswold LA area*	£342	£399	£449	£497
<b>LHA rate</b>				
Cheltenham BRMA**	£475	£615	£725	£1,000
Gloucester BRMA **	£395	£525	£625	£795
West Wiltshire BRMA**	£425	£525	£650	£825
Warwickshire South BRMA **	£495	£625	£750	£995

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012; Individual Council's ELASH 2012, \*\* Valuation Office Agency March 2013

<b>Table 5.12 Rent levels by tenure – Cotswold South rental market (cost per month)</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
<b>PRS</b>				
Lower Quartile	£500	£625	£750	£1,050
Median	£525	£675	£850	£1,350
Upper Quartile	£595	£700	£995	£1,700
<b>Affordable Rent</b>				
Minimum (80% of lower quartile)	£400	£500	£600	£840
Median (80% of median)	£420	£540	£680	£1,080
Maximum (80% of upper quartile)	£476	£560	£796	£1,360
<b>Social rent</b>				
Cotswold LA area*	£342	£399	£449	£497
<b>LHA rate</b>				
Gloucester BRMA **	£395	£525	£625	£795
West Wiltshire BRMA**	£425	£525	£650	£825

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012; Individual Council's ELASH 2012, \*\* Valuation Office Agency March 2013

<b>Table 5.13 Rent levels by tenure - Forest of Dean rental market (cost per month)</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
<b>PRS</b>				
Lower Quartile	£375	£500	£575	£750
Median	£400	£550	£625	£950
Upper Quartile	£430	£575	£700	£1,250
<b>Affordable Rent</b>				
Minimum (80% of lower quartile)	£300	£400	£460	£600
Median (80% of median)	£320	£440	£500	£760
Maximum (80% of upper quartile)	£344	£460	£560	£1,000
<b>Social rent</b>				
Forest of Dean LA area*	£296	£344	£370	£399
<b>LHA rate</b>				
Gloucester BRMA **	£395	£525	£625	£795
Herefordshire BRMA**	£395	£500	£595	£725

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012; Individual Council's ELASH 2012, \*\* Valuation Office Agency March 2013

<b>Table 5.14 Rent levels by tenure – Stroud Valley rental market (cost per month)</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
<b>PRS</b>				
Lower Quartile	£410	£550	£695	£900
Median	£425	£595	£710	£1,150
Upper Quartile	£460	£675	£765	£1,500
<b>Affordable Rent</b>				
Minimum (80% of lower quartile)	£328	£440	£556	£720
Median (80% of median)	£340	£476	£568	£920
Maximum (80% of upper quartile)	£368	£540	£612	£1,200
<b>Social rent</b>				
Stroud LA area*	£277	£328	£352	£409
<b>LHA rate</b>				
Gloucester BRMA **	£395	£525	£625	£795

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012; Individual Council's ELASH 2012, \*\* Valuation Office Agency March 2013

<b>Table 5.15 Rent levels by tenure - Dursley, Wotton &amp; Vale rental market (cost per month)</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
<b>PRS</b>				
Lower Quartile	£375	£525	£675	£850
Median	£395	£550	£700	£975
Upper Quartile	£450	£575	£750	£1,200
<b>Affordable Rent</b>				
Minimum (80% of lower quartile)	£300	£420	£540	£680
Median (80% of median)	£316	£440	£560	£780
Maximum (80% of upper quartile)	£360	£460	£600	£960
<b>Social rent</b>				
Stroud LA area*	£277	£328	£352	£409
<b>LHA rate</b>				
Gloucester BRMA **	£395	£525	£625	£795

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012; Individual Council's ELASH 2012, \*\* Valuation Office Agency March 2013

#### Affordable Rent levels

- 5.35 Having established how Affordable Rent at 80% should be positioned in the market, it is important to consider the cost of other potential Affordable Rent options below the maximum of 80%. Alternative levels of Affordable Rent (70%, 65% and 60% of the median of the

market) are also considered to understand how lowering rents impacts affordability. The costs of renting at these various levels are presented in Table 5.16.

- 5.36 The figures in shaded cells in Table 5.16 indicate where the Affordable Rent rate is lower than the social rent level. As a result, when the affordability of different levels of Affordable Rent is tested in Chapter 7, we do not test these options. As the aim of Affordable Rent is to generate a greater income for registered providers (RPs) to supply more affordable developments, charging these levels would generate less income, therefore the RPs would be better off charging social rents.
- 5.37 A limited number of Affordable Rent units are currently available in Gloucestershire (20 as at April 2012 according to the HCA's Statistical Data Return). The table also indicates the current Affordable Rent charged on these properties (including any service charge). The table shows that the current Affordable Rent levels charged are below the cost of entry-level (lower quartile) rent for all property sizes. The Affordable Rent currently charged is generally around the 80% Affordable Rent level calculated, apart from in Cotswold where it is between the 65% and 70% Affordable Rent levels calculated.

<b>Table 5.16 Monthly rental figures of different Affordable Rent levels – by property size</b>				
<b>Gloucester Area rental market</b>				
<i>Bedrooms</i>	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Lower Quartile Private Rents	£375	£525	£650	£850
Affordable Rent at 80%	£336	£440	£540	£784
Affordable Rent at 70%	£294***	£385	£473	£686
Affordable Rent at 65%	£273****	£358	£439	£637
Affordable Rent at 60%	£252	£330***	£405	£588
Social rent Gloucester LA area*	£264	£320	£354	£414
Social rent Tewkesbury LA area*	£319	£366	£395	£451
Social rent Stroud LA area*	£277	£328	£352	£409
<b>Cheltenham Area rental market</b>				
<i>Bedrooms</i>	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Lower Quartile Private Rents	£450	£635	£795	£950
Affordable Rent at 80%	£420	£580	£700	£1,080
Affordable Rent at 70%	£368	£508	£613	£945
Affordable Rent at 65%	£341	£471	£569	£878
Affordable Rent at 60%	£315***	£435	£525	£810
Social rent Cheltenham LA area*	£301	£337	£374	£409
Social rent Tewkesbury LA area*	£319	£366	£395	£451
<b>Tewkesbury Town Area rental market</b>				
<i>Bedrooms</i>	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Lower Quartile Private Rents	£400	£550	£675	£1,000
Affordable Rent at 80%	£360	£476	£640	£1,200
Affordable Rent at 70%	£315	£417	£560	£1,050
Affordable Rent at 65%	£293	£387	£520	£975
Affordable Rent at 60%	£270	£357	£480	£900
Social rent*	£319	£366	£395	£451
Current Affordable Rent charged*	-	£521	-	-
<b>Cotswold North and Winchcombe rental market</b>				
<i>Bedrooms</i>	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Lower Quartile Private Rents	£550	£650	£800	£1,150
Affordable Rent at 80%	£476	£560	£800	£1,400
Affordable Rent at 70%	£417	£490	£700	£1,225
Affordable Rent at 65%	£387	£455	£650	£1,138
Affordable Rent at 60%	£357	£420	£600	£1,050
Social rent*	£342	£399	£449	£497
Current Affordable Rent charged*	£365	£485	-	-

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012; Individual Council's ELASH 2012  
\*\*\*Only lower in Tewkesbury LA area. \*\*\*\*Only lower in Tewkesbury & Stroud LA areas



<b>Table 5.16 Monthly rental figures of different Affordable Rent levels – by property size</b>				
<b>Cotswold South rental market</b>				
<i>Bedrooms</i>	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Lower Quartile Private Rents	£500	£625	£750	£1,050
Affordable Rent at 80%	£420	£540	£680	£1,080
Affordable Rent at 70%	£368	£473	£595	£945
Affordable Rent at 65%	£341	£439	£553	£878
Affordable Rent at 60%	£315	£405	£510	£810
Social rent*	£342	£399	£449	£497
Current Affordable Rent charged*	£365	£485	-	-
<b>Forest of Dean rental market</b>				
<i>Bedrooms</i>	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Lower Quartile Private Rents	£375	£500	£575	£750
Affordable Rent at 80%	£320	£440	£500	£760
Affordable Rent at 70%	£280	£385	£438	£665
Affordable Rent at 65%	£260	£358	£406	£618
Affordable Rent at 60%	£240	£330	£375	£570
Social rent*	£296	£344	£370	£399
Current Affordable Rent charged*	-	£420	£542	-
<b>Stroud Valley rental market</b>				
<i>Bedrooms</i>	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Lower Quartile Private Rents	£410	£550	£695	£900
Affordable Rent at 80%	£340	£476	£568	£920
Affordable Rent at 70%	£298	£417	£497	£805
Affordable Rent at 65%	£276	£387	£462	£748
Affordable Rent at 60%	£255	£357	£426	£690
Social rent*	£277	£328	£352	£409
Current Affordable Rent charged*	-	£460	-	-
<b>Dursley, Wotton &amp; Vale rental market</b>				
<i>Bedrooms</i>	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Lower Quartile Private Rents	£375	£525	£675	£850
Affordable Rent at 80%	£316	£440	£560	£780
Affordable Rent at 70%	£277	£385	£490	£683
Affordable Rent at 65%	£257	£358	£455	£634
Affordable Rent at 60%	£237	£330	£420	£585
Social rent*	£277	£328	£352	£409
Current Affordable Rent charged*	-	£460	-	-

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012; Individual Council's ELASH 2012

Shared ownership

- 5.38 Whilst this section has profiled Affordable Rent in detail, it should be noted that shared ownership accommodation is an alternative affordable product aimed at the same group of households - those able to afford more than social rents but unable to afford market accommodation.
- 5.39 Table 5.17 presents the estimated costs of shared ownership housing in Gloucestershire. The prices presented in the table were obtained from the online estate agent survey. The monthly costs of the most commonly available equity shares offered are also shown. The monthly costs are based on an interest rate of 5.69% paid on the equity share owned by the household in the property and rent payable at 2.5% on the remaining equity. It is presumed the equity share is acquired by a loan, rather than bought outright. These costs have been produced just to allow a broad comparison with the Affordable Rent levels presented above. It is clear that there is a potential overlap between the two products, particularly between shared ownership with a 50% equity share and Affordable Rent at 70% (and Affordable Rent at 65% in cheaper areas), but also between shared ownership with a 75% equity share and Affordable Rent at 80% in more expensive areas.

<b>Table 5.17 Estimated cost of shared ownership accommodation in Gloucestershire</b>				
	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Open market value	£100,000	£150,000	£190,000	£250,000
Monthly cost of shared ownership with a 5% equity share	£222	£332	£421	£554
Monthly cost of shared ownership with a 25% equity share	£275	£412	£522	£687
Monthly cost of shared ownership with a 50% equity share	£341	£512	£648	£853
Monthly cost of shared ownership with a 75% equity share	£408	£612	£775	£1,019

Source: Online letting agents survey March 2013

## 6. Financial Information

THIS CHAPTER IS TAKEN FROM THE LOCAL AUTHORITIES OF GLOUCESTERSHIRE, STRATEGIC HOUSING MARKET ASSESSMENT – MARCH 2014. THE MAJORITY OF THE DATA WAS COLLECTED AND BASED IN 2013.

### Summary

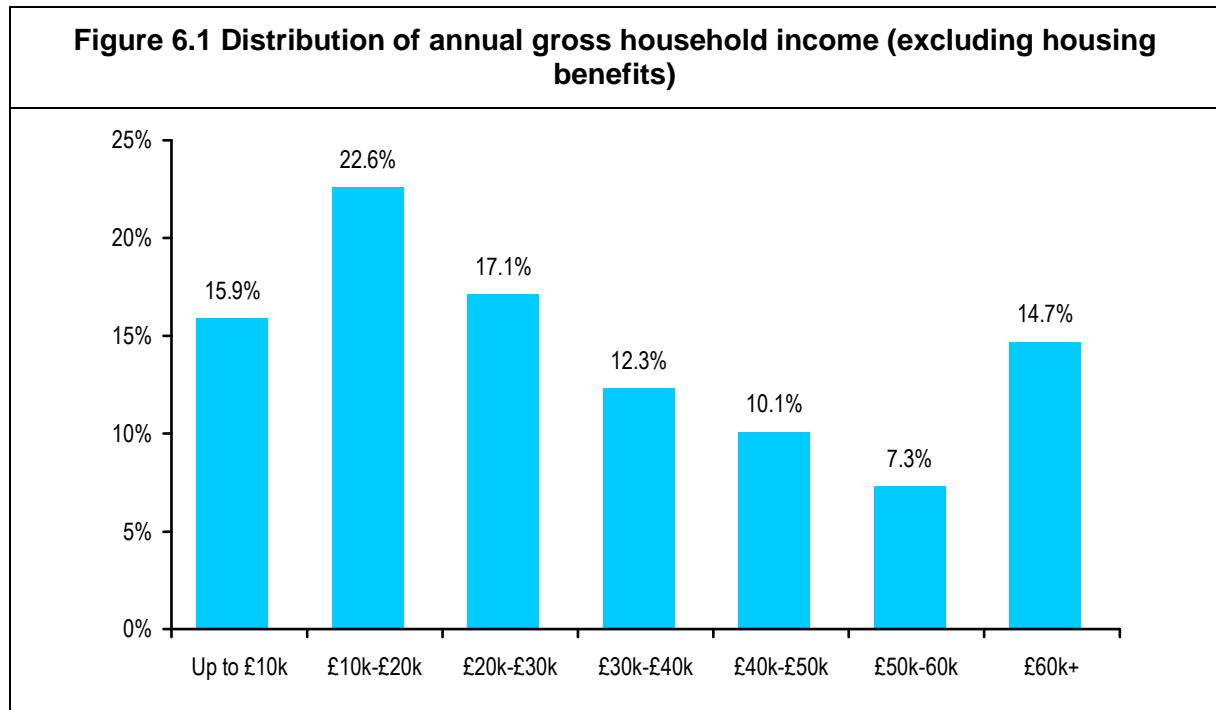
- i) The updated survey estimates that the median annual gross household income (including non-housing benefits) in Gloucestershire is £26,076. This is an increase of 11.8% since the previous SHMA report in 2009. Since 2007 the median savings levels have increased by 0.8% whilst the median equity amongst owner-occupiers has increased by 3.4%.
- ii) Based on the affordability criteria set out in the Practice Guidance, some 24.3% of all households in Gloucestershire are theoretically unable to afford market accommodation of an appropriate size at the present time. This compares to a figure of 22.7% in 2009 from the previous SHMA report.

### Introduction

- 6.1 Chapter 2 of this report describes how the financial profile of each household within the primary dataset has been updated. This chapter presents the current financial situation of households in Gloucestershire derived from the updated dataset. 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 Gloucestershire.

