

Building for the future – 2005 update

(Technical document)

Shelter Housing Investment Project Series

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Shelter

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Chapter 1

Introduction

1. In 1998 a major project was commissioned by Shelter to explore the full extent of need for additional social rented housing and the resource and expenditure implications of attempting to meet that need.¹ This groundbreaking work provided the basis for a viable costing programme to meet housing need in England and highlighted the need for new investment in the existing social rented sector. It has been generally accepted as a source document on housing need and expenditure requirements. The work has been updated twice: once in 2000 and more recently in 2004², in time to contribute to the debate about housing supply stimulated by the Barker report.³ This report presents a further update in the light of new policies to increase housing supply in response to Barker's recommendations, and to reduce the numbers of households in temporary accommodation.
2. The report presents estimates of need for social rented housing and intermediate housing. Intermediate housing is for households that can afford significantly more than the rents charged by housing associations, but whose incomes are too low to afford house purchase or market rents. It is a fairly new concept, which originated with the steep rise in house prices at the end of the 1990s and continued in the 2000s. There is currently no established method for estimating the need for intermediate housing. Therefore the method used in this report has to be taken as provisional. It has also to be fully described. The method for estimating newly arising need for social sector rented housing is the same as in *Building for the future – 2004 update* and previous reports in the Shelter Housing Investment Project Series. Because the method depends on past trends, the estimated need for social rented housing includes a comparatively small number of households with incomes in the range for intermediate housing. This overlap is taken out when costs are considered.
3. The estimate of newly arising need for social rented housing is derived from a household projection, which is a modified version of *Interim Household Projections in England to 2021*.⁴ This projection is described in Annex A. It has to be used here because the new projection being prepared for Office of the Deputy Prime Minister (ODPM), which takes on board household data from the 2001 census, will

1 Holmans et al, (1998) *How Many Homes Will We Need?*, Shelter Housing Investment Project Series, London: Shelter

² Holmans et al, *Building for the future – 2004 update*, A Report of the Shelter Housing Investment Project, Shelter March 2004

Holmans et al, *Technical Report*, Shelter Housing Investment Project Series, Shelter, 2000

³ Barker K (2004) *Review of Housing Supply*, Final Report, London: HM Treasury, HMSO.

⁴ Office of the Deputy Prime Minister (2004) *Interim Household Projections in England to 2021*, London: HMSO

not be ready in time. Information from the *Survey of English Housing* (SEH) for 2000/01, 2001/02 and 2002/03⁵ about housing tenure according to type of household and age of the head of the household was used to divide households between the social and market sectors in 2001 and 2021. The number of households in total is projected to increase by between 170,000 and 180,000 a year between 2001 and 2021, with 25,000 a year in the social sector. Taking account of dwellings needed to offset losses from past Right to Buy sales, replacement of dwellings demolished, and an offset to possible reductions in the number of privately rented dwellings let to tenants who need Housing Benefit, newly arising need for social housing is put at 54,000 a year in England as a whole. Full details of the calculation are in Annex B and C, with a more summary version in Chapter 3.

4. Also in Chapter 3 is a division of the national total of 54,000 between regions. Owing to sampling variation, the regional estimates of the number of households in social rented housing in future years are less certain than the estimate for England as a whole. There is a particular problem about future numbers of households in London. The regional household projections are derived from trend-based population projections. Owing to the high proportion of inward migrants that go to London and the high level of inward migration that is assumed, past trends result in a projected increase in households in London that could not in practice be accommodated in the region. The projected increase in households in London is therefore scaled down, bringing revisions upwards in other adjacent regions to balance this out. Of the total estimated newly arising need for social housing of 54,000 a year, 17,000 is shown as being in London, and 21,000 in the rest of the South of England; 8,000 is in the Midlands; and 8,000 in the three regions of the North of England. These estimates rest on population projections that assume a continuation of past trends in migration within the United Kingdom and to and from the rest of the world.
5. The backlog of unmet need is also discussed in Chapter 3. Much of the information is dated. But information about homeless households in temporary accommodation is fully up to date; and, in view of policy interest, an assessment is made of whether planned provision of social rented housing will be sufficient to achieve the government's aim of reducing the number of households in temporary accommodation by one half (ie by 50,000) by 2010. Our conclusion is that meeting the target is unlikely.
6. Intermediate housing is discussed in Chapter 4. Upper and lower boundaries to a range of income for intermediate housing were derived from housing association

⁵ Office of the Deputy Prime Minister (2002, 2003, and 2004) *Survey of English Housing 2000/01, 2002/03, 2003/04*, London: HMSO

rents and lower quartile house prices, with ratios of rent or mortgage payments to net income of 30 per cent. This calculation has to be made region by region because house prices differ so much. The lower boundary was calculated from housing association rents plus an addition (£25 a week). Without such an addition, some of the intermediate housing would need to be nearly as heavily subsidised as new social rented housing. In the three regions of the North there was no difference between the calculated upper and lower boundaries of the range of incomes for intermediate housing because there is no difference between housing association rents (plus the £25 addition) and lower quartile house prices. In the Midlands there was only a small difference. The need for intermediate housing is in London and the South, as would be expected. The calculations of households likely to need (and want) intermediate housing are in Chapter 4 and Annex E. Several assumptions have to be made in order to arrive at an estimate. The number of households potentially needing intermediate housing is put at 28,000 a year, of whom 6,000 are included in the total of 54,000 for the social sector, or 48,000 taking intermediate overlap into account.

7. However, it is important to note that if the overall balance between housing demand and supply improves, households who can currently only afford to access the 'intermediate' market will increasingly be able to meet their housing requirements in the open market. By contrast, households on the lowest incomes will continue to need subsidised rented housing.
8. A very important question is how much of the newly arising need is likely to be met through sites subject to Section 106 agreements between local authorities and developers. This is discussed in Chapter 5. Provision of social sector housing on sites subject to S106 agreements often requires an element of Social Housing Grant; but an estimated 4,000 dwellings in 2003/04 were provided without grant.
9. The estimated newly arising need for social rented housing and intermediate housing add to 76,000 a year, with the overlap of 6,000 netted out. For comparison with current and planned levels of provision, the overlap of 6,000 is included with intermediate housing, and not as part of the need for social rented housing.
10. The estimated number of dwellings needed is compared in Chapter 6 with the annual average provided in 2004/06 and the subsidy cost estimated for the additional dwellings that would fill the gap. This is a difficult calculation. Barker in the *Review of Housing Supply* Final Report remarked that the current level of social housing provision is surprisingly difficult to obtain, and the same is so of the current overall level of spend. Public expenditure plans (the 2004 Spending Review) envisage an increase of 10,000 a year between 2004/06 and 2007/08 in the number of dwellings provided for social sector renting. This planned figure is taken as the baseline with which to compare the estimate of newly arising need.

Table A shows this comparison, along with the estimated additional public expenditure on subsidy required to fund enough additional provision to make good the shortfall. Two sets of figures for social rented housing are shown. The first reflects the assumptions and calculations made in this report. The second is an alternative estimate that follows Barker in deducting one third of the estimated annual increase in the social rented housing need. This provides an updated version of the methodology used in the Barker Report.

Table A Estimates of newly arising need for ‘affordable’ housing compared with planned provision

	CCHPR ⁶ 2005 estimates		Barker-based estimates ⁷
	Social rented housing	Intermediate housing	Social sector rented housing
Annual newly arising need	48,000(a)	28,000	40,000
Planned provision (2007/08)	30,000	19,000(b)	30,000
Shortfall	18,000	9,000	10,000
Additional public capital expenditure required (£ million)	1,215	445	680

Note: Barker did not publish any estimate of need for intermediate housing.

Source: See Chapter 4, Table 12.

(a) Deducts the 6,000 overlap with intermediate housing

(b) This is a conservative estimate as it does not include any extra units beyond the Housing Corporation’s 2004/06 Approved Development Programme (ADP) allocations or planning gain provision estimations. Limited information is available regarding additional outputs from English Partnerships or Private Finance Initiatives regarding the split between social rented and intermediate provision that may well favour the latter.

⁶ Cambridge Centre for Housing and Planning Research.

⁷ The Barker-based estimate by CCHPR deducts one third from the estimated annual increase in social rented housing need, in line with Barker, to accommodate only those in urgent need, but includes a difference of 5,000 additional social rented units needed, due to the contraction of the private rented sector that Barker does not accommodate – see Chapter 3, paragraph 6 for further details.

Chapter 2

Structure and purpose of the report

1. This report has two purposes: (a) to revise and update the estimate of need for social sector housing published in *Building for the future: 2004 update*; and (b) to extend the scope of assessments of housing need by providing separate assessments of need for social rented housing and 'intermediate' housing for the purpose of specifically identifying how many social rented homes are needed. In addition the work assesses whether the Government's target to halve the number of households in temporary accommodation by 2010 could be achieved within current plans for new social rented housing. The methods used for (a) have been worked out in *Building for the future* and earlier work in the Shelter Housing Investment Project Series.⁸ No recognised method exists for determining intermediate housing need, it has therefore been developed for this report.
2. Estimates of need for social rented housing according to the method referred to above have two parts: newly arising need, generated by events after the base date of calculation; and current unmet need existing at the base date, often termed the 'backlog' of unmet need. If newly arising need is fully met but no more, the backlog would be the same in total at the end of the period as at the base date, though would not, of course, include the same people. What rate of reduction of the backlog to build into the assessment of need is a policy question, though it is unlikely that the backlog could be completely eliminated. For the purposes of this report, particular attention is paid to reducing the number of households in temporary accommodation in line with the Government's target of producing a 50 per cent reduction by 2010.
3. The estimate of need for social sector housing, both newly arising need and the backlog, is in Chapter 3. In this report, the term 'social sector housing' is used to include both social rented housing and intermediate housing. Shared ownership, which was included in social sector new housing provision in the *2004 update* and earlier work is considered here to be a form of intermediate housing. The estimate of newly arising need for social rented housing depends heavily on household projections that are sub-divided by type of household and age. A new household projection has become available since the *2004 update* was written. It is an official projection issued by the ODPM, subdivided by regions, and projected to 2021.⁹

⁸ These include A Holmans et al *How Many Homes Will We Need?* (Shelter 1998), *Technical Report* (Shelter 2000), *Housing Demand and Need in England to 2016* (Town and Country Planning Association, 2001), and *Housing Demand and Need in England to 2011* (Joseph Rowntree Foundation, 1995).

⁹ Interim Household Projections in England to 2021, ODPM, September 2004

4. Both the estimate of newly arising need for social rented housing and current unmet need have regard to comments in the Barker Report¹⁰ about the estimates of housing need in the *2004 update*. Barker's estimates of newly arising need and the backlog are reviewed in Annex F.
5. Needs for intermediate housing are considered in Chapter 4. 'Intermediate housing' is a comparatively new concept, and has emerged as a policy issue only in the last few years. The starting point for estimating need for intermediate housing is to set the boundaries of the income range to include households that can afford more than the rents for social sector housing but cannot afford to buy an adequate house. Levels of social sector rents do not vary greatly across England; but there are very wide differences in house prices, far greater than the differences in incomes. Separate calculations are therefore needed for individual regions, or at least groups of regions. To set the upper boundary of the range of incomes within which intermediate housing could be needed, by using average house prices (or, in practice, lower quartile house prices) for England as a whole, would be meaningless. Such an income would be fully adequate for house purchase in parts of the country where house prices are comparatively low, but definitely insufficient in London and parts of the South where house prices are much higher.
6. Since this report is the first in the Shelter Housing Investment Project Series that attempts to estimate need for intermediate housing, a fairly full discussion of sources and methods is needed. Two annexes are therefore included: Annex D about the characteristics of households coming into intermediate housing, and Annex E about calculating the lower and upper boundaries of this range and the number of households within these ranges. For reasons given in Chapter 4 and Annex D, by no means all households within these income ranges are in need of publicly assisted intermediate housing.
7. There is an element of overlap between need for intermediate housing estimated in the way outlined here and newly arising need for social rented housing. The distribution of incomes of social rented housing tenants has an upper tail. Households in this part of the income distribution could, on the criteria used, afford to pay more than the rent of local authority and housing association dwellings. No policy judgement is implied that they 'ought' to be in intermediate housing where it is on offer. The point is purely one of avoiding duplication. Separating out any duplication is discussed at the end of Chapter 4 on intermediate housing. Needs for social rented housing and for intermediate housing are both part of the need for what has come to be termed 'affordable' housing. The two parts are brought together at the end of Chapter 4.

¹⁰ Barker K (2004) *Review of Housing Supply: Final Report*, London: HM Treasury, HMSO

8. Chapters 5 and 6 are concerned with resources. Chapter 5 considers provision of affordable housing without full Social Housing Grant, typically through agreements with developers. Chapter 6 gives estimates of the cost of the additional housing that would have to be provided to fill the gap between current and planned provision and the amounts estimated to be needed.

Chapter 3

Need for social sector rented housing

1. Newly arising need for social rented housing is estimated in the same way as in *Building for the future - 2004 update* and in earlier reports and studies in the Shelter Housing Investment Project Series. Its centrepiece is a division of projected households in a future year, or years, between the market and social rented sectors. The other elements (as in Table 4 of the *2004 update*) are changes in vacant dwellings; offset to 'loss' of re-lets due to Right to Buy and other sales to sitting tenants; offset to any reduction in private rented sector lettings accessible to tenants who depend on Housing Benefit; and replacement of losses from the social sector stock due to demolition or transfer to non-housing uses. New information available since the *2004 update* was published comprises a new household projection (see Annex A); reworking the offset to re-lets lost through Right to Buy sales to sitting tenants; and more recent figures for the number of private sector tenants with Housing Benefit. Also to be taken into account are the observations on housing need, in Chapter 5, of the Final Report of the *Barker Review*.¹¹
2. The division of the projections of households between the social and market sectors is made in the same way as in earlier reports and studies. Proportions of households in the market sector in the base year (2001, from data from the Survey of English Housing for 2000/01, 2001/02 and 2002/03) are calculated for each household type and each age range. At ages up to 45 the same proportions as in the base year are assumed to continue. At ages above 45 account is taken of the way in which households for the most part stay in the same housing tenure as they age. The division between the social and market sector among households aged 50–54 (for example) in 2001 will be, in substance, the division among households aged 60–64 in 2011 and aged 70–74 in 2021. This rolling forward of tenure proportions in the base year is termed a 'cohort effect'. Fuller details of the calculation are in Annex B. What in effect is happening is that as households in the high age ranges dissolve, their places in the age distribution are taken by younger households among whom a considerably higher proportion are owner-occupiers. This reflects the large increase in owner occupation over the years. This turnover of households causes the proportion of owner-occupiers in the higher age ranges to rise over time without any movement of households between tenure sectors.
3. Two important points about this estimate of the future division of households between tenures must be noted. The first is that it assumes a continuation of past

¹¹ Barker K (2004) *Review of Housing Supply: Final Report*, London: HM Treasury, HMSO

trends and so implicitly assumes a continuation of past relationships between social sector rents and house prices. The *Barker Review* comments on how a slower rise in house prices would allow some of the households that comprise calculated newly arising need for social sector housing to be ‘priced in’ to the market sector.¹² Fuller details are in Annex F. The increase in the number of dwellings to be built year by year to significantly reduce the rate of rise of house prices, and hence enable any sizeable number of households to access the market sector, is large. Whether it would be feasible is in considerable doubt, as house builders are unlikely to want to build in numbers large enough to reduce their prices. Therefore no allowance is made for ‘pricing in’ to the market sector households that on current trends would need social sector accommodation. The second point is that because what is being forecast is the division between the market and social sectors, not the proportion of owner-occupiers, the forecast is not affected by an increase in the number of younger households who rent rather than buy. This is because both owners and private renters are in the market sector, so changes in the proportion of those buying or renting privately are not relevant to the division between market and social sectors. Barker took only two thirds of the estimated increase in households in the social rented sector in her estimate of newly arising housing need, arguing that only this proportion was in urgent need.¹³ However she took this proportion from evidence about the backlog of current unmet need and not newly arising need. The two are unlikely to have the same proportions of urgent need.

