

Source: Peterborough SHMA Fordham Research 2008 Figure 7.5

S33. These prices can be related to purchasing power by examining the household survey based estimates of financial capacity. In a housing market dominated by owner occupation, the test of affordability for most households is financial capacity (income+savings+equity) and not just the old price/income ratio approach which does not tell the full story. The overall position for the HMA is as follows:

Table S8 Median financial information by tenure

Tenure	Median annual gross household income	Median savings	Median equity	Financial capacity
Owner-occupied (no mortgage)	£15,999	£16,359	£169,821	£234,176
Owner-occupied (with mortgage)	£33,090	£1,785	£77,189	£178,246
Social rented	£8,416	£339	£0	£25,588
Private rented	£17,778	£631	£0	£53,966
AVERAGE	£20,376	£2,375	£74,634	£138,137

Source: Peterborough SHMA Fordham Research 2008 Table 9.2

- S34. This table shows the 'median' (the most common) figure and not the average, since the average can be misleading due to a few very wealthy households. The 'no mortgage' owners are often retired, and so are the 'low average income'. It is striking, however, to see the importance of equity: 10 times income for the 'no mortgage' and typically older households and only x2 in the case of those (younger) owners with mortgages. The final column shows the financial capacity, in which the annual incomes have been 'capitalised' in the way a mortgage capitalises monthly payments to produce a capital sum to pay for a dwelling. The table uses a conservative x3 multiple (which does not look as conservative in 2008 as it might a year ago).
- S35. The result emphasises the gulf between owners and non-owners, even though the private renters have twice the financial capacity of the social renters. In the wider context, using the weekly pay levels of Table 9.1 of the SHMA report, the Peterborough HMA averages £421 per week, which is roughly the same as the average for the East Midlands, but substantially lower than the average for the Eastern Region (much affected by the London fringe) and Great Britain (£450 per week).
- S36. In terms of the dynamics, movers into the HMA, whether owners or private renters, show considerably higher financial capacity than those who moved within the HMA during the past two years. Non-movers show much higher financial capacity than movers, if owners, but much lower if private renters. Social renters show little difference whether moving or not. The implication is of some upward movement of overall financial capacity within the HMA, but we do not know the financial capacity of those who moved out of it, and so this is only a supposition.

Housing need

- S37. Housing need is estimated using a procedure set out in the Practice Guidance from CLG (March and August 2007). The main analysis is contained within the separate HNAs for the seven districts involved. In the case of the Southern Fringe, a pro-rata estimate was made of the overall district level. The resultant estimates of housing need were:

Table S9 Annual need for affordable housing			
Area	Annual net affordable need	Estimated number of households	Need per 1,000 households
Peterborough	808	68,000	11.9
South Kesteven	646	55,000	11.7
Rutland	133	15,000	8.9
South Holland	475	36,000	13.2
Southern fringe	212	19,000	11.2
Peterborough HMA	2,062	193,000	10.7

Source: Peterborough SHMA Fordham Research 2008 Table 10.4

- S38. As can be seen in the final columns, the results have been standardised by dividing by the number of households in each district. This enables comparisons to be made of the scale of the housing needs problem. The average of 11 can be compared with the East Midlands (8), the East of England (14) and England (16). The highest level in the HMA is found in South Holland and the lowest in Rutland, but the range is not great. There is in short substantial housing need in all districts but the relative level is at about the level which would be expected from its regional location.
- S39. The evidence of housing need from homelessness statistics and the Housing Register is ambiguous: the figures have risen and fallen quite substantially during the present century. The homeless registrations are about 800 in the most recent year, of which more than half are in Peterborough, while the Register for the HMA stands at about 6,000, of which again about half are in Peterborough City (which as may be recalled has 35% of the HMA households). It is common for homelessness to be higher in larger settlements, and to some extent also for the Register to be relatively larger. However the Housing Register is very much influenced by the level of supply of affordable relets: Registers sometimes tend to be higher where supply is greater and so they could be an inverse rather than direct measure of housing need.