### Household income

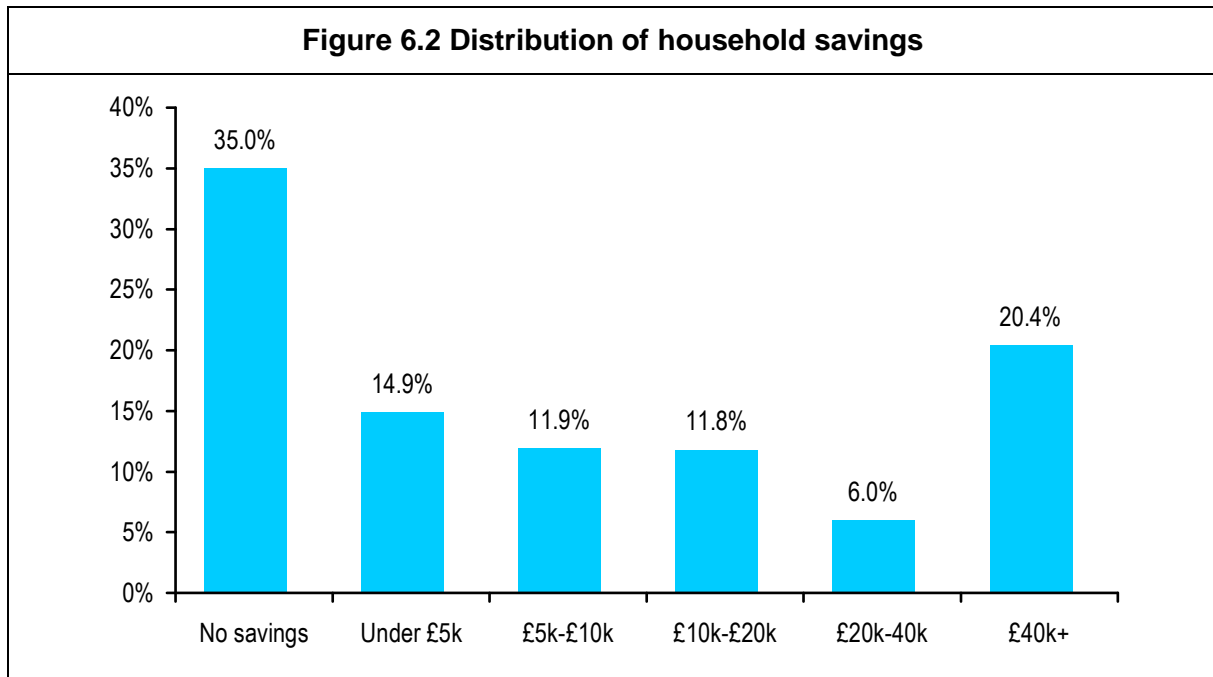
- 6.2 The updated household survey dataset estimates that the median annual gross household income excluding housing benefits in Gloucestershire is £26,076, which is an increase of 11.8% since the 2010 HNA. The mean household income is noticeably higher at £34,280. It is worth noting that households containing at least one person in current employment had a median income of £35,114 (and a mean of £41,926).
- 6.3 Figure 6.1 shows the distribution of income in the County. It is clear that there is a significant range of incomes, with 38.5% of households having an income of less than £20,000, and 14.7% of households having an income in excess of £60,000.



Source: Gloucestershire County Strategic Housing Market Assessment, updated household dataset 2013

### Household savings and equity

- 6.4 The median level of household savings in Gloucestershire in 2013 according to the updated household survey dataset is £4,467, which is an increase of 0.8% from the figure recorded in the 2010 HNA. The mean figure for household savings is currently £38,471. Figure 6.2 shows the distribution of savings in Gloucestershire. Households with no savings also include those in debt. The survey indicates that 35,264 households in the County are in debt, which constitutes 13.6% of all households in Gloucestershire.



Source: Gloucestershire County Strategic Housing Market Assessment, updated household dataset 2013

- 6.5 The high proportion of households in Gloucestershire with savings below £10,000 (61.9%), when considered alongside the requirement for a significant deposit when buying a home, helps explain the high growth in the private rented sector recorded in the County. In all Local Authority areas over half of households have less than £10,000 in savings.
- 6.6 The updated household survey dataset indicates that the median amount of equity that all owner-occupiers (both those with and without mortgages) have in their property is estimated to be £148,718 currently. This is an increase of 3.4% since the 2010 HNA<sup>9</sup>. The mean level of equity is £187,091.

### Financial capacity of Gloucestershire County's households

- 6.7 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 (x3.5) + savings + equity. The income is multiplied by 3.5 as this is the typical multiplier used to assess a household's ability to purchase a home and is the approach suggested in the Practice Guidance.
- 6.8 Table 6.1 provides the median 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

<sup>9</sup> This figure differs notably from the figure set out in paragraph 5.6 because it covers a different time period (May 2009 to March 2013 rather than Q1 2009 to Q3 2013). The figure is higher for the Q1 2009 to Q3 2013 period because it includes more of the affect of the seasonal fluctuation in prices.

buying a home or renting privately within Gloucestershire; other affordable tenures may be suitable for some of these households however.

<i>Tenure</i>	<i>Median annual gross household income</i>	<i>Median savings</i>	<i>Median equity</i>	<i>Financial capacity</i>
Owner-occupied (no mortgage)	£23,621	£33,733	£183,087	£299,492
Owner-occupied (with mortgage)	£43,770	£2,396	£89,339	£244,932
Social rented	£11,049	£230	£0	£38,903
Private rented	£21,841	£355	£0	£76,800
Average	£26,077	£4,467	£88,353	£184,088

Source: Gloucestershire County Strategic Housing Market Assessment, updated household dataset 2013

6.9 Table 6.2 shows how median financial information varies across the constituent Local Authorities of Gloucestershire. The data shows that median incomes are highest in Cotswold followed by Cheltenham and lowest in Forest of Dean. Median household savings are highest in Cotswold followed by Stroud and lowest in Gloucester. Equity levels in Cotswold are much higher than any other area in the County and much lower than elsewhere in Gloucester. Overall financial capacity is highest in Cotswold and lowest in Gloucester, which has a smaller proportion of owner-occupied households and therefore have fewer households with equity.

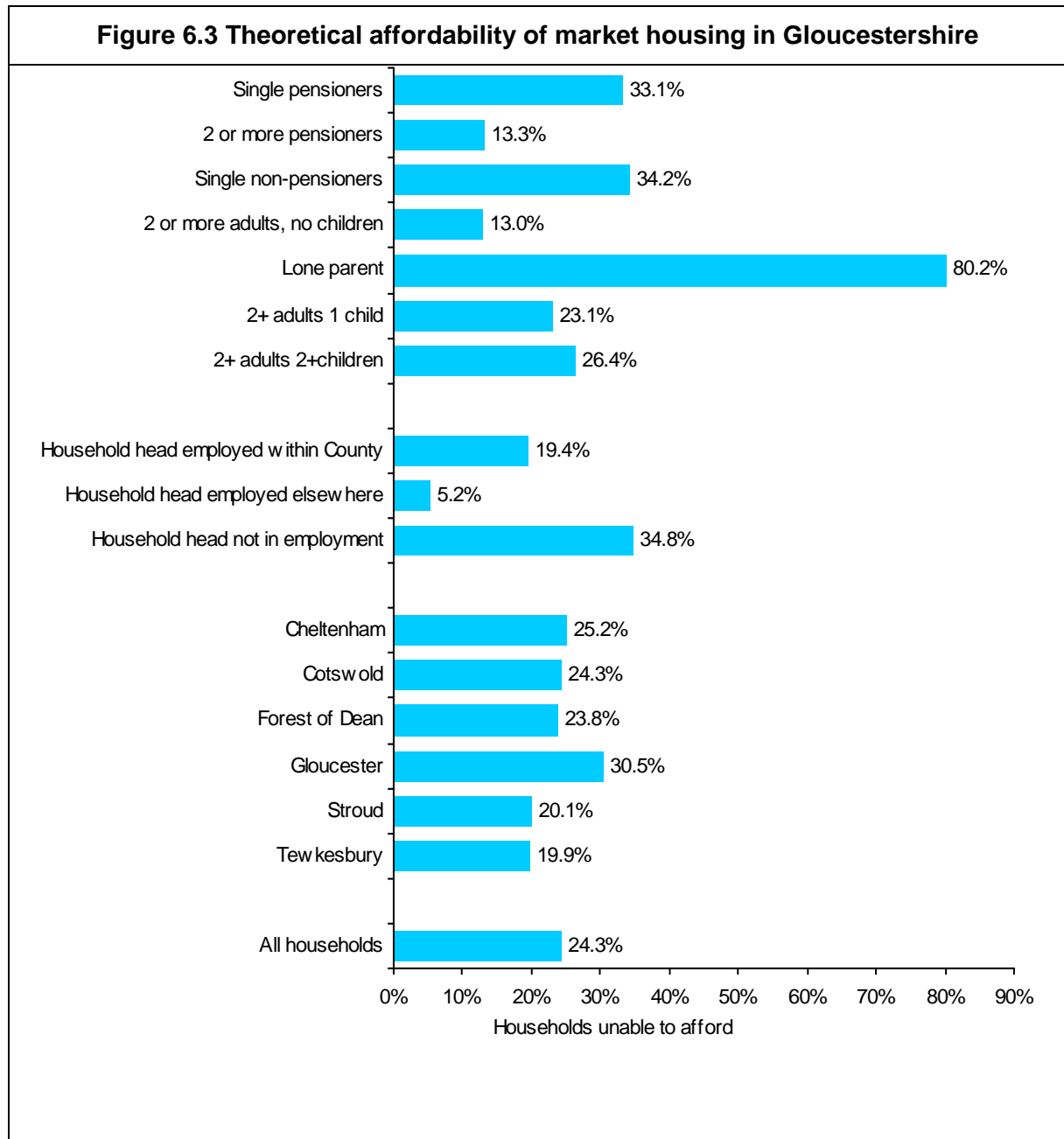
<i>Local Authority area</i>	<i>Median annual gross household income</i>	<i>Median savings</i>	<i>Median equity (owner-occupiers only)</i>	<i>Financial capacity (all households including renters)</i>
Cheltenham	£28,664	£5,168	£175,763	£173,191
Cotswold	£29,360	£10,598	£209,938	£233,209
Forest of Dean	£21,628	£3,300	£141,133	£183,975
Gloucester	£22,812	£1,043	£106,090	£119,103
Stroud	£27,560	£7,235	£167,179	£218,708
Tewkesbury Borough	£26,898	£6,748	£152,040	£200,507
Average	£26,077	£4,467	£148,718	£184,088

Source: Gloucestershire County Strategic Housing Market Assessment, updated household dataset 2013

### **Theoretical affordability of market housing**

6.10 This information on the financial capacity of households alongside data on the cost of entry-level housing in Gloucestershire can be used to examine the ability of households to afford housing within their price market (the entry-level cost of which was set out for all price markets in chapter 5), based on the affordability criteria set out in the Glossary.

- 6.11 Figure 6.3 shows the current affordability of households by household type, location of employment of household head and Local Authority within the County. This is theoretical affordability of households, as the analysis considers all households in the County and does not take into account their intention of moving. The analysis in chapter 7 (and the associated Appendices) considers the affordability of particular subsets of the population, which is why the figures recorded are different.
- 6.12 The data indicates that 80.2% of lone parent households in the County 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 are most likely to be able to afford market housing in Gloucestershire.
- 6.13 Some 19.4% of households headed by someone employed in Gloucestershire would be unable to afford market housing in the County (if they were to move now), compared to 5.2% of households headed by someone employed outside of Gloucestershire. The figure shows that households in Tewkesbury price area are most likely to be able to afford market housing in the local area, with households in Gloucester least likely.
- 6.14 Overall, some 24.3% of all households in Gloucestershire County are theoretically unable to afford market accommodation of an appropriate size at the present time. This compares to a figure of 22.7% in the 2010 HNA report.



Source: Gloucestershire County Strategic Housing Market Assessment, updated household dataset 2013



## 7. Housing Need

THIS CHAPTER IS MADE UP FROM CHAPTERS 1, 2 AND 3 TAKEN FROM THE STROUD DISTRICT COUNCIL SHMA, FURTHER UPDATE, AFFORDABLE HOUSING – MARCH 2015. THE MAJORITY OF THE DATA WAS COLLECTED AND BASED IN 2015. THE THREE CHAPTERS ARE MERGED INTO ONE.

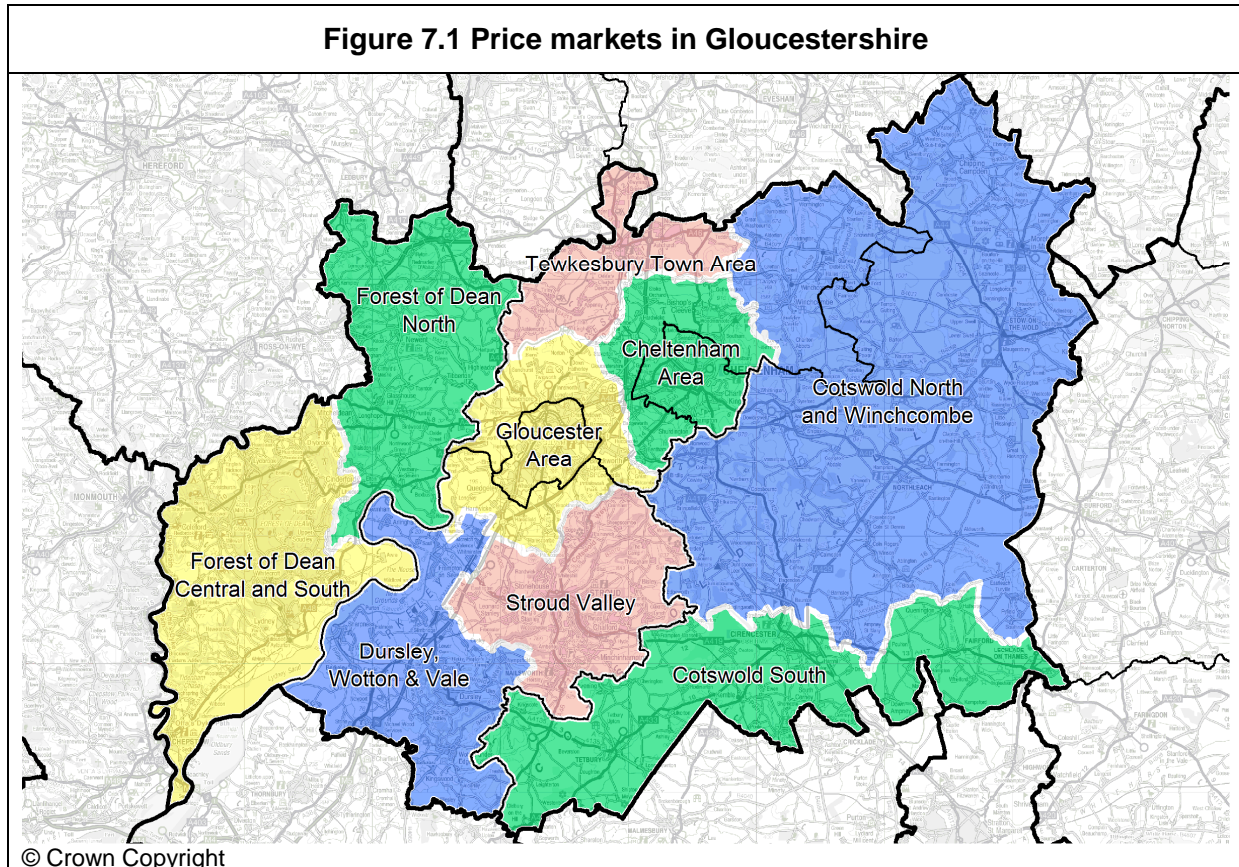
- 7.1 HDH Planning & Development Ltd has produced two reports for the authorities of Gloucestershire as part of the process for these Councils' working together to establish their future housing requirements. The first was a comprehensive Strategic Housing Market Assessment published in draft in 2013, but finalised after extensive public consultation in March 2014. That report set out the socio-economic context, profiled the housing stock and analysed the local housing market before assessing the level of affordable housing need following the model set out in the Strategic Housing Market Assessment Practice Guidance, August 2007 (the then current guidance).
- 7.2 As part of the ongoing Examination of the Stroud District Local Plan, the Planning Inspector has indicated that there is further evidence that would be beneficial to the information base from which a decision can be derived. This paper supplements the earlier publications by providing this additional detail in direct response to the areas where clarification has been requested, however this report is focused only on the District of Stroud. The report does not reproduce the background socio-economic and housing stock and other background information. This report provides a recalculation of outputs for the affordable housing needs model in accordance with the Planning Practice Guidance (PPG) approach using secondary data for Stroud District
- 7.3 Alongside this report, further work is being undertaken by Neil McDonald revising the OAN estimate for Stroud in light of comments from the Inspector and, crucially new household projections which were published on 26<sup>th</sup> February 2015 and 10<sup>th</sup> March 2015.
- 7.4 The affordable housing needs model presented in the original SHMA report followed the approach set out in the 2007 SHMA Practice Guidance. Whilst that report was drafted the PPG was published (May 2014), which included an updated affordable housing needs model. Although the stages involved in the calculation of housing need remain unchanged, in the new version of the affordable housing needs model some additional detail is suggested and the framing of the model is presented differently. The Inspector has requested that the affordable housing need model be calculated using the approach outlined in the PPG, to substantiate the figure in the previous SHMA.
- 7.5 The model presented in the previous SHMA used primary data from the household survey dataset as the principal information source. In this update the model will be based almost entirely on secondary data (the exception being the income profile of households which will be based on the household survey dataset as it is not available in sufficient detail from

secondary sources), as the PPG suggests this is the preferred approach and it will provide a more independent calculation of affordable housing need than reusing the household survey dataset.