4. The forecast of the division of households between the market sector and social sector in 2021 is summarised in Table 1. Because the household projections are trend projections, there are no major differences between changes in 2001–11 and 2011–21. The overall change between 2001 and 2021 is therefore shown. It is cross-analysed by age, to bring out how important is the ‘cohort effect’ referred to in paragraph 2 above.

¹² Ibid, pages 94–95 and Table 5.3.

¹³ Barker K (2004) *Review of Housing Supply*: Final Report, London: HM Treasury, HMSO, page 95, footnote.

Table 1 Households in the market and social sectors in 2001 and 2021

	Age of head of household				(In thousands)
	Under 30	30–44	45–64	65 and over	Total
2001					
All households	2,224	6,128	6843	5,425	20620
Market sector	1,516	4,618	5,141	3,260	14,535
Social rented sector	708	1,510	1,702	2,165	6085
Proportion in market sector (per cent)	68.2	75.4	75.1	60.1	70.5
2021					
All households	2,550	5,894	8,440	7,263	24,148
Market sector	1,709	4,380	6,484	5,001	17,574
Social sector	841	1,514	1,956	2,262	6,574

Note: Small discrepancies are due to rounding.

Source: Annex B.

Replacement of Right to Buy properties

5. The number of dwellings needed to offset losses of re-lets due to past Right to Buy sales has been revised as a result of a new estimate of the number of Right to Buy owner-occupier households that will dissolve in the two decades from 2001. This estimate is described in Annex C. In recognition that in parts of the North and the Midlands demand for social sector housing has declined since the time of most of the Right to Buy sales, the assumption is made that in the North and the Midlands new supply will be required to offset 50 per cent of the loss of re-lets. Conditions vary within all of these regions, with some places experiencing only weak demand, others where it is stronger. From the regional figures in Annex C (Table C.4), this assumption implies that, of a total of 500,000 lost re-lets over the 20-year period, 131,000 would not need to be replaced. This part of newly arising need is estimated at 369,000 between 2001 and 2021.

Tenants on Housing Benefit in the private rented sector

6. In the *2004 update* (page 22) an allowance was made for a reduction in the supply of privately owned rented accommodation that was accessible to would-be tenants

whose ability to afford the rent depended on Housing Benefit. If such a reduction occurred, more households in need would have to be accommodated by local authorities and housing associations. The evidence was a fall in the number of private sector tenants receiving Housing Benefit that was greater than could be explained arithmetically by falling unemployment and better employment prospects. Between 2001/02 and 2002/03, however, the Survey of English Housing shows an increase, from 421,000 to 436,000 (*Housing in England 2002/03*, Table A5.13). This may owe something to sampling; but it tells against putting in 10,000 a year (as in the *2004 update*) for the whole of the forecast period. Instead, 5,000 a year is assumed. Regard should be had to the halt to the fall in the number of private sector tenants receiving Housing Benefit. But to eliminate this element of the estimate altogether on the evidence of one year's data would not be justified. A lower figure than in the *2004 update* is therefore used. Barker (paragraph 5.26) took out this element of need entirely, on the grounds that the *Review* assumed that the private rented sector would not contract, and pointed to policy measures such as Real Estate Investment Trusts (REITs), which could expand. But the point is not the overall size of the private rented sector but how much of it would be let to Housing Benefit tenants. It is possible that investors in REITs would not be interested in letting to Housing Benefit tenants. It is also too early to tell how the introduction of licensing of houses in multiple occupation (HMOs) and other private rented sector properties in the Housing Act 2004 will impact on the private rented market. One of Shelter's concerns during the course of the Bill was the potential impact on homelessness if the licensing of HMOs was not managed properly. Barker's comments are reviewed in more detail in Annex F.

Replacing dwellings that have been demolished and vacant dwellings

7. The assumptions about vacant dwellings and replacement of dwellings demolished or transferred to other uses are the same as in the *2004 update* (page 24), in the absence of fresh information. The assumptions are based on estimates of losses from the housing stock published by the ODPM (and its predecessors) in its tables on 'Dwelling stock: estimated annual gains and losses' (for instance, Table 1.2 of *Housing Statistics 2004*). The totals shown there for 2000/01, 2001/02, and 2002/03 give an average of 24,000 a year. This is apportioned as 16,000 a year in the market sector and 8,000 a year in the social sector. As with re-lets that are lost through the Right to Buy (see paragraph 10 below), not all of the social sector dwellings demolished are assumed to be replaced. With regeneration schemes it is often very difficult to distinguish between gross and net measures, dwellings demolished and new dwellings built, and the net change in the number of

dwellings available for letting. Assumptions about second homes do not affect estimates of newly arising need for social sector dwellings, so that question is set to one side here. The estimate of newly arising demand and need for new housing provision is in Table 2. It is in the form of totals for the whole 20-year period because some items would be very small in annual terms, such as the number of additional dwellings that would keep the 2001 vacancy rate unchanged. As well as the main estimate derived from Table 1 and the figures in paragraphs 5, 6 and 7, termed in the table as CCHPR estimates, a ‘Barker-based estimate’ is shown that follows Barker in including only two thirds of the increase in households in the social rented sector in Table 1 (see paragraph 3 above).

Table 2 New housing provision required to meet newly arising demand and need in England 2001–2021

	(thousands)					
	CCHPR 2005 estimate			Barker-based estimate		
	Market sector	Social rented sector	Total	Market sector	Social rented sector	Total
Net increase in households (Table 1)	3,039	490	3,529	3,204	325	3,529
Vacant dwellings (paragraph 7)	89	17	106	89	17	106
Second homes (paragraph 7)	0	0	0	0	0	0
Offset to ‘loss’ of re-lets due to past Right to Buy sales (paragraph 5)	-369	+369	0	-369	+369	0
Offset to reduction in private sector lettings to tenants with Housing Benefit (paragraph 6)	-100	+100	0	-100	+100	0
Replacement of losses from the housing stock (paragraph 7)	320	100	420	320	100	420
Total	2,979	1,076	4,055	3,144	911	4,055
(Annual equivalent)	(149)	(54)	(203)	(157)	(46)	(203)

8. The estimate of newly arising need in the social rented sector is 54,000 (48,000 after removing the intermediate overlap) a year. That this is 13,000 lower than in the *2004 update* is due to:
 - a slightly smaller proportion of the net increase in households being in the social sector – 14 per cent as against 16 per cent
 - re-estimation of the offset to the loss of re-lets
 - a lower assumption about the offset to a reduction in lettings by the private sector to tenants with Housing Benefit
 - the fact that the *2004 update* did not just reflect the social rented sector but included intermediate housing as well.
9. Barker (paragraph 5.27 and Table 5.4) took out 9,000 of the net newly arising need increase in social sector households (a rounding of one third of the total), on the grounds that such households were not in urgent housing need.

Housing need: regional analysis

10. The estimated division of households between the social and market sector in 2001 and 2021 by regions is shown in Table B.5. The division in 2001 is partly estimated, in the absence of regional figures for households in the private rented sector receiving Housing Benefit and firm regional figures for Right to Buy owner-occupiers. The procedure used to apportion the England totals of households in the market and social sector is too complex to summarise here; reference should be made to paragraphs 12 to 14 of Annex B. An estimated distribution between regions of the offset for lost re-lets due to past Right to Buy sales is in Annex C (Table C.3). But as noted in paragraph 5 above, it is assumed that 50 per cent of the lost re-lets in the North and 50 per cent in the Midlands do not need to be replaced. The possible provision to replace a reduction in lettings by the private rented sector to tenants receiving Housing Benefit is also likely to be concentrated in the areas of shortage. There have indeed been complaints about households entitled to Housing Benefit moving from social rented dwellings in parts of the North to the private rented sector. The 100,000 dwellings to offset reduced availability of private sector dwellings to households with Housing Benefit are therefore apportioned pro-rata to the private rented sector stock in 2001, 2002, and 2003 (*Housing Statistics 2004*, Table 1.3a), with dwellings in the three regions of the North of England and in the Midlands having a weight of one half. The results of this calculation are in Table 3. Figures are shown for each region; but must be treated with caution owing to sampling variation, especially in the smaller regions. This is a first-stage analysis because in London the population and household projections produce a net increase in households that looks improbably high. The

‘Barker-based estimate’ is a regional version of Table 2, with two thirds of the net increase in social sector households in each region. It is derived from the CCHPR estimate by replacing the figures in column A, the net increase in social renting households, with figures two thirds as great. The other elements of newly arising need are unchanged. Reducing the net increase in social renting households is balanced by higher figures for market sector households.

Table 3 First-stage estimate of newly arising need for social sector housing in 2001 to 2021 : regional analysis

	(A)	B)	(C)	(D)	(E)	(F)	(thousands) (G)
	Net increase in social rented households	Offset to Right to Buy	Offset to private rented sector	Other items	Total social sector	Market sector households	All tenures/ households Columns A + F
1 CCHPR 2005 estimate							
North East	-12	21	2	8	19	64	52
North West	9	28	7	17	61	289	298
Yorkshire and Humber	25	28	6	13	72	229	254
East Midlands	40	23	5	9	77	274	314
West Midlands	32	30	5	14	81	257	289
East of England	60	55	13	12	140	402	462
London	255	81	27	21	384	555	810
South East	45	61	21	14	141	572	617
South West	37	42	14	9	102	397	434
England	490	369	100	117	1,076	3,039	3,529

	(A)	B)	(C)	(D)	(E)	(F)	(thousands) (G)
	Net increase in social rented households	Offset to Right to Buy	Offset to private rented sector	Other items	Total social sector	Market sector households	All tenures/ households Columns A + F

2 Barker-based estimate							
North East	-15	21	2	8	16	67	52
North West	6	28	7	17	58	292	298
Yorkshire and Humber	17	28	6	13	64	237	254
East Midlands	27	23	5	9	64	287	314
West Midlands	22	30	5	14	71	267	289
East of England	40	55	13	12	120	422	462
London	173	81	27	21	302	637	810
South East	30	61	21	14	126	587	617
South West	25	42	14	9	90	409	434
England	325	369	100	117	911	3,204	3,529

Notes: Column (G) is the net increase in households in all tenures in total; and is equal by definition to the sum of the net increase in households in the social sector (Column (A) and in the market sector (Column (F)). Column (D) comprises increase in vacant dwellings and replacement of losses, and is apportioned pro-rata to the total of social renting households in 2001 (Table 2). Unlike Table 2, this table is about households, not dwellings.

Source: Table 2, Table B5.

- It is important to note that there are elements of uncertainty about apportioning national totals between regions. Equally important is that the population projections, from which the household totals are derived, rest on assumptions that include past trends in internal migration within the United Kingdom and in the regional origins and destinations of outward and inward migrants to the United Kingdom.

12. The net increase of 255,000 households in the social sector in London, almost 13,000 a year, is part of the projected overall increase of 40,000 a year in the number of households in London. For reasons explained in Annex A this is a trend projection, not constrained by whether a net increase of 800,000 households in 20 years in London could be accommodated without a severe worsening of housing conditions and standards. It is also much higher than the annual net increase of 34,000 households a year in London, estimated in the *Greater London Housing Requirements Study* (Greater London Authority, December 2004). This estimate was made by a different method, from flows of households into and out of London, and households formed and dissolved¹⁴. The Greater London Authority has recently published a housing capacity study to see how such an increase could be accommodated within London.¹⁵
13. This is not really the place to discuss at any length London's housing capacity, or, where the 40,000 households a year could be accommodated.. But some account needs to be taken of 40,000 a year being so far ahead of historical rates of increase of the housing stock in London. For present purposes, the net increase in households in London in 2001–2021 is put at 34,000 a year, 680,000 in total. The difference of 130,000 from the figure of 810,000 in Table 3 is initially apportioned as 80,000 to the East region and 50,000 to the South East, to reflect the concentration of growth areas in the East region. The additional inflow to the South East is assumed to be partially offset by an additional net outflow of 25,000 over the 20-year period to the South West; and the additional net inflow to the East region is partially offset by an additional net flow of 20,000 over the whole period to the East Midlands.
14. The net increase in households in the social rented sector in London in 2001–2021 is scaled down from 255,000 (in Table 3) pro-rata to the overall net increase in households, to 215,000. The difference of 40,000 is distributed between the other regions of the South plus the East Midlands, pro-rata to the households notionally reallocated. The 'Barker-based estimate' is on the same basis as in Table 3.

¹⁴ Greater London Authority, *Greater London Housing Requirement Study*, December 2004, page 84, figures 80 and 81)

¹⁵ Greater London Authority, *2004 London Housing Capacity Study*, July 2005

Table 4 Revised estimate of regional distribution of newly arising need for social rented housing 2001–2021

	Net increase in households (thousands)			Percentage of newly arising needs(a)	Total newly arising need social rented housing	
	Total	Market sector	Social sector		Twenty years	Annual average
1 CCHPR 2005 estimate						
North East	52	64	-12	31	19	1.0
North West	298	289	9	52	61	3.0
Yorkshire and Humber	254	229	25	47	72	3.6
East Midlands	334	288	46	37	83	4.2
West Midlands	289	257	32	49	81	4.1
East of England	522	444	78	80	158	7.9
London	680	465	215	129	344	17.2
South East	642	589	53	96	149	7.5
South West	459	414	45	65	110	5.5
England	3,529	3,039	490	584	1,076	53.8
2 Barker-based estimate						
North East	52	67	-15	31	16	0.8
North West	298	292	6	52	58	2.9
Yorkshire and Humber	254	237	17	47	64	3.2
East Midlands	328	297	31	37	70	3.4
West Midlands	289	267	22	49	71	3.6
East of England	503	451	52	80	138	6.6
London	723	576	147	129	262	13.8
South East	632	597	35	96	134	6.6

South West	451	421	30	65	98	4.8
England	3,529	3,204	325	586	911	45.6

Note: (a) is columns b, c and d combined from Table 3.

15. Newly arising need for social rented housing is primarily in the South of England, though specifically ‘where’ will be strongly influenced by interaction between London and the adjacent regions. In the North the need is primarily for regeneration, possibly including more demolition and replacement than is scheduled in the calculation summarised in Table 3.