Balancing the housing market (BHM model)

- S40. The BHM model is descended from a technique developed in the early 1990's called 'gross flows', which looks at the movements of households across tenures and the housing stock. The BHM model takes the process onto a different level. The gross flows approach simply uses past trends, and therefore makes no allowance for new ones. The BHM model uses the expectations of households planning to move.
- S41. The following table shows the difference between the stated aspirations and expectations of households planning to move. The pattern is a common one: many more wish to buy than expect to (two thirds as against half) and many fewer would like to private rent than expect to have to do so (6% compared with 15%). This sort of pattern, which is repeated elsewhere, supports the view that household expectations are quite realistic, and a sound basis for looking at the short to medium term future of the housing market. They not only contain views as to tenure and size of dwelling, but also contain an implicit means test: what is being said by the table below is, in many cases, 'we would like to buy but cannot afford to do so'.

Table S10 Housing tenure aspirations and expectations

Tenure	Like	Expect
Buy own home	68.4%	53.8%
Social rented	26.1%	30.9%
Private rented	5.5%	15.2%
TOTAL	100.0%	100.0%

Source: Peterborough HNA Fordham Research 2008 Table 5.3

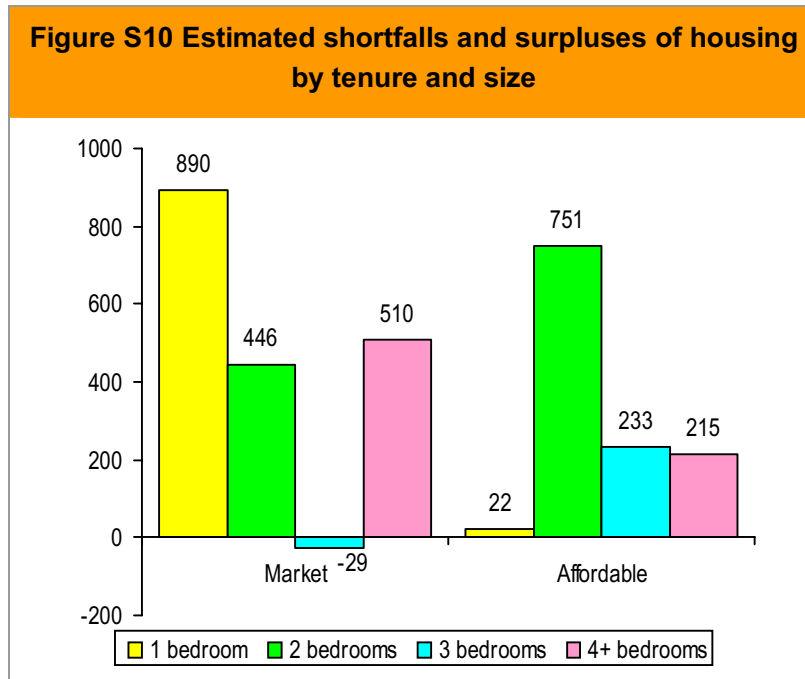
- S42. The model is quite complex, as it has to allow for all the possible moves from one size/tenure of housing to another (each potential move freeing up and requiring various sizes of dwelling). Although the affordable housing sector does not show high levels of underoccupation (ie people with more bedrooms/rooms than they need) such underoccupation characterises much of the owner occupied sector. It takes about 20 iterations of the model to produce the results below:

Table S11 Balancing Housing Markets results for the HMA (per annum)

Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+bedrooms	
Market	890	446	-29	510	1,818
Affordable	22	751	233	215	1,222
TOTAL	912	1,198	204	726	3,040

Source: Peterborough SHMA Fordham Research 2008 Table 12.10

- S43. The figures show a substantial net demand for housing, both market and affordable. The only surplus figure is for market 3-beds, the most common size in the supply figures and one that is often found to be in surplus. This does not imply any long term vacancies among 3-bed dwellings, as households are obliged, by lack of choice and inability to afford, to take a size up or a size down from what they would expect, since if they need to move they will be obliged to take what the market is offering at that particular time.



