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## Shepway District Council



## Strategic Housing Market Assessment Part 2 – Objectively Assessed Need for Affordable Housing

**Peter Brett Associates**

December 2016



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# 1 INTRODUCTION

## Purpose

- 1.1 This report forms Part 2 of the Strategic Housing Market Report. It is a Strategic Housing Market Assessment (SHMA) that focuses, principally, on the calculation on the level of affordable housing need (referred to as Affordable Need in this report) and the size and tenure of all dwellings required within the overall Objectively Assessed Need for housing (the OAN) calculated in Part 1 of the SHMA. This study has been undertaken alongside an equivalent report for Dover District Council, the other local Authority within the Housing Market Area.

## Government guidance

- 1.2 This report forms a component of an SHMA alongside the Part 1 study<sup>1</sup>. National Planning Policy is set out in the National Planning Policy Framework (NPPF). Paragraph 159 of the NPPF (March 2012) sets out the role of a SHMA.

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

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

- 1.3 The NPPF outlines how a SHMA fits into the wider housing policy framework and the Planning Practice Guidance (PPG) sets out how the various elements of a SHMA should be undertaken, including detailing a comprehensive model for the assessment of affordable housing need (Chapter 5). The affordable housing need figure produced is an unconstrained figure set in the current housing market situation. This is calculated using a completely different approach and different data sources to the overall housing requirement; however, it is a consideration in setting the housing target and could be a consideration in setting the OAN.

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<sup>1</sup> Peter Brett Associates, *Objectively Assessed Housing Needs for Shepway Moving towards a Housing Target. Shepway District Council*, December 2014



- 1.4 The report also includes the Long Term Balancing Housing Markets (LTBHM) model (Chapter 4) which, following the guidance set out in paragraph 021 of the PPG, breaks down the overall Objectively Assessed Need into the component household typology (tenure and size) of housing required.

## Report coverage

- 1.5 This report is focused on detailing the future type and tenure of housing needed in Shepway. This report is therefore limited to:
- Examination of the latest data on the labour market and the resident population and a profile of the housing stock in Shepway and the changes that have occurred to it.
  - Analysis of the price of property in Shepway and the affordability of housing for residents.
  - Production of an analysis of the entire housing market within the long-term balancing housing markets model (LTBHM).
  - Calculation of outputs for the affordable housing needs model strictly in accordance with the PPG approach.
  - An analysis of the specific housing situation of the particular sub-groups of the population identified within the NPPF.
  - A conclusion summarising the implications of these results.

## Stakeholder consultation

- 1.6 To help disseminate the purpose of this work and ensure the accuracy of this report (and the assumptions used) stakeholders' views have been sought through the development of this study. An informal consultation event was held on the 22nd June 2016, after which written comments were invited.
- 1.7 Details of the stakeholder consultation that took place are presented in Appendix A to this report.





## 2 SOCIO-ECONOMIC CONTEXT

### Introduction

- 2.1 Two main drivers of the housing market are the resident population and the local labour market. They affect the nature of housing demand including household formation rates and households' investment in housing. This chapter uses the most recently available data to document the current socio-economic profile in Shepway and how it has changed.
- 2.2 Analysis of the stock of housing allows an understanding of the current market balance and existing occupation patterns. A range of data sources, including the 2011 Census, will be used to provide an overview of the housing stock in Shepway and a comparison to the regional and national situation will be presented where the data is available.