Current unmet needs: the backlog

16. Estimates of the backlog of unmet need for social rented housing (which can also be termed current unmet need) in earlier reports in the Shelter Housing Investment Project Series and, most recently, in the *Barker Review*, have three parts:
- households and would-be households without self-contained accommodation
 - owner-occupiers and private rented sector tenants that need accommodation in the social rented sector
 - social sector tenants in housing that is too small for them or unsuitable in other ways (eg flats above the ground floor occupied by families with children).
17. Distinctions are drawn between these groups because they have different implications. To provide for the first group, households without self-contained accommodation, requires new provision to add to the social sector housing stock, thereby adding to the total housing stock. Providing for the second group, households in the market sector that need housing in the social rented sector, requires new provision that adds to the social sector stock but not the total housing stock. This is because when the households move to social sector accommodation they release market dwellings that can be sold or re-let. The third category requires some additional building. Social rented dwellings that are too small or unsuitable for the occupiers result from a mismatch between the size and type of housing in the stock and the size and type that is needed. New provision is often needed to make transfers possible. But the housing released by moves from smaller to larger dwellings, for example, may well be suitable for other households, therefore new provision may not be needed for every case within the third category.
18. Information is available with which to update some of the components of the first group, households and would-be households without self-contained accommodation. Social rented households in overcrowded accommodation, one of the categories of social rented households whose accommodation is unsuitable,

can also be updated. But numbers of households in the second group, those needing to move from owner-occupation or private renting into the social rented sector, were estimated from information obtained from the Survey of Waiting Lists for local authority housing in 1991. This survey has not been repeated, and the information collected by the *Survey of English Housing* about membership of waiting lists does not include sufficient detail for an update. This category of unmet need can either be omitted as having become very dated, or included so that it is not overlooked. The latter course is followed here. The figures based on the 1991 survey data are therefore included, as in the *Barker Review* (Table 5.2).

19. Information about the first group, households and would-be households without self-contained accommodation, comprises:
 - (a) **Households in temporary accommodation**, provided under homelessness legislation. The March 2005 total is 101,070¹⁶, shown in Table 5, with the different kinds of temporary accommodation shown separately.
 - (b) **Concealed families**, ie couples (with or without children) and lone-parent families that have members of someone else's household. The 2001 census (Table S011) is the most recent. The census total includes lone parents and couples with non-dependent children; and also couples aged 65 and over. The older 'concealed' couples are probably parents living with their sons or daughters, and so probably not part of unmet need and therefore not included. The figure in Table 5 comprises concealed couples and lone parent families with dependent children, and couples aged under 30 and 30–44 without children, 110,000 in all. Barker's figure is higher, and probably includes concealed families with only non-dependent children and couples aged 45 and over.
 - (c) **Households in shared dwellings**. The most recent published estimate from the *Survey of English Housing (Housing in England 2002/03, Table A1.7)* is 172,000 households in non-self-contained accommodation, of whom 37,000 were owner-occupiers, 46,000 social sector tenants, and 89,000 private sector tenants. The owner-occupiers probably include resident landlords who share with their tenants. In the *Shared Accommodation Survey* by the Office of Population Censuses and Surveys, 43 per cent of social sector tenants and 45 per cent of private sector tenants in non-self-contained accommodation said that they would strongly prefer self-contained accommodation. That would give 63,000 (rounded) as a figure of households in shared accommodation who would strongly prefer separate accommodation.

¹⁶ ODPM Homelessness Statistics at June 2005, September 2005

- (d) **Would-be couples living apart.** This is based on the 1991 Waiting List Survey. Barker's *Review* (Table 5.2) has a figure that is the previous (1991 based) estimate upscaled to 74,000 pro-rata to the numbers on waiting lists (*Survey of English Housing*).
- (e) **Single homeless people; hostel residents.** No new information.

This information, together with 206,000 as the number of social sector households with fewer bedrooms than standard, is included in Table 5. Differences from Barker's figures are discussed in Annex F.

Table 5 Current unmet need for social rented housing: the backlog(i) Households and Would-be Households Without Self-Contained Accommodation

Homeless Households in temporary accommodation (March 2005)

Total	101,070
of which:	
Bed and breakfast	6,780
Hostels and refuges	10,280
In LA/RSL dwellings	26,630
Leased by LA or RSL from private sector	46,530
Other, including private landlord	10,860
Concealed families	110,000
Households in shared dwellings	63,000
Would-be couples living apart	74,000
Single homeless people, hostel residents	110,000 (a)
Less: Adjustment for those saving to buy	-23,000(a)
Sub total	<u>435,000</u>

(ii) Owner-Occupiers and Private Sector Tenants Needing Social Rented Housing

Total from 1991 data (for detail see Table F.3 in Annex F)	<u>140,000 (a)</u>
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(iii) Social Rented Tenant Households in Unsuitable Housing

Overcrowded (fewer bedrooms than standard)	206,000
Households with children in flats above the ground floor	150,000(b)
Overlap	-10,000(b)
Subtotal	<u>346,000</u>
<u>Total, categories (i), (ii) and (iii)</u>	<u>921,000</u>

Notes: (a) 1991 data; (b) 1995/96 data

20. The part of the backlog that has the highest policy salience at the time of writing is 'homeless households in temporary accommodation'. It is declared government policy to halve their number by 2010, ie a reduction of 50,000 from the 2005 starting level of 100,000 in round terms. The question is whether this can be achieved with present planned provision of new social sector dwellings, including the increase of 10,000 a year by 2007/08 announced by the government in the 2004 Spending Review, or whether further new building would be needed. This is a complex calculation: households in temporary accommodation resemble a pool, which households enter and leave. The ODPM's homelessness statistics show that households leave temporary accommodation for reasons other than being offered permanent accommodation. Of the households leaving temporary accommodation in 2004/05, 21 per cent 'voluntarily ceased to occupy' (see calculation in Annex G). A key question is whether the reduction, between 2003/04 and 2004/05, in the number of households accepted as owed a main duty under the homelessness legislation was a one-off change or the beginning of a continuing trend. The calculation is necessarily in national terms: possible constraints arising from the high proportion of households in temporary accommodation that are in London, 62,000 or 61 per cent of the national total in the first quarter of 2005, have to be reserved for future consideration.
21. The analysis in Annex G shows that by the second half of 2004/05 the total of homeless households in temporary accommodation was static, from quarter to quarter, at about 101,000. The number of homeless households placed in temporary accommodation was equivalent to about 53,000 in annual terms, between 8,000 and 9,000 lower than in 2002/03 and 2003/04. The number of households accepted as homeless was about 20,000 lower. If the number of households accepted as homeless and the number placed in temporary accommodation were to continue at the same level as in the second half of 2004/05, to halve the number of households in temporary accommodation, ie by 50,000, would require an additional supply of 50,000 social rented homes. Stated government plans are for an increase of 10,000 new social sector dwellings built by 2007/08. The numbers in 2005/06 and 2006/07 will be lower. So even if the figure of 10,000 additional dwellings is reached in 2007/08 and maintained for the next two years, the additional supply will be less than required to reduce the number of households in temporary accommodation by 50,000, probably by about 15,000 (see Annex G).
22. The prospect of a shortfall of 15,000 by 2010 depends on there being no further reduction in homeless acceptances and in numbers placed in temporary accommodation below the levels in the second half of 2004/05. That in effect assumes that the reductions that have occurred were a step change downwards due to preventive measures, and perhaps practices aimed at discouraging

homelessness applications. On present evidence, that would seem to be a reasonable assumption.

Chapter 4

Need for intermediate housing

1. 'Intermediate housing' is a concept that has gained currency only in recent years. It is generally understood to be housing provided at lower than market prices or rents for households unable to afford full market prices but nevertheless can afford more than the rents charged for social rented housing. The perception that there is a need for such housing has grown as a result of the steep increase in house prices since the late 1990s, particularly in the South of England. These increases in house prices were greatest in London, hence the introduction of intermediate housing into assessments of housing requirements there.
2. In the *Greater London Housing Requirements Study* (Greater London Authority, 2004), flows of households formed in London, moving inwards or outwards, or dissolved, are divided into 'market', 'intermediate' and 'social'; and dwelling requirements for the three categories derived by summing the flows. This method cannot be used here as there are no estimates of all these flows for England as a whole. The criteria for dividing the flows into the three categories are nevertheless of relevance. The division (see Chapter 3 of the *Requirements Study*) depends on the interaction of the distribution of income, household composition, rents, and house prices (lower quartile). Market sector households have incomes above a threshold level governed by mortgage payments (based on house prices) in relation to income. Social renting households have incomes below a threshold governed by income, household composition, and social sector rent levels. Intermediate sector households are the remainder.
3. The very detailed information about household circumstances and income collected by the London Household Survey enabled the income thresholds, and the members of households above and below them, to be determined in very sophisticated ways. Such information is not available here, so simpler methods have to be used to define income ranges relevant for intermediate housing. The basic concept is the same as used in London, that intermediate housing would be for households that cannot afford adequate housing at market prices but could afford more than social sector rents. The criteria for what could be afforded is 30 per cent of net income, (ie income net of income tax and national insurance contributions). This is somewhat arbitrary, but is a widely used figure. The house prices are lower quartile prices (ie prices one quarter of the way up the distribution of prices). The lower quartile prices are taken because new entrants to owner-occupation very often buy in a cheaper part of the market and 'trade up' as their finances improve. The way in which the net income required is calculated, to purchase a house priced at the lower quartile, is explained in Annex E.

4. The lower boundary of the range of income for intermediate housing is based on the average rents charged by housing associations, but with an addition. The purpose of the addition is to recognise that, to gain access to present forms of intermediate housing with 30 per cent of net income, a household would have to be able to afford considerably more than housing association rents, not just fractionally more. Intermediate housing is generally thought of as requiring considerably less subsidy than full Social Housing Grant. For this reason, the calculation of the lower boundary of the range of income for intermediate housing is based on average housing association rents plus £25 a week (see Annex E, Table E.1). In this respect, there is a difference from the way in which the income range for intermediate housing is defined here to that used in London.
5. The lower boundaries in net income terms for intermediate housing are defined in Table E.1 and the upper boundaries in Table E.3. It will be seen that in the North East, North West, and Yorkshire and Humber regions, the 'upper' boundary calculated from the lower quartile house prices is lower than the 'lower' boundary derived from social housing rents. That is the consequence of including the addition to housing association rents. If the argument for including this addition is accepted, it follows that the need for intermediate housing is to be found primarily in the Midlands (to some extent) and in the South. A formal calculation of need for intermediate housing derived from ranges of income cannot be made for the North East, North West, and Yorkshire and Humber regions. A figure for them is therefore derived from shared ownership sales in previous years (Annex D).
6. A calculation based on income ranges is therefore made only for the East Midlands, West Midlands, East of England, London, South East and South West regions. Information about households is analysed by income in the *Survey of English Housing* in terms of gross income. The upper and lower boundaries of the income range for intermediate income, calculated in the way outlined in paragraphs 2 and 3 above, have therefore to be converted into gross income. The income tax rates and allowances and national insurance rates by which this was done are in Annex E, along with assumptions about how the income is divided between members of multi-person households. The ranges of gross income for intermediate housing are shown in Table 6.

Table 6 Ranges of gross income for intermediate housing

		£/week
	Lower boundary	Upper boundary
East Midlands	310	360
West Midlands	320	380
East of England	360	570
London	400	890
South East	390	770
South West	350	570

Source: Table E.4.

7. Many households within the income range identified in Table 6 may already be settled in accommodation that suits their needs and may not require specific intermediate housing products. There is no established or even widely discussed method for assessing which households within the specified income ranges should be included as needing intermediate housing. The method put forward here has therefore to be regarded as provisional.
8. A method for assessing need for intermediate housing has to be different from the method for need for social rented housing in Chapter 3 and Annexes B and C. There is a stock of social rented housing in which vacancies occur as tenant households dissolve or move to other tenures. The need for new provision arises from the number of households needing to enter the social rented sector to obtain adequate housing exceeding the number of vacancies that become available for re-letting to incoming tenants. In 2002/03, for example, about 200,000 households entered the social rented sector, of whom approximately 180,000 were accommodated from re-letting of vacancies in the social rented stock. There is no substantial established stock for intermediate housing in which vacancies occur. When households in shared ownership leave, they normally buy the rest of the equity so that they can sell with clean title. The dwelling then becomes part of the market housing stock. The same happens when a household with a Homebuy¹⁷ equity loan moves house: the dwelling is sold, and the equity loan is repaid. The repaid loan can be recycled to finance new Homebuy purchases, but the house has gone back into the market sector stock.
9. There are forms of intermediate housing in which the dwelling would not go back into the market sector stock. For instance, the organisation operating the scheme

¹⁷ 'Homebuy' relates to a Housing Corporation low cost home ownership or equity share product.

has a right of first refusal if the purchaser wishes to sell and move; staircasing to full ownership may be prohibited; or intermediate rents are retained. However, there is little data available on such housing, and the planned new-build intermediate housing is only just beginning to come on stream. Therefore what has to be estimated is a gross flow of households to come into intermediate housing year by year. In the future, data on intermediate housing kept in perpetuity might be available, allowing a net flow to be calculated.

10. Evidence about the types of households taking up intermediate housing, and their circumstances, may be gained from information about shared ownership and Homebuy purchases and households taking up the Starter Homes Initiative. These are rationed systems, so the take-up might be different if access was less restricted; but it is the only available evidence about actual entry to intermediate housing. They are, for the most part, younger households. In England as a whole 41 per cent were under age 30, and 77 per cent under age 40; in London and the South the proportions were 42 per cent and 80 per cent (Table D.2). The tenures from which the households came to take up shared ownership, Homebuy, and the Starter Homes Initiative are shown in Table D.1. In England as a whole, 35 per cent were previously private sector tenants, and a further 35 per cent were new households. Twenty per cent were previously social sector tenants, and 10 per cent owner-occupiers. In London and the South (over three quarters of the total), 38 per cent were previously private sector tenants, 35 per cent new households, 20 per cent social sector tenants, and six per cent owner-occupiers. From information available, the combinations of age and previous tenure points to the type of households taking up the forms of intermediate housing being for the most part at the early stages on their housing path.
11. In the light of the information referred to in the previous paragraph, the basis taken for an estimate of need for intermediate housing is the number of new households within the relevant range of income and their tenure. This estimate is in Annex E in Table E.5. It is shown region by region because the income ranges are so different. The regional figures are, however, only part of a process to produce a national figure, not regional estimates in their own right. The national figures derived from them are summarised in Table 7.

Table 7 New households within the income range for intermediate housing 2000/01, 2001/02, and 2002/03

Owner-occupiers	39,000
Shared ownership	1,000
Social rented sector	5,000
Private rented sector	20,000
All households	65,000

Source: Table E.5.

12. Many of the new households who are owner-occupiers are very unlikely to need, or want, intermediate housing. The fact that they have bought houses, nearly all on a mortgage, despite having incomes below the assumed level for affording house purchases, could be due to any of a number of reasons. They may have taken larger mortgages, relative to incomes; they may have been helped by loans or gifts from family and friends; some may have paid significantly less than the lower quartile price. Some indeed may have stretched themselves financially to buy a house for lack of an alternative and would have been glad of intermediate housing if it had been available; but there is no information available with which to estimate the number. Some of the new households renting from private landlords may be content with what they are getting and what they are paying for it, and so would not take up intermediate housing if it had been on offer. A category that is even more difficult to estimate is potential households that do not form because they cannot find accommodation that they can afford. Examples are men and women who would join up as couples if they could but currently live as members of someone else's household; or who would leave the multi-person households where they currently live in order to live on their own if they could find something suitable that they could afford.
13. The categories of need or demand which may be satisfied by intermediate housing can be readily identified. However, as the emphasis on intermediate housing is relatively new, no detailed statistics are available. We therefore have to impute these figures from available evidence, namely the *Survey of English Housing*. On the basis of this survey data, the assumptions made are:
- 10 per cent of the owner-occupiers are stretching themselves and finding the mortgage payments difficult
 - one third of private rented sector tenants would not want intermediate housing
 - 3,000 additional new households a year might form if intermediate housing were available.