Source: Peterborough SHMA Fordham Research 2008 Figure 12.2

The needs of specific groups

S44. Extensive analysis was conducted of the needs of a wide range of types of households. These were (with the exception of new EC migrants) mainly groups covered by the main household survey, but examined in detail to provide the evidence base for policy, which is the main purpose of an SHMA. The following is a summary of the results:

- (i) BME households. The proportion of ethnic (not British/Irish) households is quite low (5% compared with 9% for England ;(Table 13.1)) and is mainly concentrated in the City of Peterborough (Table 13.2), and within certain wards. The predominant origin is Asian. The evidence suggests that the population has grown substantially since 2001, and that housing needs levels are above average.
- (ii) Households with a long term limiting illness (LLTI) are slightly less numerous than the national average (17% in the HMA compared with 18% in England). The distribution is strikingly unequal, however, with a predominance of such problems in the north of the HMA and especially the north-east: South Holland. Such households are also disproportionately found in the social rented sector, which is the usual pattern.
- (iii) About a quarter of the population is technically key worker, by being in public sector, health or teaching occupations. This group is, however, less disadvantaged than the average and does not represent a pressing policy issue for the HMA.

- (iv) Migrant worker households are not covered by the main household surveys: they are mainly found in private rented accommodation and are often not fluent in English: hence the response in the surveys is small. Street interviews were held in all the main districts except Peterborough. Peterborough, through its New Link organisation (part of the Council) has a much better database on this group. All sources (national and local) suggest a very substantial growth in numbers, across the HMA, and also a rapid increase in the proportion who are of Polish origin. There are no reliable statistics on this group. The New Link organisation believes that 10-15,000 of the 65,000 working population of the City are migrant workers, mainly Polish. They are typically well qualified, although doing manual jobs, and in principle if the housing ladder can be suitably adjusted, a proportion might be attracted to stay in the longer term.
- (v) Older person only households form 25% of the current population of the HMA (a bit higher than the national and regional 24%), although the proportion varies significantly among different parts of the HMA. They are concentrated in owner occupation and social rented sectors. Single pensioners are much more likely to be social renters and multiple older person households much more likely to be owners. Underoccupation is common in both groups, but more so in the owner occupied sector. This group is clearly likely to grow substantially and to have increasing care needs: there are wide ranging policy implications although not very different from those which are found nationally.
- (vi) The proportion of households with families (dependent children at home) is 30% in the HMA, similar to the national average. Lone parents form about 6% of all households in the HMA (8% in Peterborough) and they are twice as likely as the typical household to be overcrowded. The numbers of households with dependent children is not forecast to rise in the HMA, but this does not prevent there being a considerable extra demand and need for more larger (and typically family) housing in both market and affordable sectors.
- (vii) Gypsy and Traveller studies (GTAAs) have been conducted across the HMA as a result of the 2004 Act which required councils to make suitable provision for them. The overall results for the HMA suggest a need for 68-85 extra pitches (including both permanent and transit pitches) and at least 3 extra pitches for travelling show people. There are typically 10-12 pitches on a whole site. The need for pitches is spread across all four of the whole council areas included in the SHMA.

(viii) The HMA has a strong rural component: most of the districts involved apart from Peterborough City are predominantly rural. Rural households are a special concern in both national and local policies: due to the decline in services available in rural areas, and the perceived difficulties for poorer rural households in that rural affordable housing has declined disproportionately due to Right to Buy. Wards were classified as rural or urban according to the informed judgement of the Steering Group. The result was that some 52,000 dwellings (30% of the total) were classified as rural. This compares with a national average of about 20% (using the 2004 ONS/Defra/CLG definitions). The lack of affordable housing is striking: only 12% of the rural stock compared with 17% in the overall HMA. Although the overall rural area has a much higher proportion of detached dwellings and much higher average income, there is a strong polarisation of financial capacity within the community, and a substantial fraction of poor households with inadequate access to services. Given the limitations on the numbers of new affordable dwellings likely to be built, it is difficult to see how this situation will quickly change.