7.6 The base date for this report is March 2015 rather than March 2013, which was the base date used for the original SHMA report. March 2015 has been used for the base of this report as secondary data is more readily available for this time (particularly detail on the Housing Register required in the affordable housing need model). This ensures that the results are based on the latest information and the report is contemporary to the current situation in the District. To facilitate the use of a March 2015 base date the household survey has been reweighted to reflect the household profile at this time and the financial information of households on the dataset has been adjusted to reflect changes since March 2013. Finally the price of housing has been reassessed and the new cost of the various tenures is set out in the following section.

**Updated housing costs**

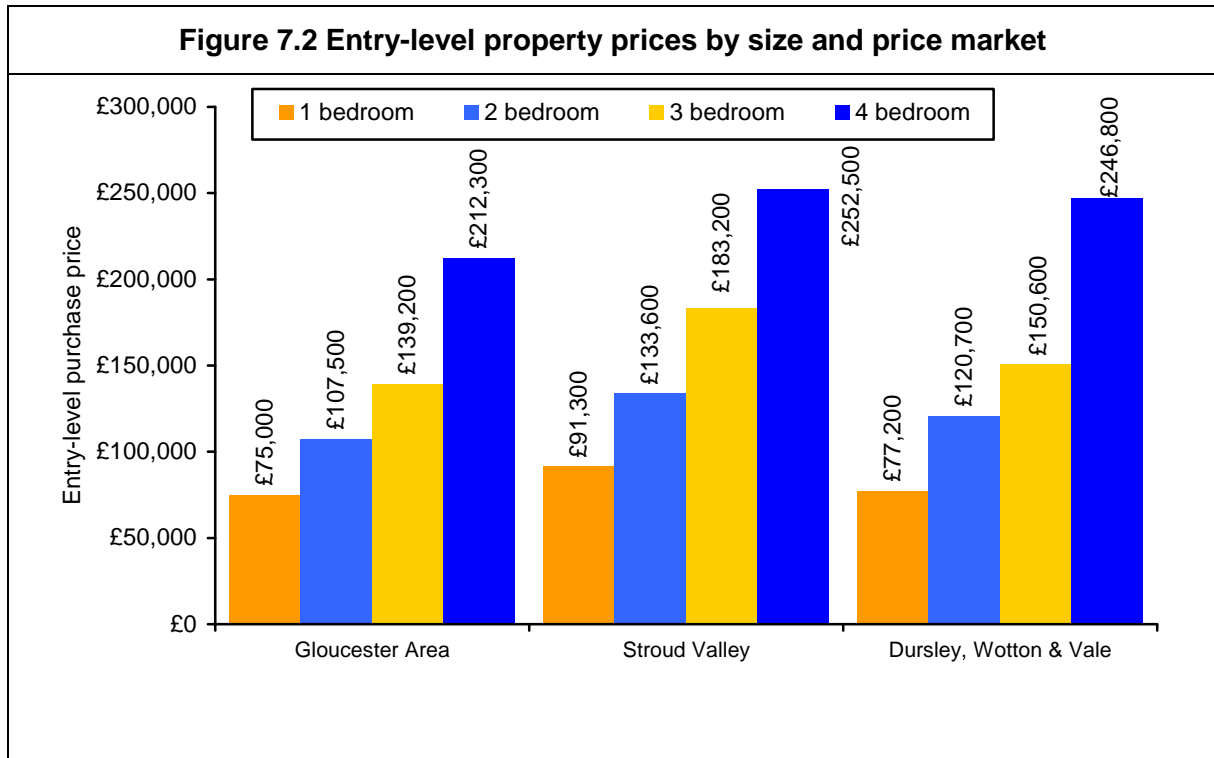
7.7 The 2013 SHMA report identified nine price markets (presented in figure 7.1) within Gloucestershire, of which three covered Stroud District; Gloucester Area, Stroud Valley and Dursley Wotton & Vale. The cost of housing in these three price areas for the three main tenures has been reassessed via an online search of properties advertised for sale/rent during March 2015.



Source: Gloucestershire County Strategic Housing Market Assessment, 2013

Home ownership

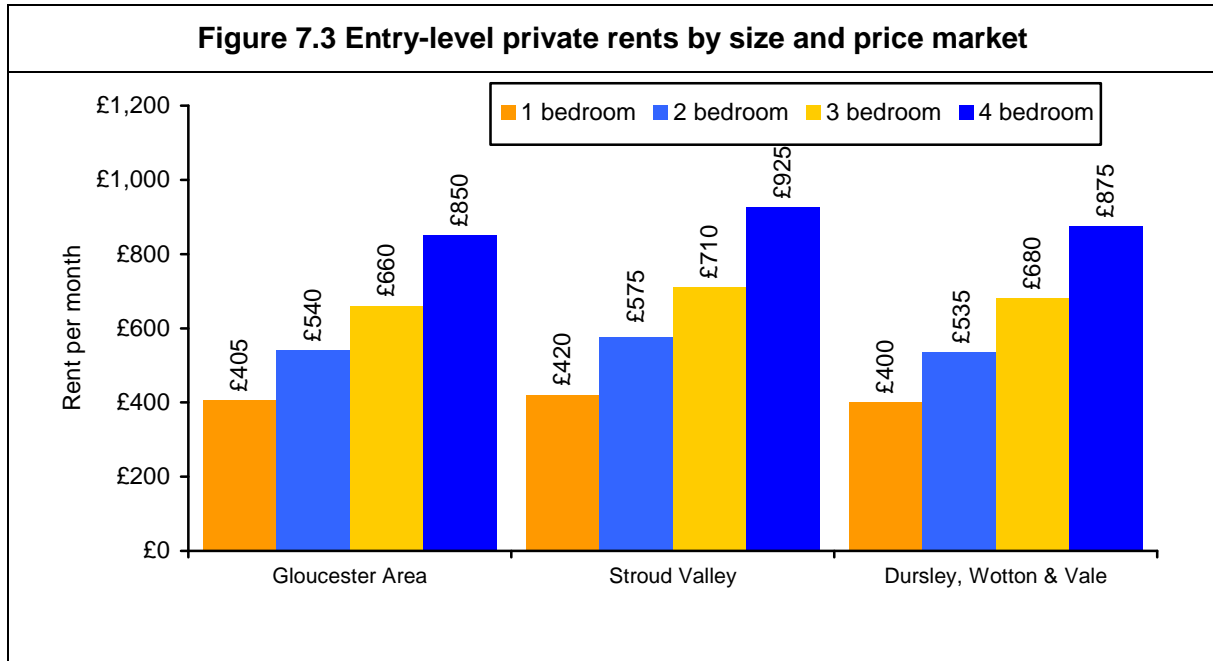
7.8 Entry-level prices by number of bedrooms were obtained in each of three price markets covering Stroud District and are presented in figure 7.2. The figure indicates that entry-level prices in Stroud District range from around £75,000 for a one bedroom home in the Gloucester Area price market up to £252,500 for a four bedroom property in the Stroud Valley price market. In accordance with the PPG, entry-level prices are based on lower quartile prices (para 025).



Source: Online estate agents survey March 2015

Private rent

7.9 The entry-level price for private rented accommodation by property size and rental market is presented in Figure 7.3. The figure indicates that entry-level rents in Stroud District range from £400 per month for a one bedroom home in the Dursley, Wotton & Vale price market up to £925 per month for a four bedroom property in the Stroud Valley price market.



Source: Online letting agents survey March 2015

## Social rent

- 7.10 The cost of social rented accommodation by dwelling size in Stroud can be obtained from Homes & Communities Agency's Statistical Data Return dataset for the RSL sector and the Council's ELASH return for the Council stock. Table 7.1 sets the cost of social rented dwellings in Stroud. As can be seen the costs are significantly below those for private rented housing, particularly for larger houses, indicating a significant gap between the social rented and market sectors.

<i>Bedrooms</i>	<i>Stroud</i>
One bedroom	£287
Two bedrooms	£343
Three bedrooms	£382
Four bedrooms	£459

Source: HCA's Statistical Data Return 2014; SDC ELASH 2014

## Affordable Rent

- 7.11 Affordable Rent is a relatively new product that has been introduced to help fill the gaps that exist in the current housing market. It is a social tenure intended to house households on the Housing Register. It is not an intermediate product, but a new form of affordable housing for rent that will coexist with Social Rent. Affordable Rents can be set at up to 80% of open market rents, implying there is a flexibility as to what they may cost. According to the HCA's Statistical Data Return there are 90 Affordable Rent units in Stroud District (April 2014). Table 7.2 indicates the Affordable Rent charged on these properties.

<b>Table 7.2 Affordable Rent costs (per month)</b>	
<i>Bedrooms</i>	<i>Stroud</i>
One bedroom	£370
Two bedrooms	£480
Three bedrooms	£613
Four bedrooms	£689

Source: HCA's Statistical Data Return 2014

#### Shared ownership

- 7.12 Table 7.3 presents the estimated costs of shared ownership housing in Stroud. The prices presented in the Table were obtained from the online estate agent survey. It is important to note that there were few shared ownership properties available in the study area at the time of the estate agent survey, so the value for these properties may be subject to refinement. The monthly costs of purchasing the property with a 50% equity share is presented as this is the most commonly available option. The monthly costs are based on an interest rate of 5.69% paid on the equity share owned and rent payable at 2.5% on the remaining equity.

#### Discounted home ownership

- 7.13 Discounted home ownership is based on selling a home for a proportion of the market value with no residual rent to pay. However, the equity level owned is capped and any future resale will be at the same proportion of the agreed price. In Stroud the typical proportion of market value sold is 70%. Table 7.3 presents the estimated costs of discounted home ownership in Stroud. The open market values are the same as for shared ownership. The monthly costs are based on an interest rate of 5.69% paid on the equity share owned. Discounted home ownership with a 70% share is more expensive than the Affordable Rent options, but is cheaper than shared ownership.

<b>Table 7.3 Estimated cost of intermediate housing</b>				
<i>Bedrooms</i>	Shared ownership		Discounted home ownership	
	Open market value	Monthly cost of discounted shared ownership with a 50% equity share	Open market value	Monthly cost of discounted home ownership with a 70% equity share
One bedroom	£115,000	£392	£115,000	£382
Two bedrooms	£150,000	£512	£150,000	£498
Three bedrooms	£190,000	£648	£190,000	£631
Four bedrooms	£240,000	£819	£240,000	£797

Source: Online estate agents survey March 2015

### Affordable housing need

- 7.14 Paragraph 22 (Reference ID: 2a-022-20140306) to Paragraph 29 (Reference ID: 2a-029-20140306) of the PPG details how affordable housing need should be calculated. It defines affordable housing need as ‘number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market’.
- 7.15 The PPG goes on to set out the types of households to be considered in housing need:
- *‘homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income);*
  - *households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households);*
  - *households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ*
  - *households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation;*
  - *households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move.’*
- 7.16 This chapter presents the results of the three broad stages of the model used to calculate affordable housing need. Within each of the three stages there are a number of detailed calculations, many of which themselves have a number of components. This chapter presents details of how each of these stages is calculated using locally available data for Stroud. An annual estimate of the affordable housing need in the District is calculated and the tenure and size of accommodation most appropriate to meet this need is discussed.

### Stage 1: Current unmet gross need for affordable housing

- 7.17 The first stage of the model assesses current need. This begins with an assessment of housing suitability, before the affordability test is applied to determine the number of these households that require affordable housing, and are therefore in current need.
- 7.18 The PPG sets out four particular categories of unsuitable housing that should be specifically identified. These are presented in Table 7.4 below, which also indicates the number of households in each category and the source of the data. The final column represents the revised total for each of these categories once any double-counting between them has been taken into account. Households can be unsuitably housed for more than one reason so it is important that they are only counted once.

<b>Table 7.4 Current households who lack their own housing or live in unsuitable housing in Stroud</b>			
<i>Element</i>	<i>Source</i>	<i>Number of households</i>	<i>Revised number of households</i>
Homeless households	The Council's housing register as of March 2015.	176	176
Households in temporary accommodation	Section E6 of the Council's P1(E) return for 4 <sup>th</sup> quarter of 2014 showing the number of homeless households accommodated in temporary accommodation by the authority at the end of the quarter.	6	0 <sup>10</sup>
Overcrowded households	2011 Census modelled to 2015. This was done by calculating the annual change in the number of overcrowded households (in terms of rooms not bedrooms as bedrooms was not included in the 2001 Census) in each tenure recorded between the 2001 and 2011 Census. The three year change for each tenure recorded from this source was averaged against the latest three year change for each tenure recorded nationally by the English Housing Survey. This average three-year change was applied to the 2011 Census figures for overcrowding in each tenure to derive an estimate for 2015.	1,127	1,127
Concealed households*	2011 Census modelled to 2011. This was done by calculating the annual change in the number of concealed households recorded between the 2001 and 2011 Census.	61	29 <sup>11</sup>
Other groups	The Council's housing register as of March 2015. Only households that are on the register due to a category of unsuitable housing are included (excluding overcrowded, temporary, concealed and homeless households accounted for above). This amounts to all remaining households in the emergency, gold and silver bands except those in the silver band due to 'to take up work' 'relationship breakdown' 'to be closer to family or friends' and 'under occupation', which are not suitable categories within the PPG definition.	661	661
<b>Total</b>		<b>2,032</b>	<b>1,994</b>

\*According to the PPG, concealed households include couples, people with young children and single adults over 25 sharing a kitchen, bathroom or WC with another household. Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

<sup>10</sup> All households in temporary accommodation are also on the Council's Housing Register, although they are not separately distinguished so the total is obtained from the P(1)E form.

<sup>11</sup> The 2001 Census indicated that 52.2% of concealed households were also overcrowded in Stroud. In the absence of equivalent data from the 2011 Census it is presumed that this proportion is accurate of the situation currently.

## Affordability

- 7.19 Some of the households in unsuitable housing are likely to be able to afford alternative accommodation in the market sector. The ability of these households to afford the cost of entry-level market housing of the appropriate size in Stroud (set out in figures 7.2 and 7.3) is therefore tested. The waiting list details the size of accommodation required by homeless households, households in temporary accommodation, and households unsuitably housed for other reasons. For overcrowded households and concealed households, the household composition recorded for these households is used to determine the size requirement profile. To test overcrowded households the income distribution for each dwelling size requirement, identified from the updated household survey dataset, is adjusted to reflect that nationally the income of overcrowded households is 70.1% of the figure for all households (according to the English Housing Survey). Similarly for homeless, concealed and 'other' unsuitably housed households the income distribution is adjusted to reflect that nationally the income of social rented households is 49.6% of the figure for all households (according to the English Housing Survey).
- 7.20 The households in unsuitable housing or lacking their own housing are therefore tested for their ability to afford market housing in Stroud using an affordability test where the cost of housing can constitute up to 35% of gross income and still be affordable. This affordability test is used in preference to the affordability test of up to 25% of gross income on housing that was contained in then now cancelled, 2007 Practice Guidance, as this was established as the most appropriate figure in the previous SHMA via the consultation process.
- 7.21 Table 7.5 shows the number of unsuitably housed households requiring different dwelling sizes and the proportion of these households able to afford the market-entry point. The number of households that are therefore in current need is shown in the final column.