The figures for the annual need for intermediate housing that follow from these assumptions are in Table 8.

Table 8 Calculated income-based annual need for intermediate housing

Households that would be owner-occupiers	4,000
Households that would be private sector tenants	13,000
Households that would be social sector tenants	5,000
Households that would be shared owners	1,000
Subtotal	23,000
Additional households that might form	3,000
Total	26,000

14. The figures in Table 8 are based on incomes and house prices in 2000/01, 2001/02, and 2002/03. A slower increase in house prices than in incomes would gradually narrow the range of incomes for intermediate housing.
15. Table 8 does not comprise the totality of potential need for intermediate housing. It includes nothing in the North East, North West, and Yorkshire and Humber regions; nor does it take account of entry to intermediate households with incomes below the lower boundary of the income ranges in Table 6. Table D.1 in Annex D shows an average of around 900 households a year entering the types of intermediate housing in the North of England. An average of about 500 households a year in the Midlands and 1,200 a year in the South had incomes below the lower boundary of the range of incomes for intermediate housing. If these flows of households continued in future years, they would add between 2,000 and 3,000 to the total in Table 8. Annual totals that include them are in Table 9.

Table 9 Adjusted estimates of annual need for intermediate housing

Households that would be owner-occupiers	4,000
Households that would be private sector tenants	14,000
Households that would be social sector tenants	6,000
Households that would be shared owners	1,000
Subtotal	25,000
Additional households that might form	3,000
Total	28,000

16. Table 9 is an estimate of newly arising need for intermediate housing. The 6,000 households that would otherwise be social sector tenants are an overlap with the estimate, in Chapter 3, of 54,000 as the newly arising need for social sector dwellings. This overlap is considered further in Chapter 6.

Chapter 5

Affordable housing without full Social Housing Grant

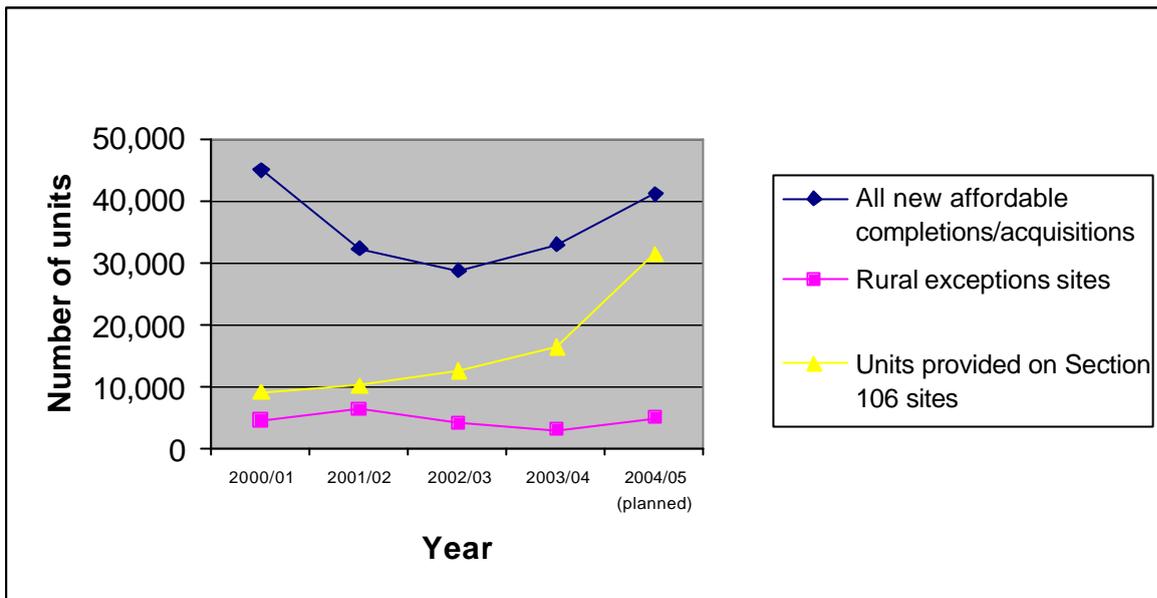
1. This chapter addresses ways in which affordable housing can be provided without the need for full Social Housing Grant (SHG) subsidy from the Housing Corporation's Approved Development Programme (ADP). The provision of affordable housing through the planning system, under Section 106 agreements, is key, but does not necessarily rule out the use of additional subsidy from SHG.

Affordable housing through the planning system

2. New affordable housing can be delivered through the 'acquisition of sites by Housing Associations (HAs) which build affordable housing funded through public subsidy'¹⁸, or through the planning system through Section 106 agreements. Section 106 requires developers to provide some form of subsidy for affordable housing on sites above a certain threshold. This subsidy is widely defined, and could include land or financial contributions. Rising land costs and competition from commercial developers are creating an increasingly challenging environment for HAs wishing to develop affordable housing on their own sites. Housing Strategy Statistical Appendix (HSSA) returns from local authorities show that the number of new affordable dwellings secured through Section 106 has been growing steadily since its introduction in the Town and Country Planning Act 1990, and the proportion of affordable dwellings provided through the planning system is also increasing. This is shown in Figure 1.

¹⁸ Tony Crook et al 'Land and Finance for Affordable Housing', Joseph Rowntree Foundation, 2005

Figure 1: New affordable completions/acquisitions

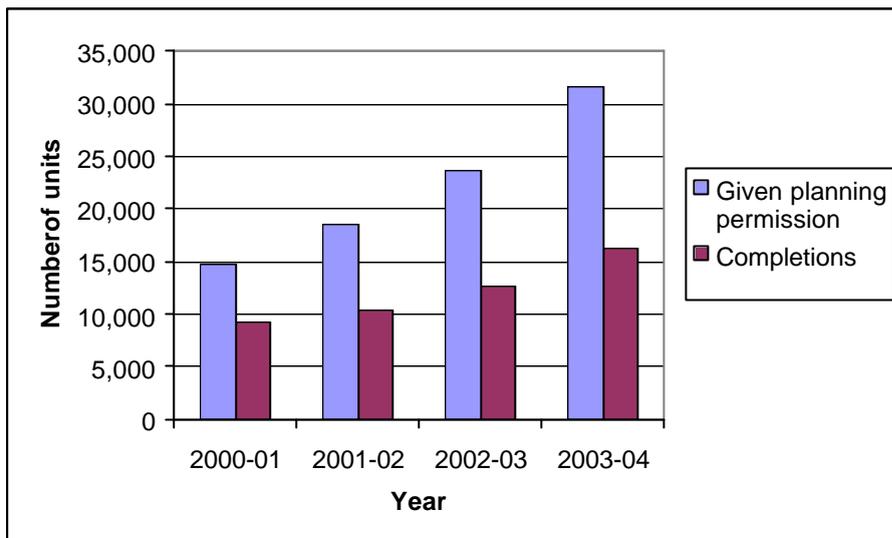


source: HSSA data

Notes: Rural exception sites are sites in settlements of under 3000 people, which have not been allocated in the local authorities Local Plan, but which may be granted planning permission for affordable housing to meet local needs only.

3. The figures for 2004/05 should be regarded as provisional, as many planned dwellings are not completed. This is particularly the case for Section 106 dwellings, where agreements may be renegotiated. Nonetheless, the trend of increasing importance of S106 sites is clear. In terms of units provided under S106 agreements, 31,635 additional affordable dwellings were given planning permission in England in 2003/04, with 16,380 completions over the same period. This compares to figures of 14,768 given planning permission and 9,185 completions in 2000/01 (again under S106 agreements). These figures include dwellings provided by local authorities and HAs for rent, shared ownership and low-cost dwellings for sale, as well as those completed by other providers. Figure 2 below shows how the number of units given planning permission has been rising year on year, due, at least in part, to the increasing experience of both local authority staff and developers in negotiating and securing contributions under Section 106.

Figure 2: Affordable dwellings secured through Section 106 (Source: HSSA)

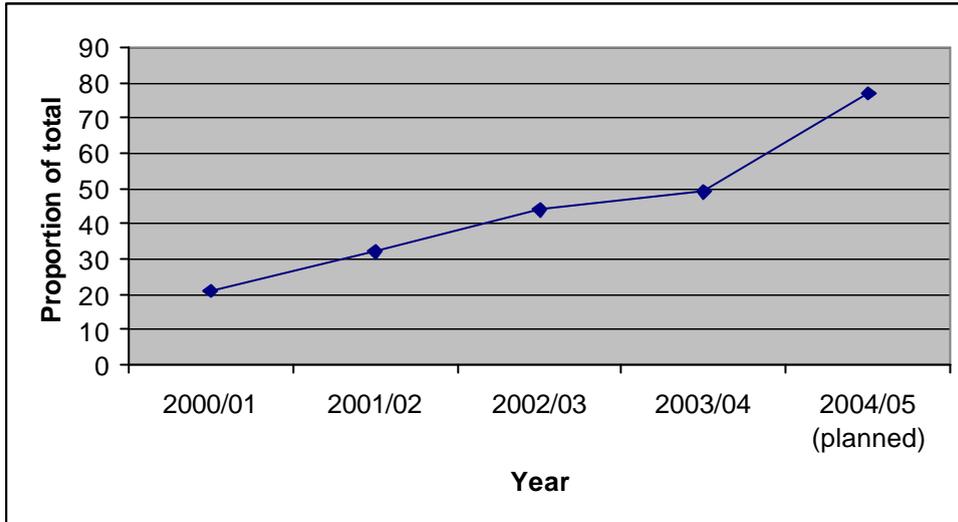


4. The figure also shows that rates of completion lag behind approvals. Some of this can be attributed to the time required for the construction of new units, as well as continuing negotiation. On the basis of a survey of housing associations, in *Building for the future – 2004 update*, the mean time lag between approval and completion is suggested to be 15 months. Crook et al (2005)¹⁹ suggest that the delay, from site identification to granting of planning permission to the transfer of units to the housing association, is between two and four years on S106 sites, but only 18 to 30 months on non-S106 sites. Market conditions may vary considerably in that time. Indeed, some of the units for which planning permission is granted may never be built. There are a variety of reasons for this such as scheme modification at a later date, or renegotiation depending on the expected sale price of market housing²⁰. Taking these varying reasons into account, the actual numbers of affordable dwellings secured through Section 106 and completed are significantly below those approved.
5. Figure 3 below clearly indicates the increasing importance of S106 agreements in the provision of affordable housing. The 2004/05 figure is indicative, and it is expected that this proportion will decline as not all planned units will be built. Nonetheless, it is clear that the numbers of affordable units provided through Section 106 agreements are significant, accounting for 21 per cent of all affordable completions in 2000/01, and 49 per cent in 2003/04.

¹⁹ Crook et al 'Land and Finance for Affordable Housing', Joseph Rowntree Foundation, 2005

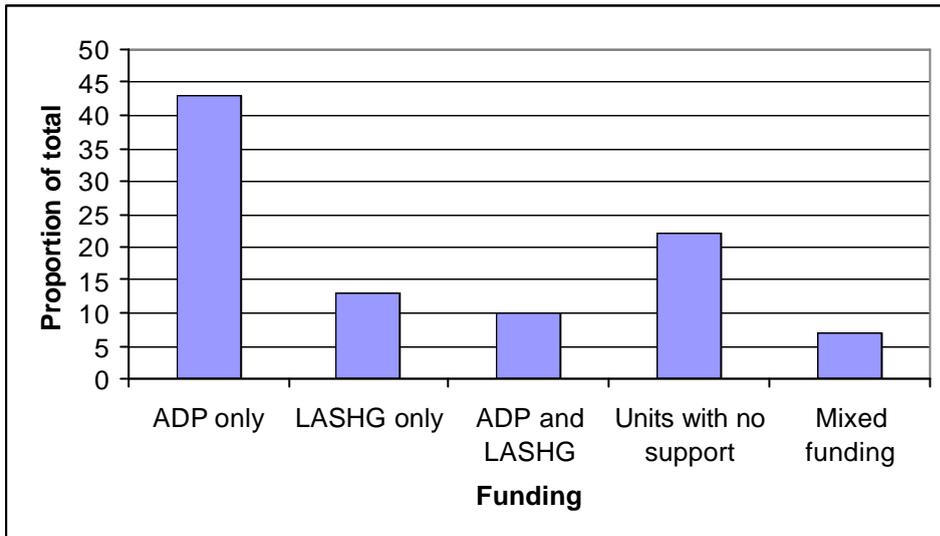
²⁰ Crook et al, *Planning Gain and Affordable Housing: Making it Count*, Joseph Rowntree Foundation, 2002

Figure 3: Units provided through S106 as a proportion of all new affordable completions/acquisitions (Source: HSSA)



6. However, dwellings provided on Section 106 sites often rely on an element of public subsidy. Funding sources are not necessarily mutually exclusive: some of the dwellings provided under Section 106 agreements may also be subsidised by SHG. It is difficult to distinguish those that are wholly additional, ie produced through developer contributions without grant, from those provided through the planning system. In addition, HSSA data is now slightly less straightforward to interpret, given the recent removal of Local Authority Social Housing Grant (LASHG). It is clear, nonetheless, that a considerable proportion of dwellings are financed through combined sources of funding. HSSA data shows that, of the units provided through Section 106, the majority also received funding from SHG or LASHG. The table below shows sources of funding for completed dwellings (2003/04). Twenty-two per cent received no support, and nine per cent were completed through mixed funding (which might include SHG and/or LASHG, in addition to another funding source). At least 66 per cent, and up to 75 per cent, of affordable dwellings completed through Section 106 therefore received support from SHG, LASHG, or a combination of the two. This is similar to the findings in Holmans et al (2004), that between 75 and 80 per cent of the affordable dwellings completed through S106 also received public subsidy in the form of SHG or LASHG.

Figure 4: Sources of funding for completed units secured through Section 106 in 2003/2004 (Source: HSSA)



7. Section 106 sites compete with non-S106 sites for funding, and there is concern that SHG is being diverted from non-S106 to S106 sites. For example, Crook et al (2005)²¹ argue that 75 per cent of S106 completions require some SHG, which reduces the amount of public subsidy available for non-S106 sites. In addition, negotiation costs mean that S106 sites are too expensive for some HAs to develop. This links to definitions of affordability: public subsidy is used to further reduce the costs of affordable units on S106 sites, rather than these being cross-subsidised by the market units on the same site.
8. It is difficult to identify which dwellings approved for SHG are linked to Section 106 agreements, as the Housing Corporation does not record the data in a way that makes it possible to identify individual cases. It is suggested in *2004 update* that 'one third of all ADP completions are also Section 106 funded' (page 35). Table 10 below suggests that the proportion varies significantly from year to year, and is also increasing fairly rapidly.