S45. There is a particular reason for focussing upon Grantham, in the north-west corner of the HMA, within South Kesteven District. Not only is it somewhat removed from the City of Peterborough's influence, but also it has been made a New Growth Point, which means that it will have infrastructure funding to assist its growth.

S46. Grantham is forecast to grow from 38,000 to 50,000 population by 2026. It has the advantage of a location on the East Coast main railway line, and the investment will greatly enhance its road network communications. The current market of the town is rather self contained, but the in-migrants show a higher financial profile than the internal movers; it should be able to take advantage of the growth stimulus to be provided for it.

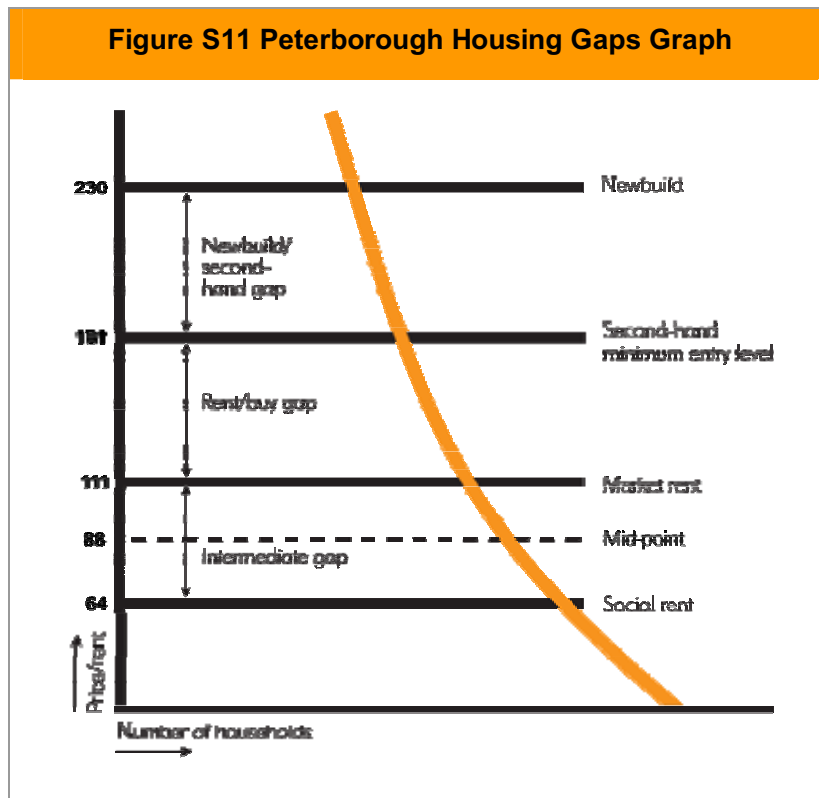
Housing market gaps

S47. In common with the national situation, there is an acute affordability problem for households not already in owner occupation. This is highlighted by the housing market gaps graphs and the weekly cost information upon which they are based.

S48. To enable comparisons, the capital cost of buying new and second hand housing is expressed as a weekly cost (by analogy like a mortgage payment). This can then be compared with the weekly cost of private and social renting. Between each of the bars on the graph is a gap. The main two gaps of interest are:

- The Rent/Buy gap: households in this gap can afford market rent without the need for Housing Benefit, but cannot afford to buy outright. Hence they are potentially candidates for partial equity forms of housing: shared ownership.

- The Intermediate gap. Intermediate housing is defined in PPS3 as housing at between a social rent and market rent. Although technically intermediate housing begins at £1 or so below market rent level, housing at such a weekly cost would clearly not be of much use to households in housing need. We put the mid-point on the graph and infer the weekly costs. This normally addresses the needs of rather less than half of those in intermediate housing need, but that is a difficult enough task, as it is difficult to produce newbuild housing at this level of weekly cost.