<b>Table 7.5 Affordability of households in unsuitable housing in Stroud</b>			
<i>Number of bedrooms required</i>	<i>Unsuitable housed households</i>	<i>Percentage unable to afford entry-level market housing</i>	<i>Households in current need</i>
One bedroom	586	63.2%	370
Two bedroom	301	56.1%	169
Three bedroom	452	59.9%	271
Four or more bedrooms	655	63.7%	417
Total	1,994	61.6%	1,227

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

- 7.22 Overall 61.6% (1,227 households) of unsuitably housed households or households lacking their own housing in Stroud are unable to afford market housing and are in current need. 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 that would make the property available when they move (this includes occupiers of social rented and intermediate accommodation that are not living with another household



currently), and other households. It is estimated that some 421 households in need currently live in affordable housing that would become available for reuse.

Total current need

7.23 Table 7.6 summarises the first stage of the assessment of affordable housing need as set out by PPG. The data shows that there are an estimated 1,227 households in current need in Stroud.

<b>Table 7.6 Stage 1: Current unmet gross need</b>	
<i>Component</i>	<i>Stroud</i>
Homeless households and those in temporary accommodation	174
Overcrowded and concealed households	687
Other groups	367
Total current housing need (gross)	1,227

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

**Stage 2: Newly arising affordable housing need**

7.24 In addition to Current Need, there will also be Newly Arising (ongoing) Need. This forms the second stage of the affordable housing need model. This is split, as per the PPG, into two main categories. These are as follows:

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

Need from newly forming households

7.25 The headship rate for Stroud for each 5 year age cohort between the ages 15 and 44 was calculated using information in the Census on the number of people and number of household heads within each age cohort. This headship rate was then applied to the 2015 to 2020 population change recorded in the 2012-based population projections for Stroud District. This identified the projected number of households likely to form in Stroud. This figure is then averaged to provide an annual estimate for the number of newly forming households.

7.26 Using this methodology it is estimated that 1,035 new households will form per year in Stroud. This represents a household formation rate of 2.1%. To assess the ability of these households to afford the cost of entry-level market housing of the appropriate size, it is presumed that these new households will have the same composition as the profile for new households recorded in the English Housing Survey, from which the appropriate size requirement profile can be determined. To test newly forming households ability to afford market housing, the income distribution for each dwelling size requirement, identified using the updated household survey dataset income profile for Stroud, is adjusted to reflect that

nationally the income of newly forming households is 52.5% of the figure for all households (according to the English Housing Survey).

- 7.27 Table 7.7 shows details of the derivation of newly arising need from newly forming households. The table shows that 62.3% of newly forming households will be unable to afford market housing in Stroud, which means that there will be an annual affordable housing requirement from 644 newly forming households.

<b>Table 7.7 Newly arising need from new household formation (per annum)</b>	
<i>Component</i>	<i>Stroud</i>
Number of newly forming households	1,035
Proportion requiring affordable accommodation	62.3%
Number of newly forming households requiring affordable accommodation	644

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

#### Existing households falling into need

- 7.28 The PPG recommends that this figure is derived by looking at recent trends in households applying for affordable housing. Analysis of the approaches for affordable accommodation made to the Council over the last three years (March 2012 to March 2015) indicates that of the 3,075 approaches in Stroud, 1,757 were from households in housing need. Annualised this becomes 586 households per year in affordable housing need.
- 7.29 This figure will include newly forming households, which have featured in the previous step. The CORE LA Area Lettings Reports provide an estimate of the proportion of social rented lets each year taken by newly forming households in each authority. It shows that an average of 21.0% of lettings in Stroud were to newly forming households over the last three years (2010/11 through to 2013/14). It is assumed therefore that 123 (21.0% of 586) of the households that approach the Council and are in need are newly forming households. The resultant number of existing households falling into need in Stroud is 463 households per annum.

#### Total newly arising need

- 7.30 Table 7.8 summarises the second stage of the assessment of affordable housing need as set out by PPG. It indicates that 1,107 households will be in newly arising need per annum in Stroud.

<b>Table 7.8 Newly arising need (per annum)</b>	
<i>Component</i>	<i>Stroud</i>
New household formation (gross per year)	1,035
Proportion requiring affordable accommodation	62.3%
Existing households falling into need	463
Total newly arising housing need (gross per year)	1,107

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

### **Stage 3: Current affordable housing supply**

- 7.31 The PPG indicates that 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.

#### Current occupiers of affordable housing in need

- 7.32 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 when calculating current need (paragraph 2.8), there are 421 households currently in need already living in affordable housing in Stroud, the remaining 632 households (806 less 174 in temporary accommodation) are currently housed in market housing.

#### Surplus stock

- 7.33 A certain level of vacant dwellings is normal as this allows for transfers and for work on properties to be carried out. Established good practice suggests that if the vacancy rate in the affordable stock is in excess of 3%, some of the vacant units should be considered as surplus stock which can be included within the supply to offset housing need. Stroud records a vacancy rate in the affordable sector of 2.5%. As the vacancy rate is lower than the 3% benchmark, no vacant dwellings are considered available to be brought back into use to increase the supply of affordable housing.

#### Committed supply of new affordable units

- 7.34 The PPG indicates that 'the committed supply of new affordable units (social rented and intermediate housing) at the point of the assessment' be taken accounted within the model. The Council have indicated that there are 723 new affordable homes likely to be delivered in Stroud over the next 7 years.

#### Planned units to be taken out of management

- 7.35 The PPG states that the 'net number of units to be taken out of management (demolition or replacement schemes that lead to net losses of stock)' should be quantified. Whilst there are

three sites where the Council is planning to demolish some existing stock, in all instances the replacement stock will provide a greater number of affordable dwellings, so there will not be a net loss of homes.

Total current affordable housing supply

- 7.36 Having been through the four components in order to assess the current affordable housing supply, the stage of the model is summarised in table 7.9. The data shows that there are an estimated 1,144 affordable homes currently available in Stroud.

<b>Table 7.9 Current affordable housing supply</b>	
<i>Component</i>	<i>Stroud</i>
Affordable dwellings occupied by households in need	421
Surplus stock	0
Committed supply of affordable housing	723
Units to be taken out of management	0
<b>Total affordable housing stock available</b>	<b>1,144</b>

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

#### **Stage 4: Future housing supply of social re-lets and intermediate affordable housing**

- 7.37 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

- 7.38 This is an estimate of likely future re-lets from the social rented stock. The PPG suggests that the estimate should be based on past trend data over the last three years. CORE data provides an indication of the number of lettings in the social rented sector and the results for the last three years are presented in table 7.10. The average number of lettings across the social rented sector over the three-year period was 642 per annum in Stroud.

<b>Table 7.10 Analysis of past housing supply (social rented sector)</b>	
<i>Year</i>	<i>Stroud</i>
2011/12	610
2012/13	627
2013/14	689
<b>Average</b>	<b>642</b>

Source: CORE LA Area Lettings Report 2011/2012, 2012/2013, 2013/2014

### Supply of intermediate housing

- 7.39 In most local authorities the amount of intermediate housing (mostly shared ownership) available in the stock is fairly limited (as is the case in Stroud). However, it is still important to consider to what extent the supply may be able to help those in need of affordable housing. Therefore we include an estimate of the number of intermediate units that become available each year, based on applying the estimated re-let rate for the social rented sector (6.7% in Stroud) to the estimated stock for each form of intermediate housing. This is set out in table 7.11. It is estimated that around 24 units of intermediate housing will become available to meet housing needs from the existing stock each year in Stroud.

<b>Table 7.11 Estimated intermediate supply</b>		
<i>Intermediate tenure</i>	<i>Stroud</i>	
	<i>Stock</i>	<i>Annual re-lets</i>
Discount home ownership	13	1
Affordable rent	90	6
Shared ownership	259	17
All intermediate lettings	-	24

Source: HCA's Statistical Data Return 2014

### Annual future supply of affordable housing

- 7.40 The total future supply of affordable housing is the sum of the social rented supply and the intermediate supply as set out in table 7.12.

<b>Table 7.12 Future supply of all affordable housing (per annum)</b>	
<i>Component</i>	<i>Stroud</i>
Annual supply of social re-lets	642
Annual supply of intermediate housing available for re-let or resale at sub-market levels	24
Annual supply of all affordable housing	666

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

### Estimate of net annual housing need

- 7.41 The PPG states that the figures in the model need to be converted to annual flows to establish the total need for affordable housing. The first step in this process is to calculate the total net current need. This is derived by subtracting the estimated current affordable housing supply (Stage 3) from the current unmet gross need for affordable housing (Stage 1).
- 7.42 The second step is to convert this total net current need figure into an annual flow. The PPG allows this total net current need can be addressed over any length of time. For the purposes of this study the period of sixteen years will be used to fit in with the remaining time

frame of the Local Plan. The final step is to sum the annualised net current need with the total newly arising affordable housing need (Stage 2) and subtract the future annual supply of affordable housing (Stage 4). Table 7.13 sets out this process. It leads to a total need for affordable housing of 446 in Stroud.

<b>Table 7.13 Results of the affordable housing needs model</b>	
Stage in calculation	
Stage 1: Current unmet gross need for affordable housing (Total)	1,227
Stage 2: Newly arising affordable housing need (Annual)	1,107
Stage 3: Current affordable housing supply (Total)	1,144
Stage 4: Future housing supply (Annual)	666
Stage 5.1 Net current need (Stage 1- Stage 3) (Total)	83
Stage 5.2 Annualise net current need (Stage 5.1/16) (Annual)	5
<b>Stage 5.3 Total need for affordable housing (Stage 2+ Stage 5.2 – Stage 4) (Annual)</b>	<b>446</b>
.....	.....
Total gross annual need (Stage 1/16 + Stage 2) (Annual)	1,184
Total gross annual supply (Stage 3/16 + Stage 4) (Annual)	738

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note; various secondary sources

### Refining the model in a local context

- 7.43 The PPG is notably less prescriptive in certain areas of the affordable housing need model than previous versions, and the intention is to allow flexibility in the approach to reflect different local circumstances and the actual workings of the housing market. This brief section considers the impact of changing some of the assumptions used in the model to better reflect how the local housing market currently operates.

Refinement 1: Gross households in need – households able to share

- 7.44 The model contains detail of the type of households in affordable housing need. This includes the number of single person households aged 35 and under. These individuals are deemed suitable to form part of a shared household should affordable accommodation not be available for them as a single household. If it is not possible to allocate them an affordable property, they would be offered Local Housing Allowance to assist with their rent in the private rented sector, but only at the shared room rate, rather than the rate for a one bedroom property. These households are therefore not required to share, but are likely to have to in housing markets where affordable housing supply is at a premium. As the supply of affordable accommodation is limited in Stroud, it is presumed that any single person households aged 35 or under in housing need, will not have their need met as a single household but will merge with an existing household to access accommodation. These households are therefore excluded from the revised calculation of the total need for affordable housing. In Stroud this accounts for 72 households per year.

Refinement 2: Housing supply – use of benefit-supported private rented accommodation

7.45 Local Housing Allowance (LHA) is the replacement for the former Housing Benefit in the private rented sector. It is used to support households that would otherwise be unable to reside in market accommodation. The sector has grown in response to the decreasing availability of affordable housing for households technically requiring it. Whilst LHA-supported tenancies in the private rented sector are not an explicit part of the affordable housing needs model they are a key part of the functioning of the market and it is clear that they will continue to be used as a supplementary supply solution to the need for affordable housing in Stroud. The sector is well established and efficient as set out in the British and Social Housing Foundation’s (BSHF) report ‘Who Lives in the Private Rented Sector’ (January 2013) which indicates that landlords that let to those in receipt of LHA tend to operate mainly within that market and adapt their practices to the LHA process. In addition, the sector is capable of providing longer-term accommodation with the BSHF report stating that 43% of households in the LHA supported private rented sector have lived in their home for three or more years. Furthermore in Stroud the sector is stable, with the total number of LHA supported private rented dwellings in the District varying by less than 4% per year across the last three years.

7.46 To calculate the potential contribution of LHA-supported tenancies in the private rented sector to meet the affordable housing need, it is assumed that the annual re-let rate to the benefit-supported private rented sector is 19% as implied in the BSHF’s report ‘Who Lives in the Private Rented Sector’. This means that the sector provides an additional 264 dwellings per year as a supplement to affordable housing supply in Stroud.

Adjusted model outputs

7.47 Table 7.14 examines the combined effect of these refinements on the final output of the affordable housing needs model – the total need for affordable housing. The impact of changing these assumptions is that the need for new affordable units reduces to 110 per year in Stroud<sup>12</sup>. This can be considered the true additional requirement for affordable housing as it is based on local housing market conditions.

<b>Table 7.14 Adjusted housing need assessment in Stroud</b>			
<i>Element</i>	<i>Need according to the model</i>	<i>Change due to altered assumptions</i>	<i>Resultant adjusted figures</i>
Total gross annual need	1,184	-72	1,112
Total gross annual supply	738	+264	1,002
Total net annual need	446	-	110

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note; various secondary sources

<sup>12</sup> The figure of 110 affordable homes per year is in addition to the current committed supply of 723 units (45 per year over the Local Plan period), which have already been accounted for in the model - the implication is that there should be 155 new affordable homes in Stroud per year, including what is currently committed.

7.48 Of the gross adjusted annual need of 1,112 households, 192 reside in affordable accommodation, 226 in market housing and 584 are newly forming.

**Overall households in affordable housing need by type (gross)**

7.49 Table 7.15 gives a breakdown of the gross annual households in need (after the refinement of the model), by household type in Stroud. The table shows that some 5.5% of ‘other’ households are in housing need compared to 1.4% of couple households with children. Overall, couple with no children households comprise 30.2% of all households in need and single person households a further 25.4% of households in housing need.

<b>Table 7.15 Annual need requirement by household type</b>					
<i>Household type</i>	<i>Need requirement</i>				
	<i>No. of h'holds in need (gross)</i>	<i>Not in need</i>	<i>Total Number of h'holds</i>	<i>% of h'hold type in need</i>	<i>As a % of those in need</i>
One person	282	13,715	13,997	2.0%	25.4%
Couple with no children	336	15,549	15,885	2.1%	30.2%
Couple with child/children	191	13,269	13,459	1.4%	17.2%
Lone parent	166	3,616	3,782	4.4%	14.9%
Other	137	2,359	2,496	5.5%	12.4%
Total	1,112	48,508	49,620	2.2%	100.0%

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

**Size of accommodation required**

7.50 Table 7.16 shows the size of accommodation required by households in housing need in Stroud. The supply distribution for social rented and intermediate homes is derived from the three year average profile recorded by CORE between 2010/11 and 2013/14. The supply distribution for the benefit-supported private rented sector is derived by assuming the re-let rate for each accommodation size in the social rented sector applies to the number of dwellings of the same size in the benefit-supported private rented sector (and then redistributed across the total number of lets in the sector).

7.51 The last column in the table presents the supply as a percentage of need. This is calculated by dividing the estimated supply of the property size by the derived need for that dwelling size. The lower the figure produced, the more acute the need for affordable accommodation in the area, as the current supply is unlikely to meet the identified need.

7.52 The table suggests that there is a net need for all sizes of affordable housing. The largest net need is for two bedroom accommodation, followed by three and one bedroom homes. The final column shows that the need relative to supply is the greatest for three bedroom homes, followed by four bedroom accommodation. Households in need requiring one bedroom accommodation are most likely to have their need met from the current supply.