²¹ Crook et al 'Land and Finance for Affordable Housing', Joseph Rowntree Foundation, 2005

Table 10: Proportion of ADP completions that are also S106 funded (Source: HSSA)

Year	All new affordable completions acquisitions	Units provided on S106 sites	Units provided on Section 106 sites with SHG (estimated)	ADP completions	ADP completions on S106 sites**	Proportion of ADP completions on S106 sites
2001/02	32,210	10,303	7,727	23,008	5,362	23.3
2002/03	28,826	12,592	9,444	21,502	7,893	36.7
2003/04	33,224	16,380	12,285	19,426*	9,911	51.0

Note:* estimate

** Includes mixed funding sources

Source: ADP completion figures from table 100b, Wilcox, UK Housing Review 2004/05

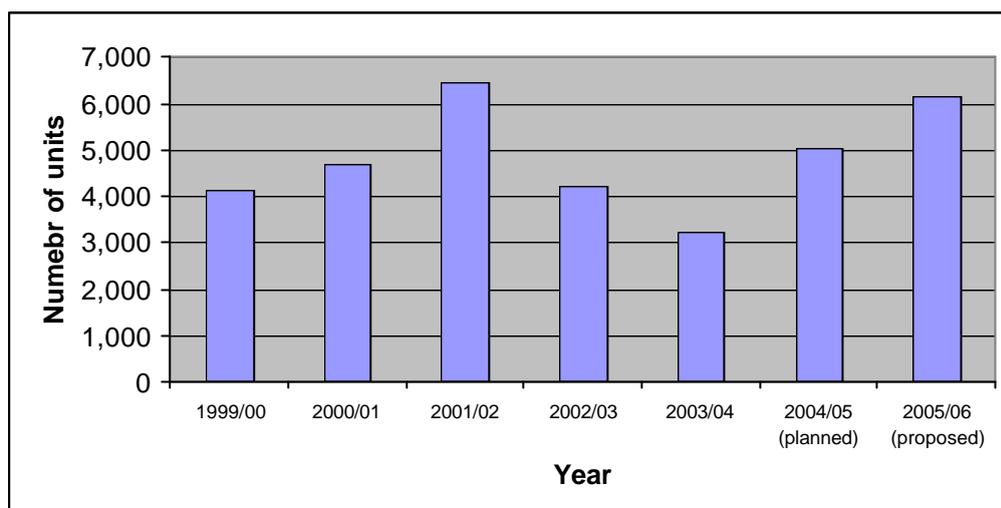
9. Crook et al (2002)²² noted considerable double-counting by local authorities in their annual Housing Investment Programme (HIP) (now HSSA) returns to the ODPM and estimated that, at most, about 10 per cent of total completions were affordable housing produced with planning gain. Overall, using official data, the best estimate we have of the number of Section 106 dwellings that are produced without SHG is approximately 25 per cent of the total (Crook et al, 2005)²³. This equates to 4,000 of the over 16,000 affordable dwellings provided through Section 106 in 2003/04. The level of subsidy for the other 75 per cent of dwellings is unclear, as they may have received either full or partial SHG. Crook et al (2002)²⁴ suggest, based on a wide range of case studies, that it is likely that the majority were receiving full SHG, particularly in the more pressured and least affordable areas of the country such as London and the South East. Calculations based on the latest figures for 2003/04 suggest that over 12,000 affordable dwellings were funded by SHG as well as Section 106, and 4,095 by Section 106 alone.
10. In rural areas, another way in which affordable housing can be provided is on rural exceptions sites. These are sites, in settlements of under 3000 people, which have not been allocated in the local authorities Local Plan, but which may be granted planning permission for affordable housing to meet local needs only.

²² Crook et al, *Planning Gain and Affordable Housing: Making it Count*, Joseph Rowntree Foundation, 2002

²³ Crook et al 'Land and Finance for Affordable Housing', Joseph Rowntree Foundation, 2005

²⁴ Crook et al, *Planning Gain and Affordable Housing: Making it Count*, Joseph Rowntree Foundation, 2002

Figure 6: Units provided on rural exceptions sites (Source: HSSA)



11. A Rural Housing Enabler scheme has been introduced to help with the process of bringing forward sites and providing affordable housing in rural areas. Although this scheme is viewed as a success, the numbers of units delivered remain very low given the high levels of need indicated.

12. It is worth noting that not all the affordable housing provided through the planning system will be social rented housing. A proportion will be directed at the intermediate market in one form or another. Within dwellings supported by Social Housing Grant, the proportion of intermediate rented units is increasing. Table 11 illustrates this.

Table 11 Outturn* of shared ownership as a proportion of total HA and LA outturn

	1999/2000 (%)	2000/01 (%)	2001/02 (%)	2002/03 (%)
North East	12	18	12	13
North West	11	9	17	13
Yorkshire & Humber	12	8	7	9
East Midlands	18	12	11	13
West Midlands	4	5	10	7
East of England	3	7	4	10
London	15	16	13	23
South East	9	15	15	29
South West	7	6	7	11
<i>England</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>18</i>

Source: Housing Corporation database, 1999/00 to 2002/03.

*Outturn is the term used to denote the final output of affordable units in receipt of ADP grant funding.

Note: Other, more popular, forms of intermediate market housing such as Homebuy do not involve new build so are not included here. The new Key Worker Living new-build scheme includes below market renting but the numbers are very small as yet.

13. Table 11 shows that in the South East, shared ownership is now almost a third of total new-build affordable dwellings, and nearly a quarter in London. Evidence from interview surveys suggests that this is because shared ownership requires less grant and so more units can be provided for the same amount of funding. It is also easier to obtain developer contributions for affordable housing if that housing is defined as intermediate market housing in some form.

Chapter 6

Total need for social and intermediate housing and additional expenditure required

1. Total newly arising need for social rented housing over the period from 2001 to 2021 is estimated in Chapter 3 at an average of 54,000 a year (Tables 2 and 4). Need for intermediate housing (Chapter 4 and Table 9) is estimated as 28,000 a year. However, the two categories of need have been estimated separately, and there is an overlap between them. Table 9 shows the need for intermediate housing to include 6,000 who are also included within social rented housing. To avoid duplication these 6,000 households are netted out and taken from the 54,000 social rented dwellings needed annually. Totals of newly arising need, free of duplication, are therefore 48,000 a year for social rented housing and 28,000 for intermediate housing. The two categories together are sometimes termed 'affordable' housing. The total of 76,000 affordable dwellings required is not very dissimilar from the total of 90,000 a year quoted by Barker (*Review of Housing Supply*, Final Report, page 94) from work by Professor Glen Bramley.
2. The first question to consider is with what baseline the need estimate of 48,000 social sector dwellings should be compared. Barker (paragraph 5.28) stated that: 'data on the current level of social housing provision is surprisingly difficult to obtain' primarily owing to the variety of funding sources. The same variety of funding sources causes a similar difficulty in ascertaining the amount spent on new provision of social sector housing in the most recent available year, how many units it provided, and how they were divided between housing for rent and the various purchase schemes. There is a similar difficulty with forward plans. The starting point is the Housing Corporation's Approved Development Programme (ADP) for 2004/05 and 2005/06, taken together. The Corporation's 2004/06 allocation statements show 34,716 mixed-funded units for rent, and 30,928 units of intermediate housing (Homebuy, shared ownership, intermediate renting, and key worker Homebuy, shared ownership, and intermediate rent). Annual averages are 17,400 units for rent and 15,500 units for intermediate housing.
3. The figure of 17,400 mixed-funded units for rents is not the baseline, as of 2004/05, with which to compare the estimate of 48,000 dwellings needed annually, because there are other sources of funding for social rented housing besides the ADP. One definite additional source is funding from transitional Local Authority Social Housing Grant (LASHG). The ODPM estimates that transitional LASHG schemes completions in 2004/05 and 2005/06 will provide 4,800 and 2,200 homes respectively, ie an average 3,500 a year. Local Authority Social Housing Grant

was used primarily to fund housing for rent. That would bring the total for rent to an estimated 20,000 a year. The other possible source of social rented sector housing is dwellings funded by developers, without Social Housing Grant, through Section 106 agreements. These are discussed previously in Chapter 5, where the number in 2003/04 (the latest year for which information is available) is put at just over 4,000. The sources of information from which this figure is derived do not distinguish between dwellings for sale (including low-cost home-ownership) and for rent, though the received view is that developers of mixed schemes tend to prefer the 'social' element to be low-cost home-ownership. A small addition to the total for rent is the most that can be reckoned on in the absence of firm information. The total provision for rent in 2004/05 is therefore put at about 20,000 dwellings for rent, and around 19,000 for intermediate housing (15,000 from the ADP and 4,000 from Section 106). This total is a conservative estimate as little information is available about additional homes that will be provided through English Partnerships programmes and Private Finance Initiative (PFI) schemes.

4. Public expenditure plans from the Government's 2004 Spending Review provide for a further increase of 10,000 dwellings a year by 2007/08. As outlined by the Housing Minister in an ODPM press release in the context of reducing the number of homeless households in temporary accommodation, it is assumed that the 10,000 extra dwellings will be for social rented housing²⁵. That would put provision for social sector renting at about 30,000 a year in 2007/08; and for low-cost home-ownership (and possibly other forms of intermediate housing) at 19,000 a year, as in 2004/05. For comparison with newly arising need, these figures are counted as if they are net additions to the housing stock, not renewal of occupied dwellings within the stock or replacement of dwellings through regeneration schemes. 'Rehab' of vacant dwellings counts as an addition to the stock, as does the replacement of empty dwellings.
5. The planned provision of social rented and intermediate homes expected in 2007/08 is 18,000 and 9,000 less, respectively, than the estimate of newly arising need. The public expenditure on capital subsidies that would be required if the annual number of dwellings provided were to be increased by these amounts can be estimated from average grants per unit budgeted for 2004/06. The additional provision would be needed predominantly in the South of England. For social sector rented housing, the unit cost is calculated from mixed-funded rental housing in London and the East, South East, and South West regions. The proportions in which those regions are combined, and especially how much will be in London, are taken to be the same as planned for 2004/06. The average unit subsidy cost calculated in this way for social rented units, is £67,500. The average net subsidy

²⁵ ODPM News Release 2005/0111, June 13 2005

for intermediate housing programmes is £34,100, calculated in the same way. Table 12 shows the estimated cost of additional provision of social sector rented housing and intermediate housing to bring the total from 2007/08 levels up to the estimate of need.

Table 12 Additional capital expenditure for meeting newly arising need for social sector rented housing and intermediate housing

	Number of additional units needed annually	Average unit cost	Additional capital expenditure (£ million)
1 CCHPR 2005 estimate			
Social sector rented housing	18,000	£67,500	1,215
Intermediate housing	9,000	£34,100	307
Total	27,000		1,520
2 Barker-based estimate			
Social sector rented housing	10,000	£67,500	675

Note: Barker did not estimate need for intermediate housing.

6. The additional public capital expenditure required for meeting newly arising need for social rented housing is therefore put at about £1.2 billion a year, based on CCHPR's estimate of need.
7. Estimates are made of the distribution between regions of newly arising need for social rented housing (Table 4) and for intermediate housing (Table E.5). They are brought together in Table 13. They cannot be used in a reliable way to produce a regional subdivision of the national totals in Table 12 of additional units needed annually over and above planned provision and the additional capital expenditure required. The regional distribution of total provision in 2004/05 is not wholly secure, in the absence of firm regional figures for the categories that are not part of the Housing Corporation's ADP (see paragraphs 2 and 3 above). Decisions about 2007/08 have yet to be taken. Regional housing strategies are likely to influence the allocation of funds between regions, and at least some of the regional strategies are likely to give weight to aspects of housing requirements other than newly arising need as defined in this report.

Table 13 Newly arising need for social rented and intermediate housing: regional analysis

(thousands per year)

	Social rented housing (CCHPR estimate)	Intermediate housing
North East	1	– (a)
North West	3	1
Yorkshire & Humber	4	–
East Midlands	4	1
West Midlands	3	2
East of England	7	5
London	15	8
South East	7	8
South West	4	4
England	48 (b)	28 (c)

Notes: (a) less than 500 and so rounds to zero; (b) differs from Table 4 because the overlap between estimated need for social rented and intermediate housing has been taken out (see Table E.5). Items do not add exactly to the total owing to rounding; (c) items do not add exacting to totals owing to rounding.

Table 14 The regional distribution of need for social rented housing

<u>CCHPR estimates</u>		<u>CCHPR Barker-based estimates</u>	
Region	Number	Region	Number
North East	1,000	North East	800
North West	3,000	North West	2,900
Yorkshire and Humber	3,600	Yorkshire and Humber	3,200
East Midlands	4,200	East Midlands	3,700
West Midland	3,100	West Midlands	2,700
East of England	6,900	East of England	6,600
London	15,200	London	9,700
South East	6,500	South East	6,100
South West	4,500	South West	4,200
England	48,000	England	40,000

8. That newly arising need is so heavily concentrated in the South of England – 70 per cent for social rented and nearly 90 per cent for intermediate housing – is due to the geography of house prices and of the increase in the numbers of households and population. The population projection follows past trends in migration into and within the United Kingdom. A change in these trends, for instance an increase in the proportion of movers from overseas going to live in the North of England, or a reversal of internal

migration trends, would result in more of the total of newly arising need occurring in the North.

Annex A

Household projections for England and the regions

1. The household projections used in this report are a modified version of the ODPM's Interim Household Projections in England to 2021. These projections are 2002-based in the sense of being derived from the 2002-based population projections for England and the regional populations projections produced from it by the Office for National Statistics (ONS). The most recent definitive official household projections for England and the regions are the 1996-based projections, *Projections of Households in England to 2021*, published in 1999 by the Department of the Environment, Transport and the Regions. These projections were produced from projections of legal marital status, specific for age and sex, and projections of cohabitation; and projections of household headship rates (technically 'household representative rates') specific for age, sex, marital status, and cohabitation. The projections of headship rates were made from trends estimated from data from the 1971, 1981 and 1991 censuses, plus post-1991 data from the Labour Force Survey. All the data in the 1996-based household projection model necessarily came from before 1996.
2. This 1996-based model was used by the ODPM to produce the Interim Household Projections from the 2002-based population projections. All the difference between the 1996-based household projections and the 2002-based interim projections is due to differences between the 1996-based and 2002-based projections of the population and its age and sex structure. The 1996-based projection of the population of England put the increase between 2001 and 2021 at 2.6 million; the 2002-based projection put the increase between 2001 and 2021 at 4.1 million. Most of the difference is due to assumptions about migration, though a faster decline in death rates also contributes. This upward revision to the projected increase in the population results in a higher projected increase in the number of households. With the 1996-based population projection the household projection model gave an increase of just over 3 million households between 2001 and 2021. The same model and the 2002 population projections, the basis of the ODPM's 'Interim Household Projection', put the increase in 2001–2021 at 3,772,000, in round terms three quarters of a million more.
3. The 'Interim Household Projection' included a total of households in 2001 derived from the household projection model and ONS's post-2001 census mid-year population estimate. This calculated total of households in 2001 as some 150,000 higher than the estimate total of households derived directly from the census. Details of this estimate are in A.E. Holmans, *Households and Dwellings in England in 1991: A Post-2001 Census Analysis* (Cambridge Centre for Housing and

Planning Research, 2004). The shortfall of households in 2001 relative to the total derived from the model is evidence that the model overstated the number of households relative to population. For this reason it would be necessary to modify the projection if there were reasons to think that the overstatement was likely to persist.