Source: Peterborough SHMA Fordham Research 2008 Figure 21.1

- S49. The above graph is an example (for the City) used here as an illustration. The scale of the two main gaps identified above, the ones which would enable households who are not owners to 'climb' into some degree of equity ownership, is shown in the table below. The table is based on the weekly costs for two-bed dwellings (the typical entry size).

Table S12 Scale of key housing market gaps in the HMA

Area	Social rent/market entry private rent	Rent/buy gap	Social rent/newbuild gap
City of Peterborough	173%	163%	359%
South Kesteven	169%	174%	374%
Rutland	175%	201%	448%
South Holland	160%	179%	363%
Southern Fringe	172%	170%	370%

Source: Peterborough SHMA Fordham Research 2008 Table 21.1

S50. It is clear that the gaps are biggest in the highest priced area: Rutland, but that the situation is very difficult throughout the HMA. It is hard to see how households could increase their financial capacity enough to climb the rungs of this ladder: there are enormous gaps.

Non-market housing policy implications

S51. It will be recalled that both RSS's proposed guideline affordable targets of 35%, in the Eastern Region case this being a minimum. There are already targets higher than this in draft and adopted plans within parts of the HMA:

Table S13 Affordable targets set in published HNA

Area	Target
South Kesteven	50%
East Northants	40%
Huntingdonshire	50% (up to)
Fenland	50% (up to)

Source: Peterborough SHMA Fordham Research 2008 Table 22.2

S52. Given the regional guidance and the fact that the levels of housing need are broadly similar for the districts not listed in the table above, it is safe to suggest that proportions of the order of 40% could be set as affordable targets in the other three districts: Peterborough, Rutland and South Holland.

Table S14 Overall affordable housing requirements			
Area	Annual net affordable need	Need per 1,000 households	% of affordable need as intermediate housing
Peterborough	808	11.9	38%
South Kesteven	646	11.7	44%
Rutland	133	8.9	24%
South Holland	475	13.2	22%
Southern fringe	212	11.2	26%
Peterborough HMA	2,062	10.7	35%

Source: Peterborough SHMA Fordham Research 2008 Table 22.1

- S53. All such targets are, under PPS3, subject to 'deliverability' constraints, which means that the target should not unduly compromise the financial viability of the developments involved.
- S54. The table above also indicates the maximum proportion of the affordable housing that could be intermediate (i.e. priced between a social and market rent). In the market gaps figure above the mid-point of the intermediate range is indicated as the appropriate weekly cost. Even this level, which is very hard to achieve for newbuild housing, would only be available to about half of those in intermediate need. The percentages in the right hand column of the table above are based on means-testing those in housing need in the BHM analysis: not many households have heard enough about intermediate housing to 'expect' it, and so means testing is necessary within the overall 'affordable' group shown in the BHM table above. This is based on expectations, as explained in the text above (paras 38-40).
- S55. The implication is that a maximum of 35% of the affordable housing could be intermediate, although the appropriate proportion varies in different parts of the HMA. For any substantial fraction of this to be of real use to those in intermediate need it would have to meet the weekly cost mid-point shown in the last table of this summary.

Market housing

- S56. The main driver of the housing market in the HMA has been the growth of employment in Peterborough itself, which is forecast to continue. The RSS targets encourage continuation of growth, and the arrival of a dynamic new population of EC migrant workers offers wider opportunities for further growth.

S57. The BHM results for market housing are of course based on current expectations, not those which may arise through the transformative effects of the EC migration. The results can be compared with the draft RSS targets. As can be seen, the overall HMA figure for the BHM is quite similar to the RSS one. However the district level differences are considerable. The main point is that Peterborough is shown to have an overall demand/need that is much lower, only just over half, the RSS annual target.