<b>Table 7.16 Size of additional units required to meet housing need</b>					
<i>Size of home</i>	<i>Need requirement</i>				
	<i>Gross annual need</i>	<i>Gross annual supply</i>	<i>Net annual need</i>	<i>As a % of total net annual need</i>	<i>Supply as a % of gross need</i>
One bedroom	618	598	20	18.2%	96.8%
Two bedrooms	289	245	44	40.3%	84.6%
Three bedrooms	137	106	31	28.3%	77.2%
Four or more bedrooms	68	53	15	13.2%	78.6%
<b>Total</b>	<b>1,112</b>	<b>1,002</b>	<b>110</b>	<b>100.0%</b>	<b>90.1%</b>

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

### Type of affordable home required

#### Gross requirement

7.53 Table 7.17 illustrates how many households in affordable housing need in Stroud are able to afford the different affordable products. The figures presented are exclusive, so for example the 25 households requiring a three bedroom home that are able to afford Affordable Rent do not include the 9 households able to afford shared ownership accommodation (even though they would also be able to afford Affordable Rent). Households have therefore been assigned the most expensive product they are able to afford. The social rented group also includes those unable to afford any accommodation without support from LHA, as this is the tenure these households are most likely to reside in.

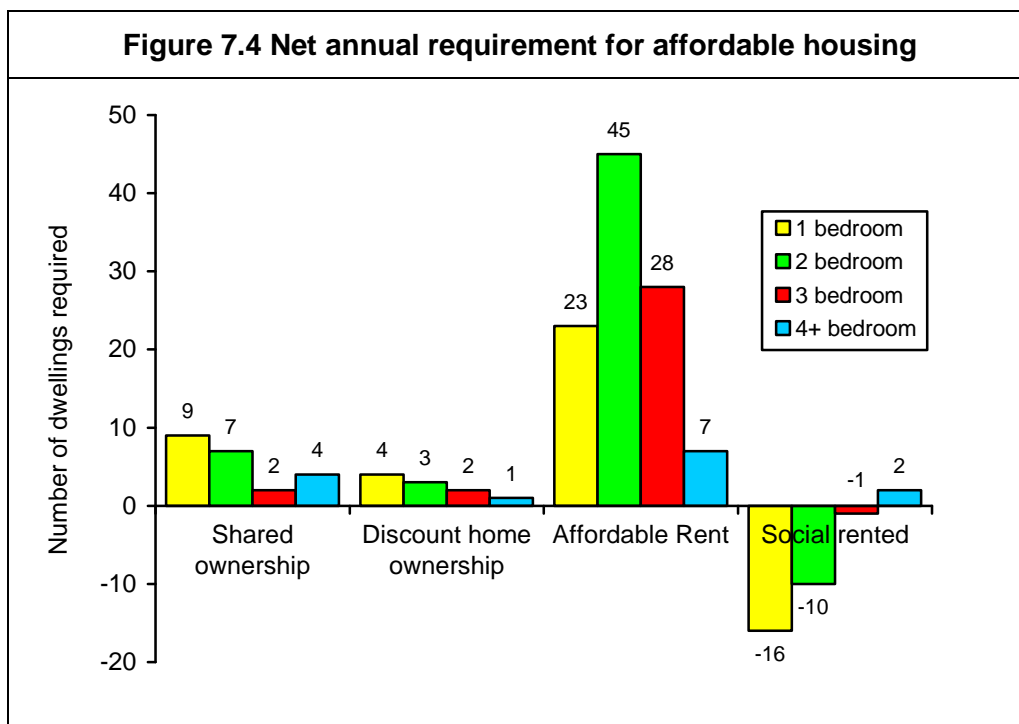
7.54 The table shows that of the 1,112 households in gross need each year in Stroud, 3.7% could afford shared ownership, 1.0% discount market rent, 9.8% Affordable Rent and 85.5% can afford social rent or require support. Generally as the size of accommodation required increases, the proportion of households able to afford an intermediate product decreases.

<b>Table 7.17 Size and type of affordable home required by those in need (per annum)</b>						
<i>Product</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>	<i>Total (number)</i>	<i>Total (percentage)</i>
Shared ownership	11	16	9	5	41	3.7%
Discount home ownership	4	4	2	1	11	1.0%
Affordable rent	24	48	30	7	109	9.8%
Social rent/requires assistance	579	222	95	55	951	85.5%
All households	618	289	137	68	1,111	100.0%

Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

Net requirement

7.55 Whilst the overall affordability of these products is an important consideration, the supply of these dwellings needs to be considered before the overall housing requirement can be established. Figure 7.4 shows the overall net annual requirement for affordable housing in Stroud once the likely supply of affordable accommodation has been deducted from the gross need. It is presumed that the benefit-supported private rented stock will accommodate households unable to afford any product. The figure shows that there is a requirement for a range of different affordable accommodation, with the exception of one, two bedroom and three bedroom social rented homes, where there is likely to be a surplus. It is therefore suggested that these homes be converted into Affordable Rented accommodation.



Source: Stroud District Council 2015 Strategic Housing Market Assessment Update Note

**Conclusion**

7.56 The PPG is clear that the Objectively Assessed Need (OAN) identified can be increased upwards if the results from the affordable housing need model suggest that this will help the delivery of the affordable housing required. The total annual affordable housing need in Stroud as calculated strictly in line with the steps set out in the PPG is 110.

7.57 It is important to note that, when the Council considers the OAN with the need for affordable housing that the two figures are derived using very different methodologies and this results in double counting. The affordable housing needs figure is an assessment of the number of households in need of affordable housing. Some of these households do not have housing (they are homeless), some are in affordable housing already (overcrowded etc.) and some are in market housing. The needs assessment assumes all are housed in adequate and suitable affordable housing. Those currently accommodated in market housing will clearly

vacate those homes making them available for other households. Having said this, this proportion of new housing as affordable appears deliverable based on the local circumstances.

- 7.58 It is also important to note that there are numerous ways of meeting the housing needs of those households in need of affordable housing. The Council has a number of initiatives with the aim of reducing affordable housing need both through prevention and increasing supply. Many of these are detailed in the Council's recently adopted Housing Strategy. The preventative schemes include; improving the quality of the private sector housing stock, tackling fuel poverty, preventing loss of private sector tenancies (via mediation, grants from the Homelessness Prevention Fund etc.) and bringing empty homes back into use.
- 7.59 The approaches to increasing supply include;
- a) The Local Authority Mortgage Scheme. 36 mortgages have been supported to date. The current scheme has ended but the Council are working with CAPITA with a view to repeating the scheme..
  - b) The Small Sites Review. The Council is currently reviewing the council's small landholdings; garage sites, back land and large gardens, with a view to increasing delivery of new homes. The outcome is likely to be a mixture of the disposal of single plots for selfbuild and disposal of packages of plots to Registered Providers or to private developers. The Committee report by Asset Management is due in March, 2015. Small plots have been identified as sufficient to deliver up to 191 dwellings.
  - c) Rural Housing Enabler. A dedicated rural housing enabler for Stroud, funded for three years, to bring forward rural exceptions sites. Housing Need Surveys carried out in Eastington (identified need for 11 homes), Miserden (identified need for 7 homes), Nailsworth (identified need for 52 homes), Nympsfield (identified need for 8 homes) & Standish (identified need for 3 homes). Sites identification and discussions with planners is taking place in these locations.
  - d) Community Infrastructure Reward Scheme. This new initiative to encourage parish councils to support new affordable housing development in rural areas.
  - e) Task and Finish Group. A dedicated group of Members and senior officers looking at increasing the supply of housing. Options include off-plan purchase of dwellings for open market rent (ideally lower quartile rents which would help meet need by being below LHA levels), or a council funded extra care scheme.



## 8. Improving Market Balance Over the Longer Term

THIS CHAPTER INCLUDES CHAPTERS 1 AND 6 TAKEN FROM THE LOCAL AUTHORITIES OF GLOUCESTERSHIRE, SHMA UPDATE PAPER: IMPACT OF NEW OBJECTIVELY ASSESSED NEED FIGURES – DECEMBER 2014. THE MAJORITY OF THE DATA WAS COLLECTED AND BASED IN 2013.

### Introduction

- 8.1 In 2013 a Strategic Housing Market Assessment (SHMA) was published for Gloucestershire in accordance with the National Planning Policy framework (NPPF). That report contained a detailed discussion of the housing market and set out the most appropriate mix of new housing to meet the population growth identified within the externally set out Objectively Assessed Need<sup>13</sup> (OAN). This output was derived from the Long Term Balancing Housing Markets (LTBHM) model as detailed in Chapter 8 of the 2013 SHMA report.
- 8.2 Since the publication of the SHMA the constituent authorities of Gloucestershire have commissioned a report to produce consistent OAN figures for each authority (previously different approaches were used to calculate the OAN in different parts of the County). The LTBHM model has consequently been updated in light of the new OAN figures (which are a key input component of the model). This report presents the updated housing mix requirements for each authority resulting from the updated model. The following chapters of this report set out the updated outputs of the LTBHM for each individual authority and detail the nature of housing required between 2013 and 2031. The final chapter presents the LTBHM results for the County as a whole as well as the three Joint Core Strategy (JCS) authorities (Cheltenham, Gloucester and Tewkesbury Joint Core Strategy). It also reviews the policy recommendations of the 2013 SHMA report and sets out updated equivalents. The remainder of this chapter is used to briefly summarise the new work on the OAN and sets out the methodology of the LTBHM model.

### Objectively Assessed Need

- 8.3 Cotswold, Forest of Dean and Stroud have commissioned Neil McDonald with Christine Whitehead to assess the scale of the Objectively Assessed Need across Gloucestershire using a single methodology. The report<sup>14</sup> uses the latest demographic projections available to examine the number of new homes required in each of the constituent authorities, and to derive the Objectively Assessed Need arising from both future demographic and economic

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<sup>13</sup> The Objectively Assessed Need is the total future requirement for housing in an area (usually set out over the Local Plan period).

<sup>14</sup> Neil McDonald with Christine Whitehead. The Objectively Assessed Housing Needs of Stroud, Forest of Dean and Cotswold (October, 2014).

growth. The Objectively Assessed Need constitutes the figure that the Councils should seek to plan towards in accordance with the NPPF. It is therefore an important input to the LTBHM model.

- 8.4 The report provides three scenarios for the level of OAN in each authority, one based on the most recent (2012-based) sub-national population projection alongside the most recent (2011-based) sub-national household projections<sup>15</sup>, one based on these projections but modified to adjust for the lower household formation rate of 25-34 year olds that was recorded by the Census, and one that was based on the need to provide sufficient homes for the projected economic growth to take place. The second of these was considered to be the most appropriate to be the Objectively Assessed Need.
- 8.5 The LTBHM model will initially identify the nature of housing required to address the demographic OAN, but will also produce equivalent results for the unadjusted trend based OAN<sup>16</sup> (labelled the lower scenario for the purposes of this report) and the OAN with extra homes for jobs (labelled the higher scenario for the purposes of this report). It should be noted that there is not a separate OAN with extra homes for jobs figure for each of Cheltenham, Gloucester and Tewkesbury as the demographic OAN contained sufficient population change to meet the projected economic growth. Results are therefore not presented for this scenario for these three JCS authorities. In Tewkesbury the lower scenario has a higher figure than the main scenario because a greater requirement is identified in the unadjusted trend based OAN than in the demographic OAN.
- 8.6 The model will assess the tenure and size of housing required to meet the housing requirements of the households that comprise the OAN between 2013 and 2031. The results in Neil McDonald with Christine Whitehead's report are based on housing requirements between 2011 and 2031. These totals have therefore been reduced based on the actual net housing delivery achieved between 2011-2013 in each authority (the amount of the OAN already delivered). Table 8.1 sets out the number of additional dwellings required in each authority in each of the scenarios being examined.

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<sup>15</sup> The 2012-based household projections equivalent to the 2012-based population projections are not published.

<sup>16</sup> Titled Baseline: 2012 SNPP + DCLG 2011 in Neil McDonald and Christine Whitehead's report.

**Table 8.1 Objectively Assessed Need, 2013 – 2031**

Authority	<i>Main</i>	Lower	<i>Higher</i>
Cheltenham	9,699	8,099	-
Cotswold	5,371	4,371	6,571
Forest of Dean	5,705	4,605	6,705
Gloucester	11,615	9,415	-
Stroud	5,913	5,413	6,713
Tewkesbury	6,922	7,122	-

Source: The Objectively Assessed Housing Needs of Stroud, Forest of Dean and Cotswold (October, 2014)

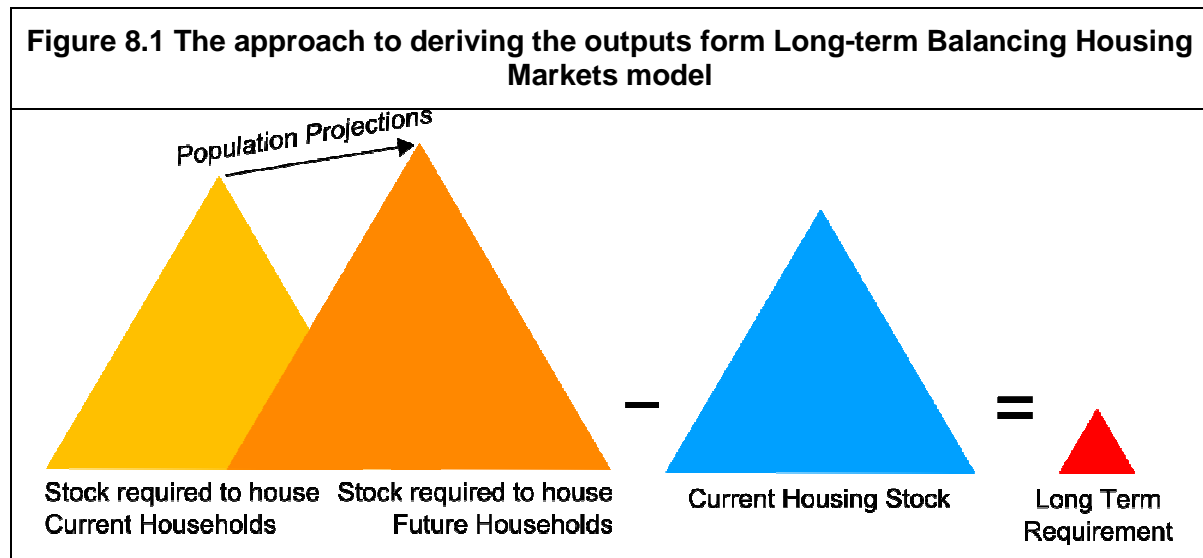
### The LTBHM model

- 8.7 The purpose of the model is to identify the new accommodation required to adequately house the future population and ensure that the housing market is balanced over the plan-period (the results are presented through to 2031 to correlate with the Objectively Assessed Need calculations). The model uses primary and secondary data (set out in detail in the original SHMA report) alongside the independent work on the objectively assessed need of each local authority area (including the projected change to the population and household composition).
- 8.8 The Long-term Balancing Housing Markets model is not a household flow model, but an assessment of the accommodation required to house the future household population. Figure 8.1 demonstrates how the model works:
- Firstly a suitable accommodation profile is identified. The model considers current occupation patterns of households and makes adjustments to ensure the occupation patterns moving forward are sustainable for all households, (but in the majority of cases it is presumed that the occupation patterns exhibited today are satisfactory). The adjustments made are not to the particular household now, but so the future household is most efficiently accommodated. Therefore it assumes for example that whilst there are some households now in social rented sector that can afford shared ownership accommodation, equivalent future households would be resident in this tenure.
  - Secondly, the projected change to the population and household composition alongside the employment growth indicated in the OAN, produced separately from this SHMA report, are applied to the primary dataset<sup>18</sup> to provide an estimated household profile for 18 years' time. The model can then identify the profile of accommodation required to adequately house the profile of future households within the OAN.

<sup>17</sup> The figures used differ from the ones set out in Neil McDonald and Christine Whitehead's report due to accounting for housing delivery that has occurred in 2011 and 2013

<sup>18</sup> Chapter 2 of the 2013 SHMA details how the primary data was collected and updated.