4. The overstatement was seen to be in the South of England; in the Midlands and the North there was little difference between the census-based estimate of households in 2001 and the total calculated from the model. Two possible causes of overstatement by the model that would apply mainly to the South were considered: steeply rising house prices reducing the number of people able to afford to live independently; and a lower proportion of recent inward migrants living as separate households. Higher house prices in the South could not be the sole explanation, because the increase in households between 1991 and 1996 was less than projected by the model, at a time when house prices in the South were falling in real terms. The Labour Force Survey provided evidence of lower proportions of inward migrants forming separate households. Of the two influences, the increase in house prices relative to income could not be expected to continue far into the future. But lower proportions of inward migrants heading households could clearly continue and could exert a significant effect on household formation in view of the continuing high rate of immigration assumed in the population projection.
5. Comparison between household figures from the model and census-based estimates showed an overstatement by the model applied mainly to younger multi-person households. Overstatement did not apply to younger one-person households, ie the under 30 and 30–40 age groups.
6. The modifications made to the ODPM's 'Interim Household Projections' were therefore to revise downwards the number of households in the under 30 and 30–44 age groups; and to apportion these revisions between the categories of multi-person households: married couple households, cohabiting couple households, lone-parent households, and other multi-person households. Table A.1 shows the modified household projections, analysed by type and age of household head. Four age groups are shown. The working detail is in five-year age ranges between under 20 and 85 and over.

Table A.1 Summary of modified household projections : England

	Age				thousands
	Under 30	30–44	45–64	65 and over	Total
2001					
Married couple households	377	2,848	4,183	2,271	9,680
Cohabiting couple households	598	843	351	53	1,846
Lone-parent households	333	696	202	6	1,236
Other multi-person households	233	366	649	395	1,643
One-person households	684	1,375	1,459	2,698	6,215
All households	2224	6,128	6,843	5,425	20,619
2011					
Married couple households	336	2,140	4,179	2,615	9,269
Cohabiting couple households	693	1,043	635	94	2,465
Lone-parent households	404	653	252	7	1,316
Other multi-person households	279	395	857	404	1,935
One-person households	820	1,635	2,010	2,922	7,387
All households	2,532	5,866	7,933	6,041	22,372
2021					
Married couple households	335	1,937	3,854	3,055	9,181
Cohabiting couple households	673	1,082	822	141	2,717
Lone-parent households	415	670	227	9	1,321
Other multi-person households	283	403	962	564	2,212
One-person households	844	1,802	2,576	3,493	8,717
All households	2,550	5,894	8,440	7,263	24,148

Note: Discrepancies are due to rounding.

7. The overstatement of households relative to population in 2001 by the household projection model was concentrated in the South of England, as noted previously in paragraph 3. The net increases in households in 2001–2011 and 2011–2021 are therefore taken, without change, from the Interim Household Projection in the

North East, North West, Yorkshire and Humber, East Midlands and West Midlands regions. In the four regions of the South of England, the revision to the Interim Household Projection is in proportion to the apparent overstatement, ie the difference between the number of households in 2001 as calculated from the household projection model and the census-based direct estimate. By this token, the overstatement was greatest in London and least in the South West. Table A.2 shows the regional projected household totals, which are consistent with the national totals in Table A.1

Table A.2 Modified household projection totals for regions of England

	2001	2011	2021
			thousands
North East	1,081	1,104	1,133
North West	2,833	2,981	3,131
Yorkshire and Humber	2,087	2,215	2,341
East Midlands	1,738	1,896	2,052
West Midlands	2,157	2,306	2,446
East of England	2,238	2,457	2,700
London	3,091	3,513	3,901
South East	3,303	3,597	3,920
South West	2,091	2,302	2,525
England	20,619	22,372	24,148

8. The projected household totals in Table A.2 were derived from regional population projections in which past trends were assumed to continue into the future. This is particularly important for migration: the volume and pattern of inter-regional migration within the United Kingdom is assumed to continue; and so too is the distribution between regions of international migration. Because continuing high levels of inward migration to the United Kingdom are assumed – an average of 130,000 a year in net terms – running on into the future, London's share of inward migration results in a large projected increase in London's population, some 1.2 million between 2001 and 2021. That is the origin of the projected net increase of over 800,000 households in the same period that Table A.2 shows. The Interim Household Projection itself put the increase in households in London at 927,000. Revision to take account of overstatement of households relative to population in

2001 took 115,000 off this figure. But even the modified figure is equivalent to an average net increase of 40,000 households a year in 2001 to 2021, as compared with a net increase of 23,000 households and 22,000 dwellings a year between 1981 and 2001. The figure of 40,000 households a year is a projection. For reasons given in Chapter 3 (paragraphs 10, 12, and 13) it is probably too high to serve as a forecast.

Annex B

The division of households between the social and market sectors in 2001, 2011, and 2021: national and regional levels

1. The market sector is defined as households that are owner-occupiers who did not come into owner-occupation by purchase as sitting tenants from public authorities or HAs (termed in this report 'mainstream' owner-occupiers) plus private sector tenants not receiving Housing Benefit, including rent-free occupiers. The social sector comprises tenants of local authorities, tenants of housing associations, owner-occupiers who came into home-ownership by purchase as sitting tenants, and private sector tenants receiving Housing Benefit. Households who came into owner-occupation through purchase as sitting tenants from public authorities and housing associations, referred to in this report as 'Right to Buy' owner-occupiers (or 'RTB' for short) are included in the social sector because they were accommodated initially in social sector housing, and do not vacate and release social rented housing on becoming owner-occupiers.
2. A division between the market and social sector was estimated for each of the age ranges (15 in all) within each of the five categories of households in the household projection summarised in Annex A. Five types of households by 15 age ranges (16–19, then five-year ranges from 20–24 to 80–84, and 85 and over) gives 75 categories; in practice there are 70 because there are few lone-parent households (with dependent children) with heads aged 60 and over. The tenure of households within each of the categories at national level was estimated from data from the *Survey of English Housing* for 2000/01, 2001/02, and 2002/03, pooled together. This source gives numbers of 'mainstream' owner-occupiers, Right to Buy owner-occupiers, private sector tenants, and social sector tenants. Since only tenants not receiving Housing Benefit, 'non HB private sector tenants', are counted as part of the market sector, a division of private sector tenants between the market and social sector has to be estimated. This was done by proportions of tenants receiving Housing Benefit according to type of household, from Table A5.14 of *Housing in England 2002/03*.
3. The proportions of market sector and social sector households in each category, defined by type of household and age of the head, were used to divide the estimate of households in 2001 and the projections of households in 2011 and 2021 between the market and social sectors. At ages up to 40–44, the proportions in each age range in 2001 were assumed to apply also in 2011 and 2021. At ages 45–49 and above, proportions were forecast in cohort terms, ie that the market sector proportions for the 50–54 age group in 2001, for example, would in broad

terms be the proportion in the 60–64 age group in 2011 and in the 70–74 age group in 2021. Few households enter owner-occupation at ages above the mid-forties, except through purchase as sitting tenants at advantageous prices. Not many leave in order to rent, except for fairly small proportions of widows and widowers at higher ages. Apart from an allowance for widows and widowers moving to the social sector, the proportions of households in the market sector in each age range can be estimated by ‘rolling forward’ the proportions in the base year. The proportions estimated for 2001 are therefore rolled forward 10 years to forecast the proportions in 2011, and 20 years to forecast the proportions in 2021.

4. Table B.1 shows the forecast division of households between the market and social sectors in 2011 and 2021. The forecast includes an allowance for moves to the social sector by widows and widowers, two per cent of one-person households aged 70 and over. At the younger ages, the division between the market and social sector is not affected by young households remaining longer as private sector tenants before entering into owner-occupation. It is not therefore called into question by the rising age of first-time house buyers.

Table B.1 Division of households between the market and social sector in 2001 and 2011

	2001		Total	2021		Total	(thousands)
	Market Sector	Social Sector		Market Sector	Social Sector		
Married couple households	7,749	1,931	9,680	7,644	1,537	9,181	
Cohabiting couple households	1,456	390	1,846	2,155	562	2,717	
Lone-parent households	411	825	1,236	428	893	1,321	
Other multi-person households	1,053	590	1,643	1,426	786	2,212	
One-person households	3,866	2,349	6,215	5,921	2,796	8,717	
All households	14,535	6,085	20,619	17,574	6,574	24,148	

5. For all household types together, the proportion of households that will be in the market sector in 2021 is forecast at 72.8 per cent, as compared with 70.5 per cent in 2001. By far the largest increase in the proportion of households in the market sector is among one-person households, which is forecast to increase from 62.2 per cent in 2001 to 67.9 per cent in 2021. The reason is the low proportion of one-person households (men and women living alone) aged 70 and over in the market sector in 2001, only just over 51 per cent. By 2021 most of them will be gone, and their places in the age distribution taken by men and women aged 50–69 in 2001. Of this group, a high proportion in 2001 were members of married couple households; most (though not all) would keep their tenure in the market sector when living alone 20 years later.
6. A calculation may be made to show how much of the overall increase in the number and proportion of households in the market sector (and, conversely, reduction in the social sector) was the result of the cohort effects just discussed. To do this, a calculation was made of the number of households there would be in 2021 if the division between the social and market sector in each category defined by age and household type were the same as in 2001. The difference between this calculated total and the forecast total in 2021, in Table B.1, is the result of cohort effects, the replacement through time of households with comparatively low proportions in the market sector by households with higher market sector proportions. The increase that there would be with constant proportions of households in the market sector, in each category defined by household type and age, can be divided into the increase that there would be pro-rata to the total increase in households (ie that the market sector remained at 70.5 per cent of the total as in 2001), and the effect of changes in the mix of household types and ages. An example of an effect from changes in the mix of households is the projected reduction in the number of married couple households between 2001 and 2021, both absolutely (by 500,000) and as a proportion of all households from 45.4 per cent to 38 per cent. Because the proportion of married couple households in the market sector in 2001 was considerably higher than for other types of household, 80 per cent compared with 62 per cent, the projected reduction in married couple households would work to reduce the overall proportion of households in the market sector.

Table B.2 Analysis of change in households in the market sector 2001–2021

		(thousands)
(a)	Total increase	+3,039
(b)	Hypothetical increase with constant (2001) market sector proportions for each age range and household type	+2,018
(c)	Increase pro-rata to increase in all households	+2,488
(d)	Increase due to cohort effects (=a) minus (b))	+1,021
(e)	Effect of changes in the mix of household types and age range (=b) minus (c))	-470

Source: Calculated from Table B.1.

7. In Table B.2, rows (c), (d), and (e) sum by definition to the projected total increase in market sector households. The effect of changes in the mix of types of households and ages of household heads was to reduce the growth of households in the market sector. One part of this was the reduction in the proportion of households that are married couple households, referred to in paragraph 6. The other main element was the increase in older one-person households, of whom a low proportion were in the market sector in 2001, only 52 per cent of one-person households aged 60 and over, compared with 70 per cent of all households. Between 2001 and 2021, the number of one-person households aged 60 and over is projected to increase by 34 per cent, compared with the projected increase of 17 per cent in the total of all households.
8. The same arithmetic can be presented from the alternative standpoint of the social sector, to show why the projected increase in households there between 2001 and 2021, slightly less than 500,000, is only 14 per cent of the projected total increase in households, when in 2001 nearly 30 per cent of all households were in the social sector. If the proportion of households in each category defined by type of household and age of the head were to remain unchanged between 2001 and 2021, then the number of households in the social sector would increase by 1,511,000. That the forecast increase is only 490,000 is explained arithmetically by the cohort element in the forecast.

Analysis by age

9. The next stage is to derive, from the detail of the working that lies behind tables B.1 and B.2, an analysis of the change in the proportions of households in the market and social sectors according to the age of the household head. The market

sector and social sector totals in Table A.1 for each type of household in 2001 and 2021 were divided into the four age groups in Table A.1, and then aggregated for all household types. The proportions of households in the market sector in each age range were then calculated. These proportions, and the totals of households to which they refer, are in Table B.3.

Table B.3 Proportions of households in the market sector in 2001 and 2021: analysis by age

	2001		2021		Change in market sector proportions (per cent)
	All households (thousands)	Market sector proportions (per cent)	All households (thousands)	Market sector proportions (per cent)	
Age of head					
Under 30	2,224	68.2	2,550	67.0	-1.2
30–44	6,128	75.4	5,894	74.3	-1.1
45–64	6,843	75.1	8,440	76.8	+1.7
65 and over	5,425	60.1	7,236	68.9	+8.8
All ages	20,619	70.5	24,148	72.8	+2.3

Source: Tables A.1 and B.1

10. The increase between 2001 and 2021, in the proportion of households in the 45–64 and 65 and over age groups that are in the market sector, is the result of the ‘rolling forward’ of the base year market sector proportions discussed previously in paragraph 3. This ‘cohort effect’ is particularly important in the 65 and over age group. Most of the households who were in this age range in 2001 made their housing decisions at a time when owner-occupation was not yet the majority tenure. By 2021 a high proportion of them will have gone, and their place in the household age distribution taken by households that formed when owner-occupation was very much the majority tenure. The reduction in market sector proportions in the under 30 and 30–44 age group is due to changes in the mix of types of household, particularly the reduction in the proportion of married couples.

Projected housing tenure by region

11. The projected totals of households in the market and social sectors in 2021 have to be apportioned by region. There is not the necessary detail about housing tenure, nor at this time sufficiently secure regional household projections by type of household by age, to repeat the calculation for England as a whole at regional

level. Instead, use is made of the change in the proportions of households in the market and social sectors in the four age ranges in Table B.3, and regional projections of the number of households in each of these age ranges (for all household types combined). The assumption has to be made that, in each age group, the change between 2001 and 2021 in the market and social sector shares will be the same in each region as for England as a whole. But the comparative size of the four age groups is not the same in all regions. London is the extreme example: in 2001 just under 21 per cent of households were aged 65 and over, compared with 26 per cent in England as a whole; in 2021 an even greater contrast is projected, with 18 per cent of households in London with heads aged 65 and over, as compared with 30 per cent of households in England as a whole. The 'rolling forward' of proportions in the market sector, therefore, has a much smaller effect in London than nationally.

12. The calculation of households in the market sector by region in 2021 is in Table B.4. The first column is the number of households in the market sector in 2001. The second column is the increase between 2001 and 2021 pro-rata to total households. The next four columns are the result of changes in the market sector proportions in the four age groups in Table B.3. The figure in the '65 and over' column for the North East, for example, is the projected number of households in this age group in the North East in 2021, 381,000, times the increase shown in Table B.3, 8.8 per cent, ie 34,000. The last column is the sum of these items for each region. They are not the totals for each region because they have to be controlled (in Table B.5) to the total for England. The source of the numbers of households in each age group in each region is the modified household projection described in Annex A.