### Demography

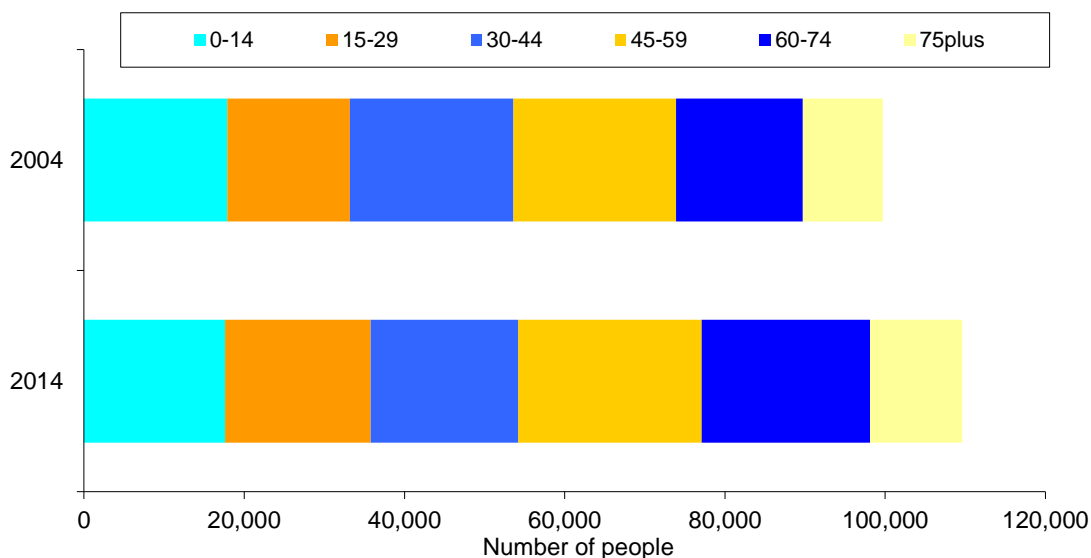
- 2.3 The 2014-based population estimates produced by the Office of National Statistics show the age profile of the population in Shepway and how it has changed over the last 10 years. Data from the 2011 Census is used to provide further detail on the demographic characteristics of the population in the District and how this compares to regional and national trends.

### Population

- 2.4 The latest sub-national population estimates indicate that the resident population in Shepway in 2014 was 108,500 and that since 2004 the population had increased by 9.9%, around 9,800 people. In comparison, the population of the South-East region increased by 9.1% over the same period, whilst the population of England grew by 8.2%. Figure 2.1 illustrates the age composition of the population in Shepway in 2004 and 2014 according to the latest population estimates. It shows that since 2004 the number of people aged 45 or over has markedly increased as has the population in Shepway aged 15 to 29. In contrast, the number of people aged between 30 and 44 has decreased.



**Figure 2.1 Population composition in Shepway (2001 and 2011)**



Source: ONS Population estimates, 2016

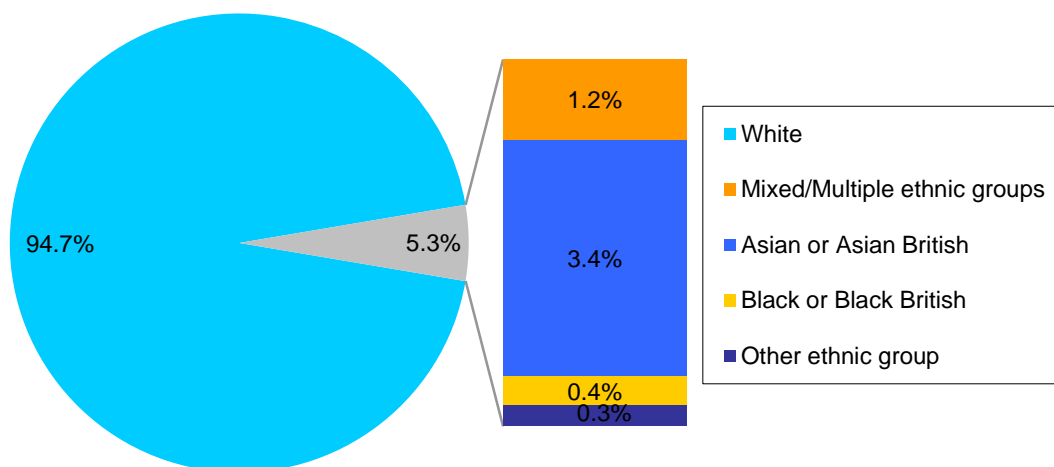
- 2.5 According to the Census, some 21.1% of the resident population in Shepway have a long-term health problem or disability, compared to 15.7% of residents in the South-East region and 17.6% of people across England.