- Lastly, the difference between this and the current stock profile indicates the additional dwellings required.



8.9 The LTBHM model generates two key outputs to inform future planning policies on housing mix and affordability:

- Data relating to the scale and mix of housing that would exist if an ideal tenure profile was achieved by 2031; and
- The level of change required to achieve this tenure profile, therefore balancing the housing market over an 18 year period from 2013-2031.

### Adequacy of the housing stock

8.10 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 Gloucestershire. This is determined through response to the household survey.

8.11 A household is considered currently adequately housed unless the household has indicated that they need to move home now because the accommodation is inadequate for the household. This is ascertained from the reason cited for the household moving. Households whose moves are caused by the accommodation size, cost, form and services available within it being currently unsuitable for the resident, are considered to be inadequately housed and to require alternative accommodation. The tenure and size of dwelling these households expect to achieve when they move are presumed to represent the nature of the accommodation that they require.

8.12 Further adjustments are also made to remove the long-term any undesirable elements of market imbalance that exist currently:



- Households that are overcrowded are assumed to require a property large enough for overcrowding not to take place.
- Non-pensioner households in the social rented stock in receipt of Housing Benefit that under-occupy their home are assumed to require a dwelling with no spare bedrooms (to reflect the changes being introduced in April 2013 as discussed in para 7.81).
- Households resident in the private rented sector without Local Housing Allowance who identified that the cost of their current housing was a severe problem are assigned to a tenure that they can afford according to the Practice Guidance affordability test.

8.13 Table 8.2 shows the proportion of each household type in Gloucestershire currently requiring alternative accommodation in order to be adequately housed. The table shows that some 7.1% of households are classified as inadequately housed currently. Lone parent households are least likely to reside in adequate accommodation, whilst households with two or more pensioners are least likely to be inadequately housed.

<b>Table 8.2 Types of households inadequately housed currently</b>			
<i>Household type</i>	<i>Number inadequately housed</i>	<i>All households</i>	<i>Proportion inadequately housed</i>
Single pensioners	3,028	33,432	9.1%
2 or more pensioners	1,572	26,116	6.0%
Single non-pensioners	2,719	44,264	6.1%
More than one adult, no children	5,163	92,563	5.6%
Lone parent	1,648	9,930	16.6%
2+ adults, 1 child	1,874	24,614	7.6%
2+ adults, 2+ children	2,569	28,852	8.9%
Total	18,573	259,770	7.1%

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

8.14 Several further adjustments are also made to use the affordable stock and any housing subsidy paid most economically:

- Households resident in the private rented sector on Local Housing Allowance (LHA) that can afford market, shared ownership or Affordable Rented accommodation are assumed to require this, to ensure that the stock is being most appropriately and efficiently used. The cost of Affordable Rented accommodation is based at 80% Affordable Rent. Shared ownership is deemed suitable for those able to afford a home with a 25% share and with 10% of the value of this equity share in capital.<sup>19</sup>

<sup>19</sup> The cost of these products is set out in chapter 5 of the 2013 SHMA.

- Households in social rented accommodation that can afford market, shared ownership or Affordable Rented accommodation are assumed to require this to ensure that the stock is being most appropriately and efficiently used.

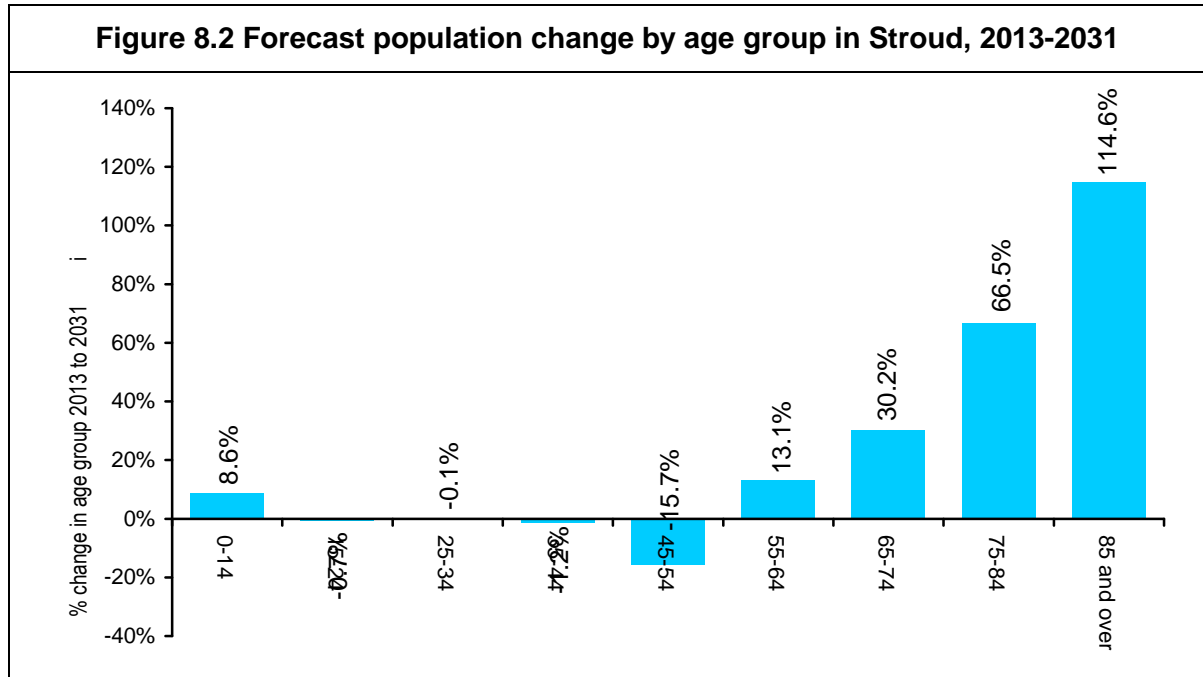
8.15 Rather than prescribing the accommodation required to address the current mismatch between the household population and the current stock, the profile of suitable accommodation for each household type is applied to the household population in 18 years' time. The model therefore assumes that the pattern of accommodation required by each household type remains constant. It assumes that the LHA supported private rented sector will be available at the same level as today.

### **LTBHM Model Results for Stroud**

8.16 Table 8.1 establishes the OAN in Stroud between 2013 and 2031. This section sets out the nature of new housing required in Stroud to most suitably meet the future population projected within the OAN. The results shown in this chapter are derived from the LTBHM model, which is described in detail above. Initially the projected change in population of the authority as determined as part of OAN calculation is presented. This is used to create the profile of the future population used in the LTBHM. The chapter then moves on to present the outputs of the model, setting out the tenure and size of new accommodation required in Stroud over the next 18 years. The initial results presented are based on the main OAN scenario (the demographic OAN set out in Table 8.1), with equivalent data for the alternative scenario included at the end of the section.

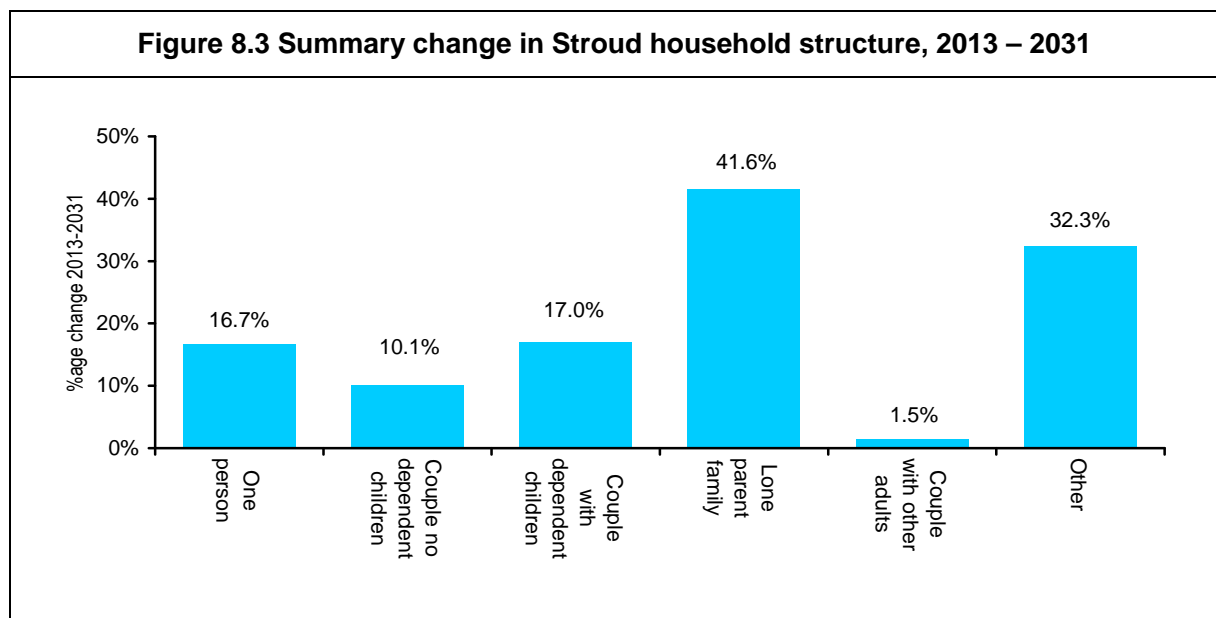
### **Demographic projections**

8.17 Neil McDonald and Christine Whitehead provided detail on the change in the composition of the population in Stroud derived as part of their OAN calculations. Figure 8.2 shows the projected change within each age cohort between 2013 and 2031. The data indicates that there will be reductions in certain age groups (most notably 45-54 years olds) but the majority of cohorts are predicted to grow, albeit moderately. The exception is the number of older people, which is projected to grow quite notably; with the number of people aged 85 or over expected to increase by over 100% by 2031.



Source: Neil McDonald with Christine Whitehead. The Objectively Assessed Housing Needs of Stroud, Stroud and Cotswold (October, 2014)

8.18 The projections also suggest that the structure of households in Stroud is likely to change over time as set out in Figure 8.3. The data indicates that the number of ‘couple with other adults’ households is expected to increase by 1.5%, whilst in contrast lone parent households are anticipated to increase by 41.6%.



Source: Neil McDonald with Christine Whitehead. The Objectively Assessed Housing Needs of Stroud, Stroud and Cotswold (October, 2014)

8.19 These projections alongside the employment growth indicated in the OAN calculations have been applied to the household survey dataset to provide an estimated household profile for 18 years’ time. The model identifies the range of accommodation required to house the

profile of future households within the Objectively Assessed housing growth. The accommodation requirements are compared to the current stock resulting in the suggested provision for new housing in terms of tenure and dwelling size to balance the housing stock. However rather than simply prescribing current occupation patterns into the future the model looks to ensure future households are adequately housed and that they use the housing market more efficiently. This process is detailed fully above. It should be noted that whilst the model focuses on housing the population in 18 years' time, the new accommodation suggested by the model is still useful in the interim, as the changes to the household structure are part of an ongoing trend rather than a variable pattern.

### Tenure of housing required

- 8.20 Table 8.3 shows the tenure profile of households resident in Stroud currently. The table indicates that over 80% of households are resident in market accommodation (without the aid of LHA), 0.6% live in a shared ownership home, 6.6% live in a social rented property (without the aid of HB) and 10.7% live in rented accommodation with the aid of benefit (HB or LHA).

<i>Tenure</i>	<i>Number of households</i>	<i>Percentage of households</i>
Market	39,873	82.1%
Shared ownership	288	0.6%
Social rented	3,216	6.6%
Benefit supported (both private and social rented)	5,193	10.7%
Total	48,570	100.0%

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

- 8.21 The tenure of Affordable Rent is being introduced and the distinction in the affordable sector will be between those able to afford Affordable Rent (or shared ownership) and those requiring subsidy for their housing costs (those needing LHA or HB to live in the rented sector). Taking this into account, Table 8.4 shows the ideal tenure profile for Stroud in 18 years' time (if all households are to be adequately housed and the affordable stock is to be used most efficiently). The data shows that in 2031 the housing stock should comprise 80.5% market dwellings, 1.4% shared ownership properties, 2.4% Affordable Rented homes and 15.8% dwellings occupied with the support of benefit.

<i>Tenure</i>	<i>Number of households</i>	<i>Percentage of households</i>
Market	43,852	80.5%
Shared Ownership	749	1.4%
Affordable Rent	1,283	2.4%
Benefit supported (both private and social rented)	8,598	15.8%
Total	54,483	100.0%

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

8.22 Table 8.5 shows the tenure profile required by households resident in Stroud in 18 years' time in comparison 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 67.3% of new housing should be in the market sector, 7.8% should be shared ownership properties and 21.7% Affordable Rent.

8.23 It is assumed that the current LHA supported private rented homes and the social rented stock will principally house households unable to afford Affordable Rent, including those requiring benefit (although it is acknowledged that these households could also be accommodated in Affordable Rented accommodation as long as the rent levels were below the LHA rate). The model indicates that an additional 189 homes will be required for these households. It is suggested that these new dwellings be social rented accommodation (although suitably priced Affordable Rented dwellings would also be suitable). These additional social rented dwellings constitute 3.2% of the total new homes required in Stroud. The model therefore assumes that the LHA supported private rented sector stays the same size as it is currently and that there is no additional market housing required arising from households that would most appropriately be housed in the affordable sector.

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2031</i>	<i>Change required</i>	<i>% of change required</i>
Market	39,873	43,852	3,979	67.3%
Shared ownership	288	749	461	7.8%
Affordable Rent*	0	1,283	1,283	21.7%
Social rented	3,216	8,598	189	3.2%
Benefit supported	5,193			
Total	48,570	43,852	5,913	100.0%

\*It should be noted that there are a very limited number of Affordable Rented units already in Stroud, so for the purpose of this model the stock is presumed to be 0. Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

- 8.24 The total requirement for market housing is 3,979 dwellings with the total requirement for affordable housing 1,934 homes. The LTBHM model is able to also provide detail on the size of new dwellings required within each of these tenures. This is shown in the section below.

**Size of housing required within each tenure**

- 8.25 Table 8.6 presents the size of market accommodation required in Stroud in 18 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 40.9% of new market dwellings should be three bedroom properties, with 37.9% having two bedrooms, 15.3% containing four or more bedrooms and 6.0% having one bedroom.

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2031</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	2,167	2,405	238	6.0%
Two bedrooms	8,307	9,814	1,507	37.9%
Three bedrooms	16,440	18,066	1,626	40.9%
Four or more bedrooms	12,958	13,566	608	15.3%
Total	39,873	43,852	3,979	100.0%

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

- 8.26 This analysis can be repeated for shared ownership housing and is presented in Table 8.7. The data indicates that of the 461 shared ownership dwellings required within Stroud, 32.5% should be two bedroom properties with a further 15.6% three bedroom accommodation. Some 38.6% should have one bedroom and 13.2% should have four or more bedrooms.

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2031</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	18	196	178	38.6%
Two bedrooms	145	295	150	32.5%
Three bedrooms	97	169	72	15.6%
Four or more bedrooms	28	89	61	13.2%
Total	288	749	461	100.0%

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

- 8.27 Table 8.9 shows the size of accommodation required in the Affordable Rented sector; as there is very little of this tenure in existence, it will almost all be new. The table shows that of the 1,283 additional Affordable Rented units required within Stroud over the next 18 years, the majority should be two and three bedroom properties.

<i>Dwelling size</i>	<i>Size profile 2031</i>	<i>% of change required</i>
One bedroom	215	16.8%
Two bedrooms	687	53.5%
Three bedrooms	368	28.7%
Four or more bedrooms	13	1.0%
Total	1,283	100.0%

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

8.28 Table 8.10 presents the size of social rented/LHA supported private rented accommodation required in Stroud in 18 years' time in comparison to the size profile recorded in the social rented and LHA supported private rented sector currently. The implied additional housing required is also presented. It is assumed that the current LHA supported private rented sector stock will continue to be available to this group of households in the future and will form an 'alternative affordable housing' supply. It is presumed that all of the additional housing required for the group will be social rented, because Local Authorities lack the ability to enable the effective delivery of private rented housing at LHA rates. The model therefore assumes that the LHA supported private rented sector stays the same size as it is now and that there is no additional market housing required arising from households that would most appropriately be housed in the affordable sector. The table shows that 41.8% of the new social rented housing required should comprise three bedrooms, 22.8% should have four or more bedrooms, 17.5% should have two bedrooms and 18.0% should contain a single bedroom.