Table B.4 First stage of estimating numbers of households in the market sector by regions in 2021

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(thousands)
	Market sector 2001	Increase pro-rata to household	Differential change by age group				Total of (B) to (F)	
			Under 30	30–44	45–64	65 and over		
North East	635	+31	-1	-3	+7	+34	+68	
North West	1,999	+210	-4	-8	+19	+86	+303	
Yorkshire and Humber	1,414	+172	-3	-6	+13	+64	+240	
East Midlands	1,243	+225	-3	-5	+12	+58	+287	
West Midlands	1,455	+195	-3	-6	+15	+69	+270	
East of England	1,636	+338	-3	-7	+16	+78	+422	
London	1,976	+518	-6	-15	+23	+62	+582	
South East	2,574	+481	-5	-10	+24	+110	+600	
South West	1,603	+333	-3	-7	+15	+79	+417	
England	14,535	+2,503	-31	-67	+144	+640	+3,189	

13. The increase in the number of households in the market sector in England as a whole is estimated at 3,039,000. This is a more securely based figure than the total in Table B.4, which does not take full account of changes in the mix of types of households. The totals in the last column of Table B.4 have therefore to be controlled, by pro-rata scaling, so that the sum of estimates of households in 2021 in the market sector in the regions agrees with the total for England in Table B.1. These totals are shown in Table B.5, along with the figures for the social sector. The tenure totals in each region in 2021 are derived by adding the net increases in households in the market and social rented sectors, shown in Table 4 of Chapter 3, to the corresponding totals in 2001.

**Table B.5 Households in the market and social rented sector by region
2001 and 2021**

	2001			2021			(thousands)
	Market sector	Social rented sector	All households	Market sector	Social rented sector	All households	Changes in social rented sector (%)
North East	635	446	1,081	699	434	1,133	-2.7
North West	1,999	834	2,833	2,288	843	3,131	+1.1
Yorkshire and Humber	1,414	673	2,087	1,643	698	2,341	+3.7
East Midlands	1,243	495	1,738	1,531	541	2,072	+9.3
West Midlands	1,455	702	2,157	1,712	734	2,446	+4.6
East of England	1,636	602	2,238	2,080	680	2,760	+13.0
London	1,976	1,115	3,091	2,441	1,330	3,771	+11.7
South East	2,574	729	3,303	3,163	782	3,945	+7.3
South West	1,603	488	2,091	2,017	533	2,550	+9.2
England	14,535	6,085	20,619	17,574	6,574	24,148	+8.1

14. Of the total projected increase in households in the social sector in England as a whole, only about 20 per cent is in the Midlands and the North. About 45 per cent is in London, for which the arithmetical explanation is the higher proportion (36 per cent) of households in the social sector in 2001 than in the rest of England (28 per cent) and the large projected increase in households in London, 26 per cent as compared with 16 per cent in the rest of England. The interaction of the higher proportion of households in the social sector in the base year and the larger projected increase in households more than offsets the comparatively small effect in London of ageing of households. The caveats about the population and household projections for London must be borne in mind here.

Annex C

‘Right to Buy’ owner-occupier households dissolved between 2001 and 2021

1. The number of ‘Right to Buy’ owner-occupier households that will dissolve within a specified period depends on their ages and on the types of households; and on survival probabilities. One-person households, men and women living alone, can go out of existence: through going to live as a member of someone else’s household; going to live in a residential care home, or nursing home; or through death. Couple households, in contrast, can change into one-person households through a death of husband or wife, but only rarely do both partners go to live as members of someone else’s household, or live in a residential care home. Separate calculations are necessary for couples (and other multi-person) households, and for one-person households. The starting point is the age distribution, for multi-person and one-person households separately, in the base period, 2000/01, 2001/02, and 2002/03 combined. Table C.1 shows Right to Buy households in the base period, analysed by age and type of household.

Table C.1 ‘Right to Buy’ owner-occupiers: age and type of household in 2002/03

Age	(thousands)			
	Couple Household	Other multi-person household (a)	One-person household	All households
Under 45	188	57	27	275
45–49	101	21	16	138
50–54	141	24	21	186
55–59	124	14	29	166
60–64	112	16	32	159
65–69	95	14	44	153
70–74	89	9	53	151
75–79	64	8	58	130
80–84	28	5	36	69
85 and over	8	1	12	23
All ages	948	172	329	1,449

Note: (a) Includes a small number of lone-parent households. Discrepancies are caused by rounding.

Source: *Survey of English Housing*, made available by the ODPM.

2. For couple households a two-stage calculation is required: first for deaths of one partner, which changes the household into a one-person household; and then for the one-person household going out of existence through death, going to live in someone else's household, or going into residential care. For one-person households there is only one-stage to the calculation. It is a complex calculation. The full detail is too lengthy to show here in full. Even that has simplifying elements, including ignoring the effect of the difference between ages of husbands and wives. In summary, for couples the probability that either partner will die within a specified time period is calculated from the age of the household head (by convention, the husband or male partner) and from published life tables. From this calculation is produced the number of surviving couples and widowed survivors. In this part of the calculation, differential mortality rates between married and single and widowed men and women has to be ignored.
3. The work drawn on here was carried out originally to estimate the number of social sector tenant households in the higher age ranges that would dissolve (and so release re-lets) in a 10-year period after the base date. This work is adapted to estimate dissolutions of Right to Buy households during a 20-year period. For the first 10 years the only adaptation required is to take account of the different mix of household types – more Right to Buy owner-occupiers than social sector tenants are couple households – and a different mix of ages. For the second 10 year period a more complex calculation is needed because the survivors are 10 years older and therefore at risk to higher mortality rates, higher probabilities of moving to live in someone else's household, or going to live in residential care. A summary of a first-stage dissolution of Right to Buy owner-occupier households is in Table C.2. It is a first stage because allowances are necessary for projected future falls in mortality, and for the difference in age between husbands and wives.

Table C.2 Dissolutions of Right to Buy owner-occupier households between 2001 and 2021: first-stage estimate

	(thousands)		
	Couples (aged 45 and over)	Other households (aged 45 and over)	Total (aged 45 and over)
Total in 2001	762	413	1,175
Surviving in 2011	694(a)	268	962
Dissolved between 2001 and 2011	68	145	213
Surviving in 2021	493(a)	142	635
Dissolved between 2011 and 2021	201	126	327
Dissolution of households between 2001 and 2021	269	271	540

Note: (a) includes widowed survivors as well as surviving couples.

4. An adjustment is necessary to compensate for widows being assumed to be of the same age as their late husbands, whereas in fact there is on average a difference of about two years between the ages of husbands and wives. The assumption of the same age is a necessary simplification for purposes of calculation, but it leads to an over-statement of deaths of widows who in 2001 were members of couples. Owing to the ages, this affects primarily the number of dissolutions between 2011 and 2021. There is 5,000 taken off dissolutions in 2001–11 and 15,000 from dissolutions in 2011- 2021.
5. Official projections of the population assume falling mortality in future years. This would affect dissolutions of households between 2011 and 2021 more than between 2001 and 2011 because of distance in time. A deduction of two per cent is made on this account from dissolutions in 2001–11 and five per cent from dissolutions in 2011 –21. Table C.3 shows these adjustments.

Table C.3 Adjusted estimates of dissolutions of Right to Buy owner-occupier households in England

	2001–11	2011–21	(thousands) 2001–21
Original estimate (Table C.2)	213	327	540
Adjustment for ages of widows (paragraph 4)	-5	-15	-20
Adjustment for future reductions in mortality	-4	-16	-20
Adjusted estimate	204	296	500

6. A division of the total between regions may be estimated pro-rata to regional totals of Right to Buy owner-occupiers. It is possible that the mix of ages and types of Right to Buy household differ between regions, but there is no survey large enough to show whether or not this is so. In table C.4, the total of 1,449,000 Right to Buy owner-occupier households is apportioned between regions pro-rata to cumulative totals of dwellings sold (*Regional Trends 2004* edition, Table 6.3, HMSO, 2004).

Table C.4 Regional analysis of estimate of Right to Buy owner-occupier households dissolved

	Right to Buy owner-occupier households 2000–03	Households dissolved 2001–2021	(thousands)
North East	123	42	
North West	165	57	
Yorkshire and Humber	158	55	
East Midlands	134	46	
West Midlands	177	61	
East of England	159	55	
London	235	81	
South East	177	61	
South West	121	42	
England	1,449	500	

Annex D

Households taking up shared ownership, Homebuy and the Starter Homes Initiative

1. The information here about the characteristics of households who bought through shared ownership and Homebuy, and through the Starter Homes Initiative, comes from an analysis of information collected by HAs through the CORE system. CORE is in principle a complete count, not a sample, so the figures in the tables are as given by CORE. The information analysed is for 2001, 2002, 2003 and the first quarter of 2004 for the Starter Homes initiative and 2002, 2003, and the first quarter of 2004 for the other schemes. Information for all years is aggregated together, and for all three types of scheme. Their rules and conditions differ; but, for present purposes, studying the differences between the households using them would be out of scope. The information tabulated is for the age of household head, previous tenure, and income. Table D.1 shows previous tenure, for England and three groups of regions.

Table D.1 Previous tenure of households taking up shared ownership, Homebuy and the Starter Homes Initiative over a three year period outlined above

	London and South	Midlands	North	England
Tenure				
Rent from LA or HA	4,086	820	383	5,289
Private sector tenant (includes rent with job)	7,866	970	616	9,452
Owner-occupier	1,233	579	801	2,613
Living with family or friends	7,057	1,337	911	9,305
Temporary accommodation	132	36	21	189
Others	409	58	38	505
Total	20,783	3,800	2,770	27,353

2. In England as a whole almost 70 per cent of households within the scope of the table were either new households or came from private sector renting. In London and the South, the proportion was over 70 per cent. Few were owner-occupiers, only six per cent in London and the South, though 29 per cent in the North. In London and the South, 20 per cent came from the social rented sector.

3. Table D.2 gives an analysis by age of the household head. The totals are slightly different from Table D.1 owing to missing data.

Table D.2 Age of heads of households taking up shared ownership, Homebuy and the Starter Homes Initiative

	London and South	Midlands	North	England
Age				
Under 30	8,603	1,589	928	11,120
30–39	7,933	1,151	701	9785
40–49	2,689	556	298	3,543
50–64	870	312	334	1,516
65 and over	494	164	450	1,108
Total	20,589	3,772	2,711	27,072

Source: As Table D.1.

4. Distributions of income are in Table D.3. Income here comprises take-home pay, pensions, Child Benefit, other State benefits (other than Housing Benefit) and other income. It is therefore a measure of net income.

Table D.3 Net income of households taking up shared ownership, Homebuy and Starter Homes Initiative

	London and South	Midlands	North	England
Income (£/week)				
Under £100	384	214	220	818
£100 but under £200	676	632	476	1,784
£200 but under £300	3,703	1,445	892	6,040
£300 but under £400	5,016	824	480	6,320
£400 but under £500	3,511	366	198	4,075
£500 or more	3,499	140	102	3,741
Total (a)	16,789	3,621	2,368	22,778

Note: (a) between 15 and 20 per cent of households within the scope of tables D1 and D.2 did not provide information about their income.

5. The distribution of net incomes in Table D.3 may be compared with the estimated lower boundary of the income range for intermediate housing in Table E.4. In London and the South, it is from around £270 to £300 a week. The width of the income ranges prevents any approach to precision, but about 3,500 households, around one fifth of the total, had net incomes lower than this. In the Midlands and the North, the lower boundary was about £250 a week in net terms; about 2,300 households, slightly below two fifths of the total, had incomes lower than the boundary.

Annex E

Income ranges for intermediate housing

- Intermediate housing is for households with incomes high enough to afford significantly more than rents charged for social rented housing, but not high enough to afford to buy a house on the open market. The criterion for how much can be afforded is 30 per cent of net income (ie net of income tax and national insurance contributions).

Lower boundaries

- Calculations are made on two bases: average rents at March 31 2001, 2002, and 2003 combined (column (A) in Table E.1); and average rents at March 31 2003 and 2004 combined (column (B) (rent data from *Housing Statistics*, ODPM, 2004, Table 6.2). For purposes of calculation, the income to pay these rents plus £25 a week is taken. The amount of the addition is fairly arbitrary; but there has to be an addition otherwise there would need to be intermediate housing that was subsidised nearly as heavily as social sector rented housing itself.

Table E.1 Calculation of the lower income boundary for intermediate housing

	(amount in £/week)					
	Average rent		Average rent plus £25		Net income required for 30% of income equal (c) and (d)	
	(A)	(B)	(C)	(D)	(E)	(F)
North East	46.40	48.10	71.40	73.10	238	244
North West	48.40	50.70	73.40	75.70	245	252
Yorkshire and Humber	48.50	49.50	73.50	74.50	245	248
East Midlands	50.10	51.80	75.10	76.80	250	256
West Midlands	49.40	51.60	74.40	76.60	248	255
East of England	57.40	59.70	82.40	84.70	275	282
London	65.10	68.70	90.10	93.70	300	312
South East	63.40	66.10	88.40	91.10	295	304
South West	55.30	57.70	80.30	82.70	267	276
England	55.40	57.40	80.40	82.40	268	275

3. The gross weekly incomes that correspond to the net incomes in Table E.1 are worked out together with the net incomes in Table E.3.
4. The first stage in calculating the upper boundary is to calculate combined lower quartile house prices for the same periods as for rents in Table E.1 (ie 2000/01, 2001/02 and 2002/03 combined, and 2002/03 and 2003/04 combined).

Table E.2 Lower quartile house prices 2000/01 to 2003/04

	(£ thousands)					
	2000/01	2001/02	2002/03	2003/04	2000/02 to 2002/03 combined	2002/03 and 2003/04 combined
	A	B	C	D	E	F
North East	33.5	35.0	38.0	39.95	35.5	39.0
North West	37.0	39.95	44.0	56.0	40.3	50.0
Yorkshire and Humber	38.9	40.0	45.5	59.95	41.5	52.7
East	44.5	50.0	62.95	80.0	52.5	71.5
Midlands West	48.0	54.0	65.0	80.0	55.7	72.5
Midlands East of England	63.5	74.0	92.5	112.5	76.7	102.5
London	99.0	115.0	140.0	157.0	118.0	148.5
South East	79.5	90.0	114.0	129.95	94.5	122.0
South West	64.0	74.95	92.5	112.68	77.2	102.6

Source: Land Registry.

5. The year 2001 (or 2001/02) is the base year for the estimate of housing need, which might argue in favour of setting the upper boundary of the income for intermediate housing by reference to prices in 2000/01, 2001/02 and 2002/03 combined. House prices rose substantially in 2002/03 and 2003/04. So unless it is expected that house prices will fall substantially in nominal terms (as in 1990–93), or else rise more slowly than the general price level, prices in 2000/01, 2001/02 and 2002/03 are too low for the present calculation. So the midpoint between the lower quartile for 2000/01, 2001/02 and 2002/03 combined and 2002/03 and 2003/04 combined is taken for calculating the upper boundary for the income range for intermediate housing. Mortgage payments that correspond to these house prices are calculated from a 100 per cent mortgage at six per cent interest for a 25-year term, ie £78.22 per £1,000 of loan. The reason for assuming a 100 per cent mortgage is to take account of the cost of raising a deposit. Table E.3

shows the house prices, the mortgage outgoings, and the income needed if 30 per cent of net income is available for mortgage payments.

Table E.3 Net income required to purchase at lower quartile prices

	Price (£ thousand)(a)	Mortgage payments (£/week)	Required net income
North East	37.25	56	187
North West	45.15	68	226
Yorkshire and Humber	47.10	71	237
East Midlands	62.0	93	310
West Midlands	64.1	96	320
East of England	89.6	135	450
London	133.25	200	668
South East	108.25	162	540
South West	89.9	135	450

Note: (a) based on midpoint between column E and F from Table E.2.