### Ethnicity

- 2.6 According to the 2001 Census, the proportion of Black, Asian and Minority Ethnic (BAME) (non-white) groups in Shepway was 3.6%, lower than that recorded for the South-East region (4.9%) and the national average (9.1%). The 2011 Census suggests that the BAME population has increased to 5.3% of the total population in Shepway, which is still notably smaller than the regional and national figures (9.3% in the South-East region and 14.5% in England).
- 2.7 Figure 2.2 presents the ethnicity of the population in Shepway in 2011. The 'Asian or Asian British' represents the largest BAME group in Shepway area (comprising 3.4% of total population). It should be noted that the 'White' group includes 'White Irish' (0.7%) 'White Gypsy and Traveller' (0.2%) and 'White Other' (3.0%) as well as 'White British' (90.8%).



**Figure 2.2 Ethnicity of Shepway population, 2011**



Source: 2011 Census

2.8 The Census reveals that just 1.2% of the population of Shepway in 2011 had been resident in the UK for less than two years, compared to 1.5% in the South-East region and 1.8% across England. The overwhelming majority of the population of Shepway have resided in the UK for over 5 years (including those born in the UK); 97.2% in Shepway compared to 96.5% in the South-East region and 96.0% in England.

### Number of households

2.9 The 2011 Census revealed that the number of households in Shepway has increased by 15.1% since 2001, reaching 47,379 households in total. This compares to the regional average of 8.2% and the national figure of 7.9%. In Shepway, the number of households has risen at a faster rate than the population in households between 2001 and 2011; this implies that the average size of households is falling across Shepway, as is illustrated in Table 2.1. The same trend is recorded regionally and nationally.

**Table 2.1 Change in average household size between 2001 and 2011**

Location	Average household size in 2001	Average household size in 2011
Shepway	2.29	2.24
South East region	2.37	2.34
England	2.38	2.36

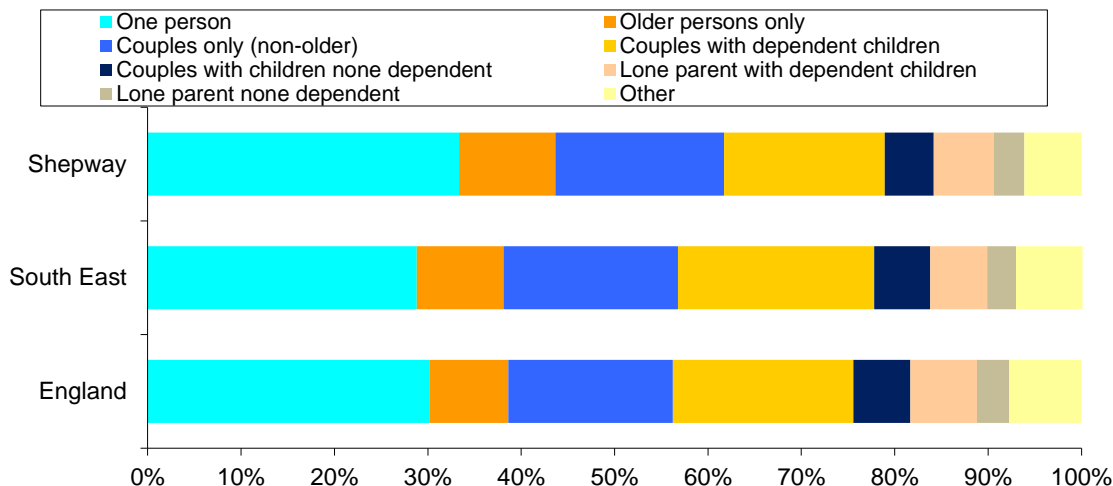
Source: 2001 & 2011 Census

2.10 It is interesting to note that this average household size of 2.24 compares to an average of 2.7 bedrooms per household in Shepway according to the 2011 Census. Figure 2.3 compares the household composition in Shepway in 2011 with that recorded for the South East region and England. The data indicates that there are



more single person households and fewer couple households with dependent children in Shepway than are recorded regionally and nationally.