<i>Dwelling size</i>	<i>Current size profile (social rented and LHA private rented)</i>	<i>Size profile 2031 (social rented and LHA private rented)</i>	<i>Change required (new social rented dwellings only)</i>	<i>% of change required</i>
One bedroom	2,253	2,287	34	18.0%
Two bedrooms	3,385	3,418	33	17.5%
Three bedrooms	2,576	2,655	79	41.8%
Four or more bedrooms	196	239	43	22.8%
Total	8,409	8,598	189	100.0%

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

8.29 To facilitate a more detailed profile of affordability outside the market sector this model has made a distinction between those able to afford Affordable Rent (whom are presumed to access it) and those unable to (whom are presumed to require other affordable accommodation). However, as the Affordable Rent levels are likely to be below the LHA rate (as suggested in Chapter 5 of the 2013 SHMA), it is possible that households unable to

afford it will be able to reside in Affordable Rented accommodation via the payment of LHA. Table 8.11 therefore shows the size of new Affordable Rented dwellings required if the tenure were to house both those able to afford Affordable Rent and those requiring benefit support to live there.

<b>Table 8.11 Size of new Affordable Rented homes required in Stroud over the next 18 years – if house all households unable to afford market or shared ownership housing</b>				
<i>Dwelling size</i>	<i>Current size profile (social rented and LHA private rented)</i>	<i>Size profile 2031 (all households potentially suitable for Affordable Rent)</i>	<i>Change required (new Affordable rented homes)</i>	<i>% of change required</i>
One bedroom	2,253	2,502	249	16.9%
Two bedrooms	3,385	4,105	720	48.9%
Three bedrooms	2,576	3,023	447	30.4%
Four or more bedrooms	196	252	56	3.8%
Total	8,409	9,881	1,472	100.0%

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

- 8.30 It should be noted that if the amount of LHA supported private rented sector homes reduces as a consequence of the reduction of the LHA rates and the accommodation reverts to 'standard' market accommodation, then the reverted dwellings should be deducted from the total market requirement and dwellings of equivalent size be added to the affordable (social rented or Affordable Rented) requirement.

### **Older persons' accommodation required**

- 8.31 Table 8.12 sets out the nature of older persons' accommodation required in Stroud over the next 18 years. The table sets out the requirement arising from within the general household population, who would require a one or two bedroom home with additional services or adaptations and also the requirement for those needing accommodation in a residential facility, indicated as a single bedspace rather than an additional home. As the OAN calculations exclude the residential (i.e. institutional) population (they only indicate the number of homes required to accommodate the household population), the residential bedspace requirement is presented in addition to the OAN.
- 8.32 For the purposes of this analysis the shared ownership, Affordable Rented and social rented tenures have been grouped together as a single affordable tenure. Whilst there is some limited demand for older persons' accommodation with more than two bedrooms, the dataset is unable to accurately differentiate this, therefore it is presumed for the purposes of the model that all new older persons' accommodation will contain no more than two bedrooms.



<b>Table 8.12 Tenure and size of new older persons accommodation required in Stroud over the next 18 years</b>			
<i>Dwelling size</i>	<i>Market</i>	<i>Affordable</i>	<i>Total</i>
Bedspaces	52	54	106
One bedroom	131	292	424
Two bedrooms	268	210	478
Total	451	557	1,008

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

- 8.33 This requirement for (non-bedspace) older persons' accommodation can be deducted from the overall requirement for all accommodation as presented in the original SHMA. Tables 8.13 and 8.14 therefore show the overall requirement split between older persons and ordinary accommodation in Stroud between 2013 and 2031.

<b>Table 8.13 Size of all new market homes required in Stroud over the next 18 years split between older persons and ordinary accommodation</b>			
<i>Dwelling size</i>	<i>Older persons accom</i>	<i>Ordinary accom</i>	<i>All new homes required</i>
Bedspaces	52	0	52
One bedroom	131	107	238
Two bedrooms	268	1,239	1,507
Three bedrooms	0	1,626	1,626
Four or more bedrooms	0	608	608
Total	399	3,580	3,979

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

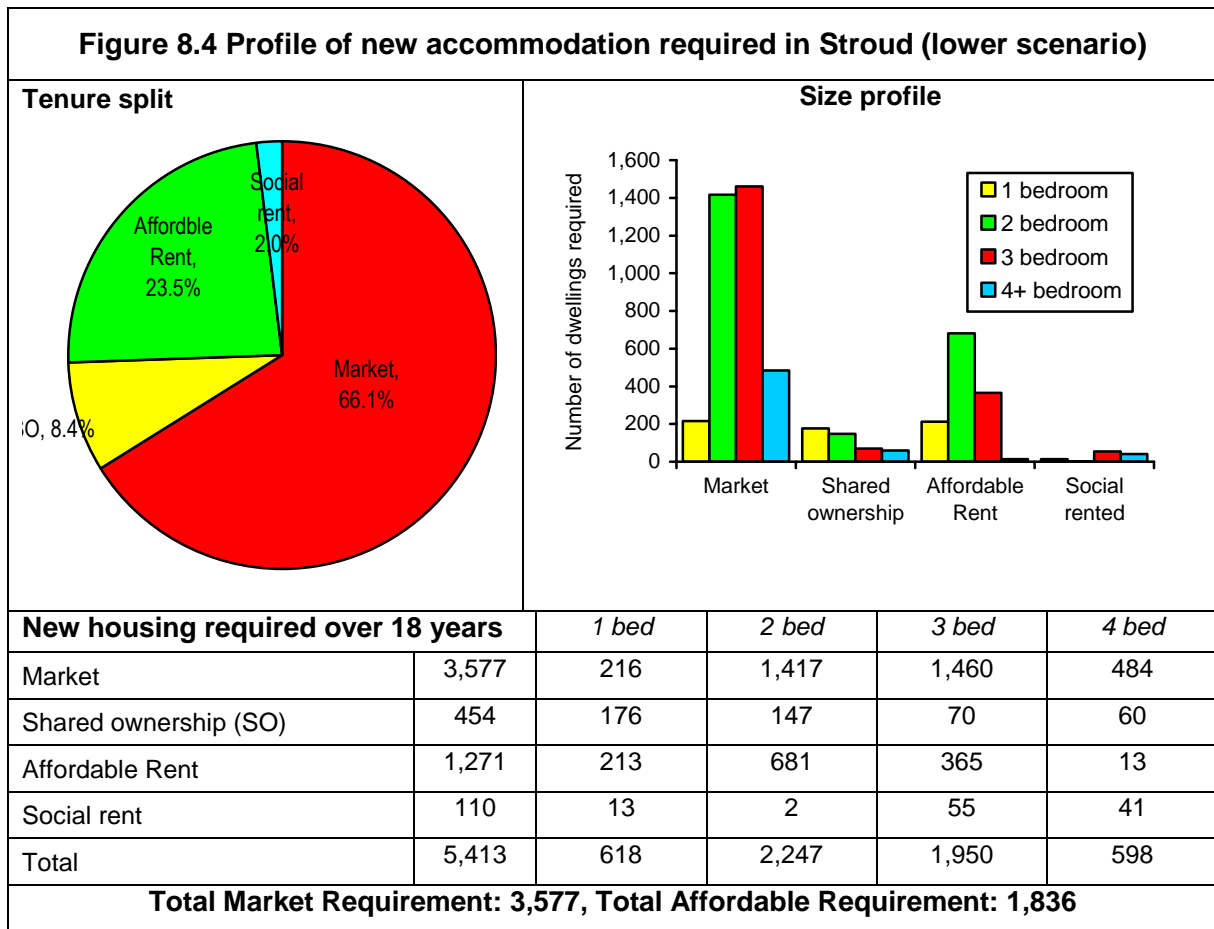
<b>Table 8.14 Size of all new affordable homes required in Stroud over the next 18 years split between older persons and ordinary accommodation</b>			
<i>Dwelling size</i>	<i>Older persons accom</i>	<i>Ordinary accom</i>	<i>All new homes required</i>
Bedspaces	54	0	54
One bedroom	292	135	427
Two bedrooms	210	660	870
Three bedrooms	0	519	519
Four or more bedrooms	0	117	117
Total	503	1,430	1,933

Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

### **Alternative LTBHM scenarios outputs for Stroud**

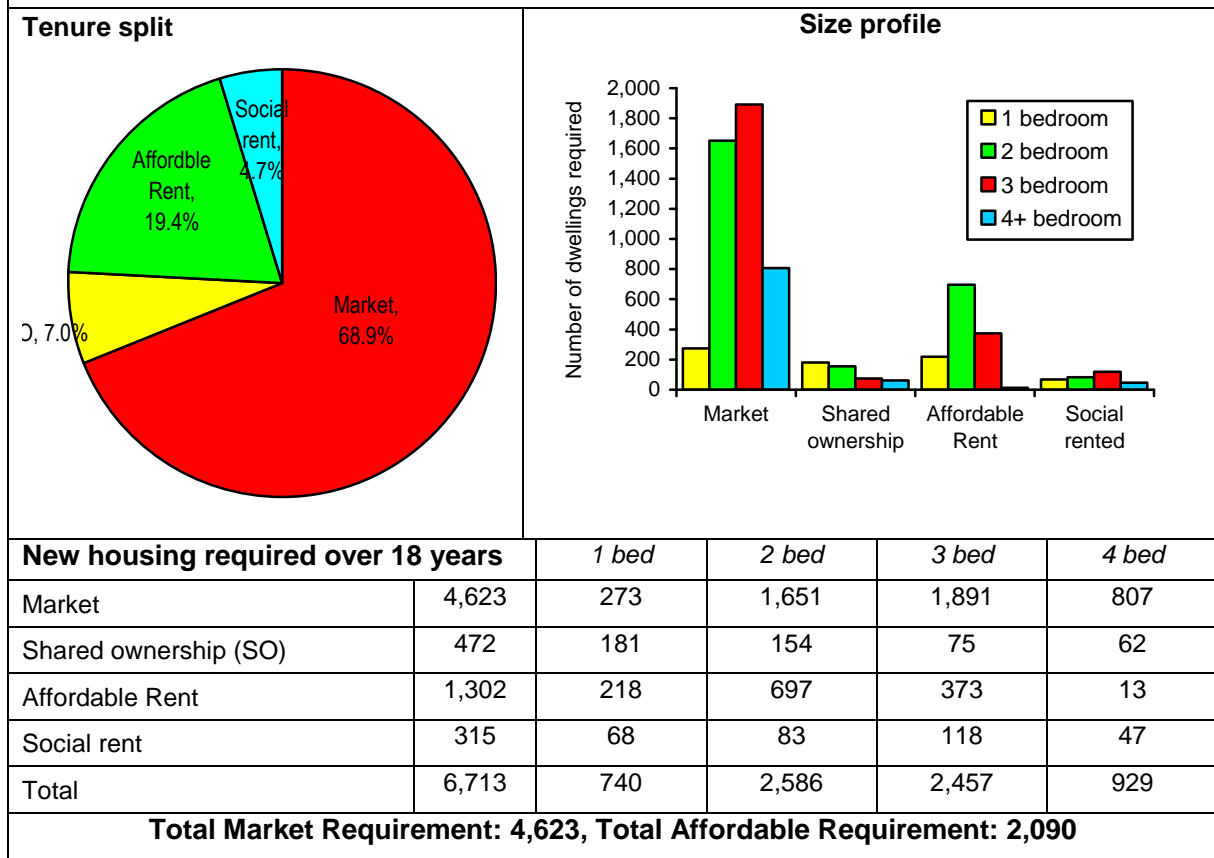
- 8.34 The model has been run to provide equivalent detail for the different potential levels of OAN set out in the published reports (set out in Table 8.1). Figures 8.4 and 8.5 set out summary

results for the size and tenure of new homes required within the lower and upper estimates of OAN in Stroud.



Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013

**Figure 8.5 Profile of new accommodation required in Stroud (higher scenario)**



Source: Gloucestershire Strategic Housing Market Assessment updated household dataset 2013



## 9. Policy implications of the results

THIS CHAPTER IS TAKEN FROM THE LOCAL AUTHORITIES OF GLOUCESTERSHIRE, STRATEGIC HOUSING MARKET ASSESSMENT – MARCH 2014. EXCEPT THE MIX OF HOUSING SECTION WHICH IS BASED ONLY ON STROUD DATA AND IS TAKEN FROM THE LOCAL AUTHORITIES OF GLOUCESTERSHIRE, SHMA UPDATE PAPER: IMPACT OF NEW OBJECTIVELY ASSESSED NEED FIGURES – DECEMBER 2014.

### Introduction

- 9.1 Both the NPPF and the Practice Guidance (and NPPG) are clear that the ultimate aim of a Strategic Housing Market Assessment is to provide robust evidence that will inform local housing strategy and planning policies. This report sets out a series of suggestions about possible policy responses in light of the findings of this SHMA, set in the context of the NPPF requirements. The recommendations regarding housing mix relate to the outputs of Chapter 8, while the Affordable Rent advice relates to the outputs of Chapter 7.