Source: Table E.2

6. Comparison of Table E.3 with Table E.1 shows that in the North East, North West, and Yorkshire and Humber regions, the calculated upper boundary of the income range for intermediate housing would be below the lower boundary, unless at least part of the intermediate housing were subsidised almost as heavily as housing built for letting with Social Housing Grant.
7. To make use of survey information about households within the income ranges from Tables E.1 and E.3, gross income equivalents are needed for the net incomes in those tables. These are calculated separately for the East Midlands, West Midlands, and the South of England. Assumptions are needed about whether there is any income not subject to tax and (in multi-person households) whether there is more than one earner. For the lower boundary incomes (Table E.1), one earner is assumed; for the upper boundary, one earner in the Midlands and two earners in the South. No income not subject to tax is assumed. The way in which income is divided between the earners does not affect the gross income, so long as each has an income greater than the income tax personal allowance plus the 10 per cent band of income (£6,415 in 2001/02, taken as the base year). The standard (not contracted out) rate of national insurance contributions is assumed to apply. The income ranges for intermediate housing, on the assumptions specified, are shown in Table E.4.

Table E.4 Ranges of income for intermediate housing

	£s per week			
	Net income		Gross income	
	Lower	Upper	Lower	Upper
East Midlands	253	310	325	408
West Midlands	252	320	324	424
East of England	278	450	361	567
London	306	668	403	888
South East	299	540	392	698
South West	271	450	351	569

Source: Tables E.1 and E.3

- 8 Information from the *Survey of English Housing* was used to estimate the number of new households within the income ranges in Table E.4. For sample size reasons, information about the tenure of new households within the previous three years was used, and the assumption made that the distribution of tenures within each range for new households formed within the previous year was the same for all households formed within the previous three years. New households formed within the previous year are equal to about 40 per cent of the total formed within the previous three years. The income information in the *Survey of English Housing* is in ranges of £100 a week. Some interpolation was therefore necessary to produce figures for ranges of income that correspond approximately to those in Table E.4. Table E.5 shows the estimates made, from data for 2000/01, 2001/02, and 2002/03. The households in the columns headed 'shared ownership' and 'social rented sector' constitute the overlap between intermediate and social rented housing.

Table E.5 Number and tenure of new households within the ranges of income for intermediate housing

	Owner- occupier	Shared ownership	Social rented sector	Private rented sector	(thousands) Total
East of England	8	0	1	3	12
London	11	1	1	6	19
South East	11	0	1	7	19
South West	6	0	1	3	10
East Midlands	1	0	0	1	2
West Midlands	2	0	1	0	3
Totals of above	39	1	5	20	65

Annex F

Need for social rented housing as estimated in the Barker Review of Housing Supply

1. In the Final Report of the *Review of Housing Supply* by Kate Barker (for brevity referred to as 'Barker') estimates were made of newly arising need for additional social rented housing (Tables 5.4, 5.5, and 5.6) and of the backlog of current unmet need (Table 5.2). The report included, in Table 5.1, a summary of Shelter's estimate of new housing provision required to meet newly arising housing demand and need (*Building for the future – 2004 update*, Table 4), converted to annual terms.
2. 'Newly arising need' may be considered first, as it is often regarded as the first part of an assessment of housing need that is required to prevent unmet need from increasing in total. Shelter's figures in *Building for the future – 2004 update* (for brevity referred to as *2004 update*) is compared in Table F.1 with Barker's figure. Barker included only two thirds of the projected net increase in households in the social rented sector, on the grounds that levels of need differ and some of the households could meet their needs through low-cost home-ownership. She also took out the provision for a contraction of the supply of private rented sector housing accessible to tenants who depended on Housing Benefit to help pay their rents. Barker (paragraph 5.26) stated that the private rented sector was assumed not to contract, for reasons that included measures to expand the sector such as the introduction of Real Estate Investment Trusts (REITs).

Table F.1 Newly arising need for social sector rented housing: CCHPR 2004 and Barker

	(thousands annually)			
	CCHPR 2004	CCHPR 2005	Barker	Barker-based estimate 2005
Net increase in households	28	25	19	16
Increase in vacant dwellings (2001 vacancy rates)	1	1	1	1
Offset to loss of re-lets due to Right to Buy sales	22	18	22	18
Reduction in private sector lettings to tenants with Housing Benefit	10	5	0	5
Replacement of losses through demolition, etc	5	5	5	5
Total	67	54	48	46
Less: overlap with intermediate	0	-6	0	-6
Adjusted total	67	48	48	40

Note: Discrepancies are due to rounding.

Source: 2004 update, Table 4; Barker, Table 5.4.

3. The reduction in private sector lettings is revised to 5,000 in this report on the grounds that in 2002/03 there was no further reduction in the number of private sector tenants with Housing Benefit, as shown by the *Survey of English Housing*. Whether REITs or analogous organisations will in fact come into being is uncertain; even if they did, it is quite possible that they would not be building to let to tenants who depended on Housing Benefit and therefore subject to restrictions on the rent that is reckonable for benefit.
4. Barker has alternative estimates (Table 5.6) of need for additional social sector housing, according to the rate of increase in house prices (which influences the number of households that cannot afford house purchase) and the reduction in the backlog. The backlog reductions are related to the number of homeless households in temporary accommodation in March 2004. Table F.2 shows what Barker (Table 5.6) calls 'scenarios of additional social housing'. Also included are the numbers of additional private sector houses per year to bring about the lower rates of increase in house prices. A zero-rate of house price increase in real terms is considered unrealistic and so is not included in the table. Barker's table is in terms of additional social sector housing required. The 48,000 a year (Table F.1) is 17,000 more than estimated new provision (31,000 a year). In the interest of

clarity, absolute figures for new social sector provision are given rather than additions to 31,000.

Table F.2 Alternative estimates of social sector housing need

	Base total (a)	Reduction in backlog	Households priced in or out	Total need	Additional private sector new-build
Increase in house prices (% a year)					
Past trend (2.4% a year)	48,000	0	+6,000	54,000	(20,000)
1.8% a year	48,000	0	0	48,000	(70,000)
1.1% a year	48,000	9,000	-5,000	52,000	(120,000)

(figures per year)

Note: (a) termed by Barker as 'accommodating demographic change'.

Source: Barker, Tables 1.1 and 5.6.

5. The figures for additional private sector new-build to bring the trend rate of rise of house prices to 1.8 per cent or 1.1 per cent a year are derived from housing market models that are the work of Professor Glen Bramley and Geoffrey Meen. The models were used to estimate how much more new supply would be needed to achieve a target rate of rise in house prices. How such increases in supply would be brought about is unexplained in quantitative terms. The assumption appears to be that, if land is made available, house builders will build. This is not wholly convincing; where the demand would come from to take up an additional 70,000 houses a year, let alone 120,000, is also left unexplained.

The backlog of current unmet need

- 6 Barker's table of the backlog of unmet need (Barker, Table 5.2) comprises columns headed 'Holmans (1996)' and 'Barker'. 'Holmans (1996)' is taken from Holmans, *Housing Demand and Need in England 1996-2016* (Town and Country Planning Association and National Federation 2001). The same source was used in Shelter's 1998 Report *How Many Homes Will We Need?* Table F.3 compares: (i) Holmans (1996); (ii) Barker; and (iii) the figures of the backlog in the report (Table 5).

Table F.3 Estimates of the backlog of unmet need for social sector housing

	Holmans (1996)	Barker	Present report (Table 5)
Households without self-contained accommodation			
(1) Households in temporary accommodation	43,000	94,000	101,000
(2) Concealed families	125,000	154,000	110,000
(3) Households in shared dwellings	130,000	53,000	63,000
(4) Would-be couples living apart	65,000	74,000	74,000
(5) Single homeless people, hostel residents	110,000	110,000(*)	110,000(*)
(6) Adjustment for those saving to buy	-23,000	-23,000(*)	-23,000(*)
Subtotal	450,000	462,000	435,000
Owner-occupiers and private sector tenants needing social sector homes			
(7) Households applying for age or medical reasons	70,000	70,000(*)	} 140,000(*)
(8) Households who cannot afford mortgage payments	20,000	20,000(*)	
(9) Expiry of lease or cannot afford rent	30,000	30,000(*)	
(10) Overcrowding	20,000	20,000(*)	
Subtotal	140,000	140,000(*)	140,000(*)
LA and RSL tenants in unsuitable housing			
(11) Overcrowding	220,000	206,000	206,000
(12) Households with children above the ground floor	150,000	150,000(*)	150,000(*)
(13) Overlap between these categories	-10,000	-10,000(*)	-10,000(*)
Subtotal	360,000	346,000	346,000
Total backlog	950,000	948,000	921,000

Note: (*) no new information since 'Holmans (1996)'.

7. The differences in line (a), homeless households in temporary accommodation, are due to date: March 1996 in 'Holmans (1996)'; March 2004 in Barker; and March 2005 in this report. The number of concealed families in Barker is high, probably through counting in all concealed families in the census. The figure from Table 5 of this report excludes concealed families with 'reference persons' age 45 and over, they are probably living that way from choice rather than being unable to find or afford a separate home. The figure in Table 5 for households in shared dwellings wanting separate accommodation is higher than in Barker because it is taken from the 2002/03 *Survey of English Housing*. Barker's figure for would-be couples living apart is an upscaling, pro-rata, to the *Survey of English Housing* estimates of households and would-be households on waiting lists, of the figure derived from the 1991 survey of local authority waiting lists and new tenants. That survey is also the source for owner-occupiers and private sector tenants wanting social sector accommodation. No new information is available to update it, as no specialist waiting list survey has been carried out since. The questions in the *Survey of English Housing* about being on waiting lists do not ask about the reasons.
8. The figure for local authority and housing association tenants in overcrowded accommodation is of households with fewer bedrooms than the 'bedroom standard', which depends on the number of members of the households, their sexes, ages, and interrelationships. The same figure from the *Survey of English Housing* is in Barker and Table 5 of this report.
9. The principal reason for the total of the backlog shown in Table 5 being lower than Barker's total is Barker's high figure for concealed families.

Annex G

Reducing homeless households in temporary accommodation by half between 2005 and 2010

- Information collected by the ODPM from the third quarter of 2002 onwards records the outcome for households accepted as being owed a main duty under homelessness legislation. Outcomes include: placed in temporary accommodation, recorded 'homeless at home', and voluntarily ceasing to occupy temporary accommodation. The items are shown in Table G.1. They do not sum to the net increase in households in temporary accommodation. The ODPM publishes the figures (Table 8 of the tables accompanying its *Statistical Release on Statutory Homelessness: 1st Quarter 2005, England*) as percentages. They are converted to absolute numbers here.

Table G.1 Households accepted as homeless and households leaving temporary accommodation

		2002/03(a)	2003/04	2004/05
Households accepted				
(1)	Placed in temporary accommodation	62,400	61,560	55,600
(2)	Recorded homeless at home	31,520	46,000	41,450
(3)	Accepted short-hold tenancy	2,180	3,110	1,330
(4)	Accepted offer of LA/RSL accommodation	19,610	16,510	15,710
(5)	Other	12,840	8,250	6,770
	Total	128,540	135,430	120,860

Households leaving temporary accommodation or ceased to be homeless at home

(6)	Offered settled LA or RSL accommodation, accepted	46,040	44,920	51,080
(7)	Offered settled LA or RSL accommodation refused	2,380	2,600	3,800
(8)	Accepted short-hold or assured tenancy	1,360	2,530	3,330

(9)	Ceased to be eligible or became intentionally homeless	4,270	4,140	4,360
(10)	Voluntarily ceased to occupy	13,850	16,000	16,530
	Total	67,900	70,190	79,100
(11)	Net increase in households in temporary accommodation	+8,830	-8,640	+3,390(a)

Note: (a) analysis of households accepted based on figures from the second, third, and fourth quarters of the year.

2. It is not possible from the information in Table G.1 to construct a table of flows of households into and out of temporary accommodation that balances to the net increase in households in temporary accommodation over the year. That households ceasing to be 'homeless at home' are included with households leaving temporary accommodation prevents such a calculation. The best that can be done is to look at the changes between 2002/03, 2003/04, and 2004/05 in the main flows; and also in the second half of 2004/05 when the quarterly totals show the increase in the number of households in temporary accommodation as having halted. The totals of main interest are of households accepted as homeless; households placed in temporary accommodation; and households leaving temporary accommodation (or homeless at home) through being offered settled LA or RSL accommodation. From Table G.1, the changes between 2002/03 and 2003/04, and between 2003/04 and 2004/05, can be calculated. It is not possible to go back any further than 2002/03 because the necessary data was not collected. Table B.2 shows the comparison.

Table G.2 Changes in numbers of households accepted as homeless, placed in temporary accommodation, and offered settled accommodation

	2002/03 to 2003/04	2003/04 to 2004/05	Q3 and Q4 2003/04 to Q3 and Q4 2004/05
Households accepted as homeless	+6,880	-14,570	-9,580
Households placed in temporary accommodation	-840	-5,960	-3,020
Households offered settled LA and RSL accommodation	-900	+7,360	+1,070
Net change in households in temporary accommodation	-190	-5,250	-3,370

Source: Table G1; and quarterly figures from Table 8 of the Statutory Homelessness *Statistical Release*.

3. The slowing, and then halt, of the increase in numbers of households clearly owed something to the reduction in households accepted as homeless, and also to more households being offered settled accommodation by local authorities and registered social landlords. The reduction between 2003/04 and 2004/05 in the number of homeless households placed in temporary accommodation was equal to about 40 per cent of the reduction in the number of households accepted as homeless. The increase, between 2003/04 and 2004/05, in the number of households offered settled accommodation is exaggerated by what looks like an erratically low figure in 2003/04. Compared with 2002/03, the increase was 5,000.
4. In the second half of 2004/05 the number of households in temporary accommodation was static, at about 101,000. In this period, the number of households placed in temporary accommodation was equivalent to an annual total of between 53,000 and 54,000, as compared with an annual figure of 112,000 households accepted as homeless. The number of households offered settled accommodation was equal to 54,000 in annual terms. If the number of households accepted as homeless and placed in temporary accommodation remains stable from year to year, to reduce the number of households in temporary accommodation by 50,000 by 2010 would require that many more dwellings on 'settled' terms by then. The Government plans to build an additional 10,000 social sector dwellings a year by 2007/08. Not all will be available for letting to households in temporary accommodation. The ODPM, in its PSA 5 Technical Paper on reducing the number of children living in temporary accommodation, assumed that one half of the additional new dwellings would go to households leaving temporary accommodation. A hypothetical time path based on this assumption is compared in Table G.3 with 10,000 a year to reduce the number of homeless households in temporary accommodation by one half by 2010.

Table G.3 New building to reduce households in temporary accommodation

	2005/06	2006/07	2007/08	2008/09	2009/10
Required	10,000	10,000	10,000	10,000	10,000
Additional dwellings to be built reduced by 50% in line with the Government's assumed social lettings policy to homeless households	0	2,500	5,000	5,000	5,000
Shortfall	10,000	7,500	5,000	5,000	5,000

5. A cumulative shortfall of 32,500 appears likely owing to time taken to reach the additional 10,000 a year, and only 50 per cent of new homes at the most going to homeless households. However, this does not allow for any further reduction in acceptances due to prevention. Prevention is likely to have some impact on homeless acceptances in the future but, at this stage, there is no firm information available to reliably estimate by how much.