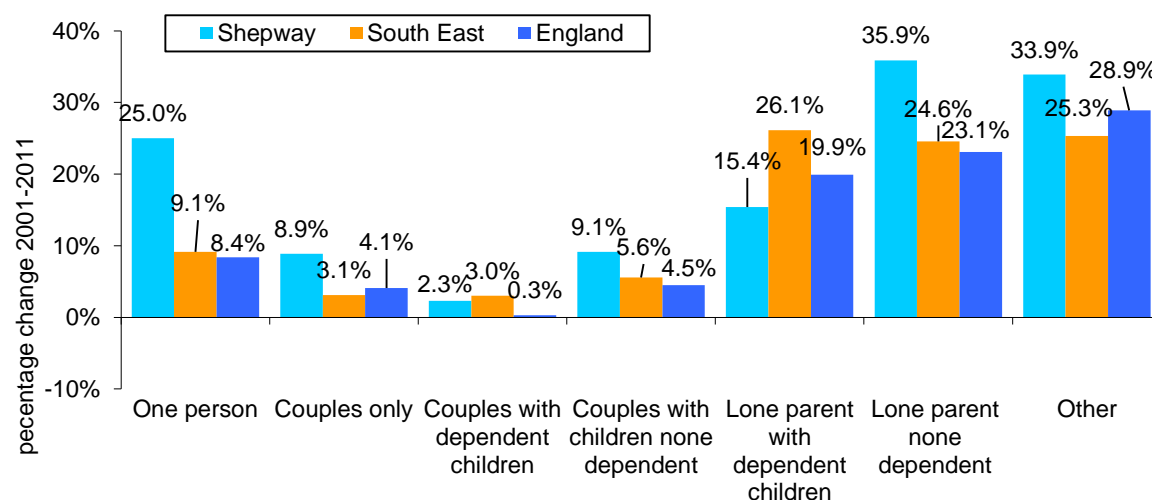
**Figure 2.3 Household composition in Shepway, the South East and England, 2011**



Source: 2011 Census

2.11 Figure 2.4 shows the change recorded between the 2001 and 2011 Census for the different household groups in Shepway, the South East and England. The figure shows that lone parent households with no dependent children have increased the most in Shepway (although from a very low base), followed by other households. It is interesting to note that couples with only non-dependent children have increased at a much faster rate than couples with dependent children. This suggests that household formation rates amongst young adults may have reduced.

**Figure 2.4 Change in household types resident in Shepway 2001 to 2011**



Source: 2001 & 2011 Census

## Economy

2.12 Considerable data is available on the economic context in Shepway, which enables a profile of the current local economy to be presented.