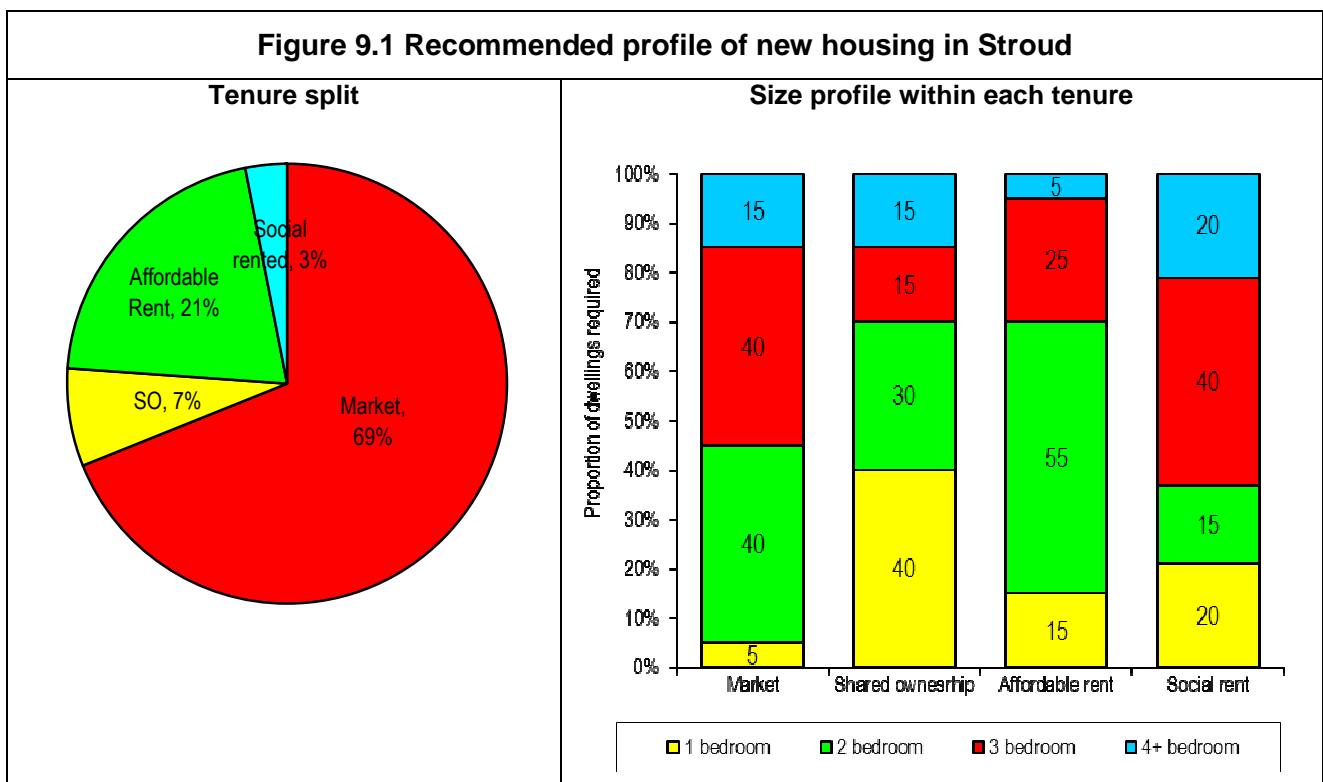
### Overall scale of housing growth

- 9.2 Paragraph 182 of the NPPF indicates that, in accordance with the Duty to Cooperate, a Local Plan plan should be prepared *'based on a strategy which seeks to meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development.'* It is therefore positive that the Councils within this Housing Market Area have positively engaged to try and determine the Objectively Assessed Need across the constituent Council areas.
- 9.3 Chapter 8 discussed the level of Objectively Assessed Need in each authority of Gloucestershire as set out in work undertaken separately from this study. The Objectively Assessed Need represents the figure that each Council should seek to plan towards in accordance with the NPPF, but it does not constitute the housing target. Each Council also has to take into account a range of other factors; including, the number of vacant properties available to help meet future demand, the environmental impact of potential development, how future housing development will impact on other infrastructure and how it corresponds to other priorities in the Local Authority area. The objectively assessed need therefore informs the total dwelling growth proposed, but does not determine it.
- 9.4 In addition, the limitations to the projections indicate that they should not be used as the sole information source for determining a housing target as the CLG Quality Report indicates *"...these are demographic and trend-based only and do not take into account any policy changes that may affect actual household formation in future."*

9.5 Submissions to the SHMA consultation process, suggest that the majority of stakeholders are concerned that future housing targets should be sufficient to support future employment opportunities associated with economic growth in the County, and also provide additional supply so that price rises are slowed and affordability is improved in Gloucestershire. Overall there is a preference for targets at the higher end of the range of options within the submissions received.

**Mix of housing required**

9.6 The LTBHM model provides considerable detail on the size and tenure of accommodation required within each tenure. The main scenario (as set out in Table 8.1) outputs have been used to inform the recommended dwelling mix within Stroud District. These results are summarised in Figures 9.1 below. Whilst the outputs separate a requirement for new social rented dwellings from the Affordable Rent requirement, it is acknowledged that these groups could be amalgamated and all this new housing be Affordable Rent.



Source: Gloucestershire Strategic Housing Market Assessment, 2013

**Affordable Rent**

9.7 If the Affordable Rent were set at 80% of median market rent, it would be affordable for a notable number of households in housing need, however relatively few of those requiring four bedroom accommodation. If Affordable Rent were set at 70% of market rent, it would be affordable to more households in housing need. Stakeholders however indicated that Affordable rent at 80% was most likely to be suitable in the County and if a lower threshold was used the Council would need to ensure it is viable – there is a danger that lower

thresholds could result in Residential Providers being left with a funding gap, which may act as a barrier to delivery of affordable accommodation.

- 9.8 It is up to the individual Councils to choose the level at which Affordable Rent is finally sought: there is a considerable range of evidence in this report. The current cost of Affordable Rent in the authorities where it exists (set out in Table 5.16) seems to be appropriate, although there is a need to ensure it is set at a lower level relative to market costs for larger dwellings where the intermediate gap is greater.

***The SHMA as an ‘evidence base’***

- 9.9 These findings form part of the ‘evidence base’ for policy, but do not form policy in itself. It is a policy issue for the Councils to decide what types of affordable housing to build. The Councils will want to consider their priorities in the light of the evidence, but will not in any way be dictated by it. It is recommended that the outputs from this report should also be viewed alongside the other information on the Councils’ housing and planning priorities.
- 9.10 It should be noted that the NPPF specifically refers to *service families and people wishing to build their own homes* within the examples sited in paragraph 159. There was not capacity within this project to collect any primary data specifically on these groups of the population, therefore it is recommended that the Council’s undertake further research to inform their evidence base.

**Monitoring the market**

- 9.11 The SHMA provides an analysis of the housing market at a particular point in time, however the housing market is constantly evolving and it is useful to be able to monitor the affect of changes in market conditions on the conclusions of this SHMA. The methodology paper presented alongside this report emphasises that producing the key outputs of the report, which are derived from the dataset, is a complex and time-consuming job which cannot therefore be undertaken at frequent intervals. It is useful therefore to highlight which secondary data sources can be checked regularly to provide an indication of the direction of movement of the market. The key issues to monitor are affordability and the delivery of housing.

**Monitoring affordability**

- 9.12 The crucial output to measure is the cost of housing locally. This can be compared against economic indications to understand the direction of the housing market and where the pressure points are likely to be, but also allows the completion of the housing ladder as set out in Figures 5.9 to 5.12, so that the size of the housing market gaps and how are they changing can be understood. Figure 9.2 explains the way in which entry-level prices and rents should be derived.

### Figure 9.2 Establishing new minimum prices/rents

1. Prices for each size of dwelling will vary across a housing market area, often within short distances. It is important therefore to identify the boundaries of the individual price markets that exist within the County.
2. Once the appropriate price markets have been determined, they can be mapped onto an appropriate house price listing website (such as Rightmove.co.uk). This means it is possible to search for homes only with the market boundary identified.
3. The Practice Guidance indicates entry-level prices should be approximated by the lower quartile value. For each price market it is possible to identify the number of properties of each size available. If the total number of properties of a particular size is quartered and then the properties are sorted by cost in ascending order, then the property at the quartered value is the lower quartile point.
4. This process is repeated for all property sizes and then for different price markets.
5. The derived costs should be verified with local letting agents and the discount from advertised to sale price/rent understood.
6. The cost of social rented accommodation by dwelling size can be obtained from Homes & Communities Agency's Statistical Data Return dataset for the RSL sector and the Council's individual ELASH return for the Council stock. The number of lettings these averages are based on is also presented, so it possible to work out the overall average of that dwelling size across the social rented sector.

Source: Gloucestershire Strategic Housing Market Assessment, 2013

- 9.13 Following the process set out in paragraph 5.21 these costs can be converted into a household income required to show the housing ladder. The housing ladder can be compared with historical equivalents to see which prices are increasing at the greatest rate and where the housing gaps are increasing and receding. It is also a useful tool for testing the suitability of intermediate products to ensure they are below market housing.
- 9.14 The change in prices and rents should also be compared against secondary data on economic conditions. The Annual Survey of Hours and Earnings publishes annual results for the level of earned income of employees at a Local Authority level. This sets out income levels at a range of points on the total distribution (at decile level where the sample size permits it). Trends in lower quartile and median earned incomes of residents should be compared to trends in rents and prices to monitor how the affordability ratio is changing in a location.
- 9.15 There are three data sources that are useful to monitor to indicate potential pressure on the affordable sector; the number of people claiming Job Seekers Allowance (published by the ONS on a monthly basis), the number of households that present to the Council as homeless each quarter and the number of new households within the private rented sector that approach the Council for help with their rents (principally through Local housing



Allowance) each quarter. A notable change in the levels of any of these variables is likely to reflect a notable change in market conditions.

### Monitoring housing delivery

- 9.16 To assist the Councils in monitoring their progress towards achieving market balance we have provided them with a simple monitoring tool in the form of an Excel spreadsheet. Initially this has been set up to monitor the progress toward the market balance identified in the LTBHM, shown in the Figure above of this report (presuming 49,485 new dwellings in period to 2031 and 30.7% of these will be affordable). The working sheet is shown in Figure 9.3.

**Figure 9.3 Monitoring housing delivery against desired tenure balance worksheet**

Long-term BHM - achieving market balance more quickly				Market		Affordable	
Start year		2013		Starting stock	210,328	49,442	
End year		2031		Target % affordable for tenure balance		20.9%	
Total build (all housing)		49,425		Years taken to reach balance		19	
Total build % affordable		30.7%		Tenure balance achieved at		2032	
Year	Market stock	Affordable stock	% of build affordable	Build rate (override)	Build rate	% of stock affordable	Balance Achieved
2013	210,328	49,442	30.7%		2,746	19.0%	NO
2014	212,231	50,285	30.7%		2,746	19.2%	NO
2015	214,134	51,128	30.7%		2,746	19.3%	NO
2016	216,037	51,971	30.7%		2,746	19.4%	NO
2017	217,939	52,814	30.7%		2,746	19.5%	NO
2018	219,842	53,657	30.7%		2,746	19.6%	NO
2019	221,745	54,500	30.7%		2,746	19.7%	NO
2020	223,648	55,343	30.7%		2,746	19.8%	NO
2021	225,551	56,186	30.7%		2,746	19.9%	NO
2022	227,454	57,029	30.7%		2,746	20.0%	NO
2023	229,357	57,872	30.7%		2,746	20.1%	NO
2024	231,259	58,715	30.7%		2,746	20.2%	NO
2025	233,162	59,558	30.7%		2,746	20.3%	NO
2026	235,065	60,401	30.7%		2,746	20.4%	NO
2027	236,968	61,244	30.7%		2,746	20.5%	NO
2028	238,871	62,087	30.7%		2,746	20.6%	NO
2029	240,774	62,930	30.7%		2,746	20.7%	NO
2030	242,677	63,773	30.7%		2,746	20.8%	NO
2031	244,580	64,615	30.7%		2,746	20.9%	NO
2032	246,482	65,458	30.7%		2,746	21.0%	YES

Source: Gloucestershire Strategic Housing Market Assessment, 2013

- 9.17 This tool allows the Councils to add in the number of houses built each year and the proportion which were affordable. The spreadsheet updates a revised target in terms of total new build and the proportion to be affordable, to allow progress towards the long-term aim of a balanced market to be monitored.
- 9.18 It is worth noting that, if changes occur that may affect the key drivers of the housing market, such as national policy around affordable housing or Housing Benefit, or new long-term household projections are published, then it may be necessary to undertake a brand new SHMA.



# Glossary

## **Affordability**

A measure of whether households can access and sustain the cost of private sector housing. There are two main types of affordability measure: mortgage and rental. Mortgage affordability assesses whether households would be eligible for a mortgage; rental affordability measures whether a household can afford private rental. Mortgage affordability is based on standard lending multipliers (3.5 times income) and considers any capital the household may have (existing equity or savings) to discount from the purchase price of the home. The household also requires capital amounting to 5% of the purchase price if they are determined as able to afford. Rental affordability is defined as the rent being less than a proportion of a household's gross income (25% of gross income is used as the baseline).

## **Affordable housing**

NPPF defines affordable housing as *'Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.'*

## **Affordable Rent**

NPPF defines Affordable Rent as *'housing that is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).'*

## **Annual need**

The combination of the net future need plus an allowance to deal progressively with part of the net current 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 calculated as follows: a separate bedroom is allocated to each co-habiting 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 has a preference to live independently and is unable to afford appropriate market housing.

## **Current need**

Households whose current housing circumstances at a point in time 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.

## **Disaggregation**

Breaking a numerical assessment of housing need and supply down, either in terms of size and/or type of housing unit, or in terms of geographical price market within Gloucestershire.

**Financial capacity**

This is defined as household income+savings+equity (the value of the property owned by owner-occupiers, typically the family home, net of mortgage). This provides an indication, when put on a capital basis, of the amount which the household could afford to pay for housing. Since equity is now a substantial part of the overall financial capacity of the large fraction of owner-occupiers, it is essential to use this measure rather than the old price/income ratio to measure the activity of a housing market.

**Forecast**

Either of housing needs or requirements is a prediction of numbers which would arise in future years based on a model of the determinants of those numbers and assumptions about (a) the behaviour of households and the market and (b) how the key determinants are likely to change. It involves understanding relationships and predicting behaviour in response to preferences and economic conditions.

**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**

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.

**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).

**Household living within another household**

Is a household living as part of another household of which they are neither the head nor the partner of the head.

**Households sharing**

Are households (including single people) who live in non-self-contained accommodation but do not share meals or a living room (e.g. 5 adults sharing a house like this, constitute 5 one-person households).

**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**

Housing need is defined as the number of households lacking their own housing, or living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some financial assistance.

**Housing Register**

A database of all individuals or households who have applied to a local authority or RSL for a social tenancy or 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 size**

Measured in terms of the number of bedrooms, habitable rooms or floor space. This report uses the number of bedrooms.

**Income**

Income means gross household income unless otherwise qualified

**Intermediate housing**

NPPF defines intermediate housing as *'homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.'*

**Lending multiplier**

The number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted is 3.5 times income.

### **Lower quartile**

The value below which one quarter of the cases falls. 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.

### **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, primarily defined in this context as the local authority County area. The rate of migration is usually measured as an annual number of households, living in Gloucestershire at a point in time, who are not resident in Gloucestershire one year earlier.

### **Net need**

The difference between need and the expected supply of available affordable housing units (e.g. from the re-letting of existing social rented dwellings).

### **Newly arising need**

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 together with 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).

### **Non-selfcontained accommodation**

Where households share a kitchen, bathroom or toilet with another household, or they share a hall or staircase that is needed to get from one part of their accommodation to another.

### **Overcrowding**

An overcrowded dwelling is one which is below the bedroom standard (see 'Bedroom Standard' above).

### **Primary data**

Information that is collected from a bespoke data collection exercise (e.g. surveys, focus groups or interviews) and analysed to produce a new set of findings.

### **Potential households**

Adult individuals, couples or lone parent families living as part of other households of which they are neither the head, nor the partner of the head, and who need to live in their own separate accommodation, and/or are intending to move to separate accommodation rather than continuing to live with their 'host' household.

### **Projection**

Either of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

### **Random sample**

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

### **Re-lets**

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 computer additions made. Figures should never be taken to be absolutely accurate. No such state exists. The figures in this document are robust estimates, not absolutely precise ones. 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 after 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 someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

**Shared ownership schemes**

Housing that is available to buy a proportion of (usually at market value). The remaining part portion of the homes is usually rented. The monthly costs are based on an interest rate of 5.69% paid on the equity share owned by the household in the property and rent payable at 2.5% on the remaining equity. To be able to afford to access shared ownership accommodation a household must have capital amounting to 10% of the value of the equity share.

**SHMA (Strategic Housing Market Assessment)**

SHMA derives 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**

NPPF defines social rented housing as housing '*Social rented housing is owned by local authorities and private registered providers, for which guideline target rents are determined through the national rent regime.*'

**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 housing that has been specially designed for a particular client group to meet their particular needs (such as accommodation that is accessible to people with a physical disability, extracare housing where care services are provided on site, hostels, refuges or group homes) or housing specifically designated for particular groups (such as older people, people with physical disabilities, learning difficulties or mental health issues). This is characterised as housing that includes special design features and/or access to support to assist people to live independently for as long as possible in their own home.

**Support needs**

Relating to people who have specific needs: such as those associated with a disability.

**Under-occupation**

An under-occupied dwelling is one which exceeds the bedroom standard by two or more bedrooms.

**Unsuitably housed households**

All circumstances where households are living in housing which is in some way unsuitable, whether because of its size, type, design, location, condition or cost. Households can have more than one reason for being in unsuitable housing, and so care should be taken in looking at the figures: a total figure is presented for households with one or more unsuitability reason, and also totals for the numbers with each reason.



**HDH Planning and Development Ltd** is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers.

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- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments
- Future Housing Numbers Analysis (post RSS target setting)

HDH Planning and Development have clients throughout England and Wales.

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