Table S15 Peterborough SHMA Draft RSS targets

<i>Council area</i>	<i>Numbers still to be built 2006 to 2026 (East Midlands districts) and 2021 (East of England districts)</i>	<i>Annual rate implied</i>	<i>BHM annual figures</i>
South Kesteven	12,571	638	Up to 833
South Holland	10,709	535	632
Rutland	3,076	154	427
Peterborough	21,370	1,425	806
Southern Fringe	2,945	196	Na
Total	50,851	2,948	3,040

Source: Peterborough SHMA Fordham Research 2008 Table 23.1

S58. The table below shows that the annual average newbuild in Peterborough has been lower than the RSS target since 2001. Consequently Peterborough's annual target has risen to fulfil the annualised remainder to be built by 2021.

S59. There is a need to change some aspects of the perception of the City, and the presence of large numbers of migrant workers, often with high levels of education and qualification, provides an opportunity both to make a step change in the new housing delivery and in the socio-economic structure of the City's population. This would depend on finding forms of newbuild that are much cheaper than is currently the case: low cost market housing in fact.

Table S16 Household projections compared with current annual completions

Date	Thousands of households					HMA
	Peterborough	S. Kesteven	Rutland	S Holland	S Fringe	
2006	68	55	15	36	19	193
2011	71	59	16	39	20	205
2016	75	62	17	42	22	218
2021	78	66	18	45	24	231
Annual numbers of additional households						
Annual Average 2006- 2021/26	666	733	200	600	400	2,533
Annual Monitoring Report (2006) completions						
Annual average completions	724	734	234	608	na	na

Source: Peterborough SHMA Fordham Research 2008 Table 23.2

- S60. This represents one of the key policy challenges for the City and the HMA generally: to integrate this recently arrived and potentially longer term resident population of new EC migrants.
- S61. The final table below provides an updateable basis for ensuring that housing actually provides for the client group concerned. If the aim is to provide intermediate housing, then the weekly costs are indicated. For low-cost market housing, the mid point of the rent/buy gap is the most plausible general cost target. This table can be inserted into S106 Agreements for the provision of the housing concerned, with suitable updating mechanisms, to ensure that the housing meets the needs and demands of the groups concerned.

Table S17 Weekly costs of housing in the HMA				
City of Peterborough				
	1 bed	2 bed	3 bed	4 bed
Newbuild Sale	£168	£230	£276	£372
Resale Entry Level	£132	£181	£217	£293
Private Rent	£86	£111	£127	£173
Intermediate	£70	£88	£99	£122
Social Rent	£53	£64	£70	£70
South Kesteven				
	1 bed	2 bed	3 bed	4 bed
<i>Newbuild Sale</i>	-	£243	£290	£385
Resale Entry Level	-	£191	£228	£303
Private Rent	£87	£110	£128	£165
Intermediate	£70	£88	£99	£117
Social Rent	£52	£65	£69	£69
Rutland				
	1 bed	2 bed	3 bed	4 bed
<i>Newbuild Sale</i>	-	£291	£356	£500
Resale Entry Level	-	£229	£280	£394
Private Rent	£91	£114	£136	-
Intermediate	£73	£90	£105	-
Social Rent	£55	£65	£73	£73
South Holland				
	1 bed	2 bed	3 bed	4 bed
<i>Newbuild Sale</i>	-	£236	£282	£384
Resale Entry Level	-	£186	£222	£302
Private Rent	£84	£104	£122	-
Intermediate	£68	£85	£95	-
Social Rent	£52	£65	£68	£68
Southern Fringe				
	1 bed	2 bed	3 bed	4 bed
<i>Newbuild Sale</i>	-	£248	£310	£414
Resale Entry Level	-	£195	£244	£326
Private Rent	£105	£115	£130	-
Intermediate	£82	£91	£103	-
Social Rent	£58	£67	£75	£75

Source: Peterborough SHMA Fordham Research 2008 Table 26.4

S62. The information above, suitably updated, will permit the SHMA partnership to achieve the relevant types of affordable and market housing to meet the various needs and demands identified in the report. The Guidance emphasises the need to maintain the SHMA process in the future. This tabulation encourages that process.

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