## Employment in Shepway

- 2.13 NOMIS<sup>2</sup> data on 'job density' (this is a measure of the number of jobs per person of working age) for 2014 shows that there are 0.77 jobs per working age person in Shepway, compared to 0.85 jobs per working age person across the South-East region, and 0.83 for England as a whole. Shepway, records a better job density in 2014 than in 2008, before the start of the economic downturn, (an increase from 0.70).
- 2.14 Measured by the Office for National Statistics (ONS) Business Register and Employment Survey there were 35,200 employee jobs in Shepway in 2014. This is the lowest level recorded since the data was first collected in 2009 and is part of a continual decrease since a peak in 2011. The decrease recorded in the District over the last three years (2011 to 2014) of 12.7% compares to an increase of 4.0% for the region and an increase of 5.1% nationally over the same time period.
- 2.15 Information from the Annual Civil Service Employment Survey indicates that 3.5% of employee jobs in Shepway in 2015 were in the Civil Service, compared to 1.1% of employee jobs in the South East and 1.5% of employee jobs in England. The proportion of employees in the District working in the civil service has fallen slightly from 3.7% in 2010 to 3.5% in 2015.
- 2.16 Data is also available from the ONS about the number of businesses in the area and how this has changed over the last few years (older data is not available as the format of the information collected changed in 2010). This can provide a good indication of the state of the economy as an increase in businesses would suggest either new companies moving to the area or an increase in local entrepreneurship.
- 2.17 The ONS indicates that in 2015 there were 3,435 enterprises across Shepway; the highest level recorded (there were 3,110 enterprises in 2010 when the dataset began). A very similar proportion of enterprises are micro (with 9 or fewer employees) across Shepway (88.5%), compared with the South-East region (89.4%) and England (88.8%).

## Employment profile of residents in Shepway

- 2.18 Although the overall economic performance of Shepway provides important context, an understanding of the effect of the economic climate on the resident population is more pertinent to this study.
- 2.19 The Census provides an overview of the employment situation in Shepway in 2011. It shows that of all residents in work in Shepway (excluding those who are also students), 17.2% are self-employed, with 58.8% full-time employees and 24.0% part-time employees. The level of self-employment is slightly higher than the regional (16.9%) and national equivalent (15.7%), whilst part-time employment is also higher than both the regional and national average (21.1% and 22.1% respectively).

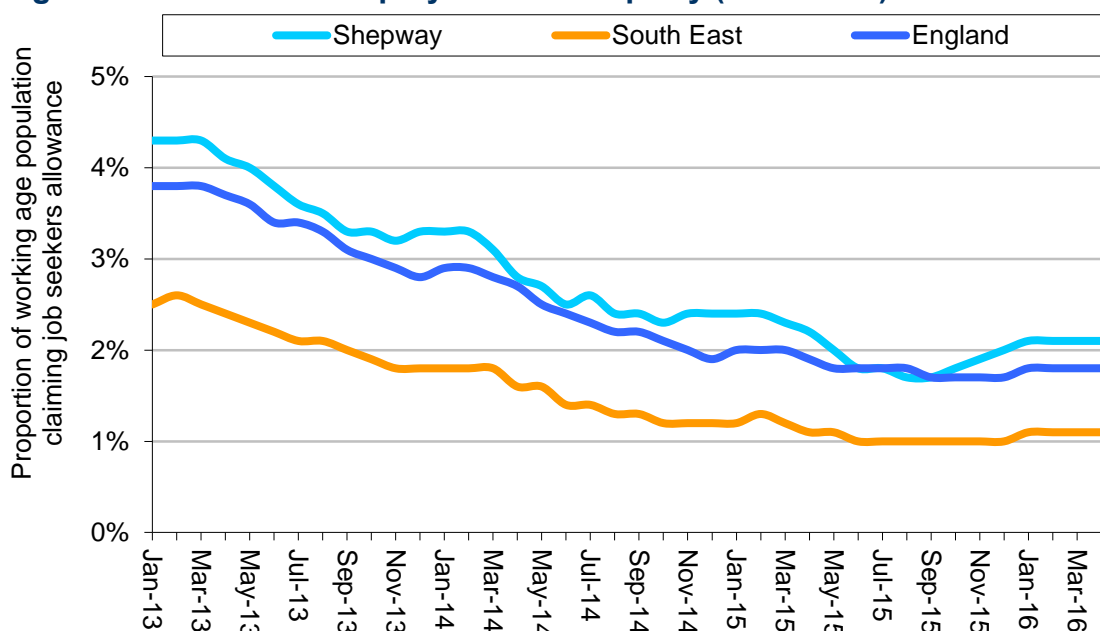
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<sup>2</sup> NOMIS is a website provided by the Office for National Statistics that contains a range of labour market data at a local authority level. [www.nomisweb.co.uk](http://www.nomisweb.co.uk)



- 2.20 Since the 2001 Census the number of part-time employees in Shepway has increased by 34.3%, and the number of full-time employees has risen by 4.9%. The number of self-employed residents in Shepway has increased by 30.0%.
- 2.21 The ONS publishes the number of people claiming Job Seekers Allowance on a monthly basis. This provides a very up-to-date measure of the level of unemployment of residents in an area. Figure 2.5 shows the change in the proportion of the working age population claiming Job Seekers Allowance in Shepway, since January 2013. The figure indicates that the Shepway unemployment level, whilst fluctuating notably, has been consistently higher than the level for the South-East region and the national level. Currently 2.1% of the working age population in Shepway are unemployed, higher than the level recorded nationally (1.8%) and the average for the South-East region (1.1%). Over the last twelve months unemployment has fallen in all areas (by 5.3% across Shepway, 6.6% in the South East region and 6.6% in England as a whole).

**Figure 2.5 Level of unemployment in Shepway (2013-2016)**



Source: ONS Claimant count

- 2.22 It is worth noting that Shepway has a low proportion of young people unemployed; 4.4% of 18 to 24 year olds in Shepway are unemployed compared to 1.5% at the regional level and 2.7% nationally.
- 2.23 The Annual Population Survey presents a ‘Standard Occupation Classification’ which categorises all working people resident within an area into one of nine groups depending on the nature of the skills that they use. These nine groups are graded from managerial jobs (Groups 1-3) to unskilled jobs (Groups 8-9). As Table 2.2 illustrates, some 37.4% of employed residents in Shepway work in Groups 1 to 3, lower than the figure for both the South-East region and the national one. Shepway has a higher proportion of the workforce in occupation Groups 8 to 9 and also 6 to 7 than is found regionally and nationally. Further analysis shows that, since 2010, there



has been a considerable increase in the number of people resident in Shepway employed within Groups 1 to 3 and also Groups 8 to 9.

**Table 2.2 Occupation structure (2015)**

Occupation Groups	Shepway	South East	England	Change in # of people employed in Shepway since 2010
Group 1-3: Senior, Professional or Technical	37.4%	49.0%	44.8%	91.6%
Group 4-5: Administrative, skilled trades	22.3%	20.8%	21.1%	-19.2%
Group 6-7: Personal service, Customer service and Sales	18.9%	15.7%	16.6%	-13.4%
Group 8-9: Machine operatives, Elementary occupations	21.3%	14.1%	17.1%	46.3%
Total	100.0%	100.0%	100.0%	-

Source: Annual Population Survey, 2015

- 2.24 Table 2.3 shows the highest qualification level of the working-age residents of Shepway, compared to the regional and national equivalents as recorded in the Annual Population Survey. Level 1 qualification is the lowest (equivalent of any grade at GCSE or O-Level) and Level 4 the highest (undergraduate degree or higher). The data indicates that over a fifth (22.8%) of working-age residents in Shepway have level 4 or higher qualifications, notably lower than the figures for the South-East region (39.8%) and England (36.7%). Shepway also has more residents with Level 1 qualifications (at 19.0%). It is important to note however that, in Shepway, the proportion of working-age residents with level 3 qualifications has increased notably since 2010.

**Table 2.3 Highest qualification level of residents (2015)**

Occupation groups	Shepway	South East	England	Change in # of people employed in Shepway since 2010
Level 4+ qualifications	22.8%	39.8%	36.7%	-8.1%
Level 3 qualifications	30.8%	20.7%	20.4%	43.5%
Level 2 qualifications	14.5%	16.3%	16.3%	-26.6%
Level 1 qualifications	19.0%	11.7%	11.6%	-3.9%
Other qualifications	5.4%	5.2%	6.6%	16.7%
No qualifications	7.5%	6.3%	8.4%	-4.0%
Total	100.0%	100.0%	100.0%	-

Source: Annual Population Survey, 2015

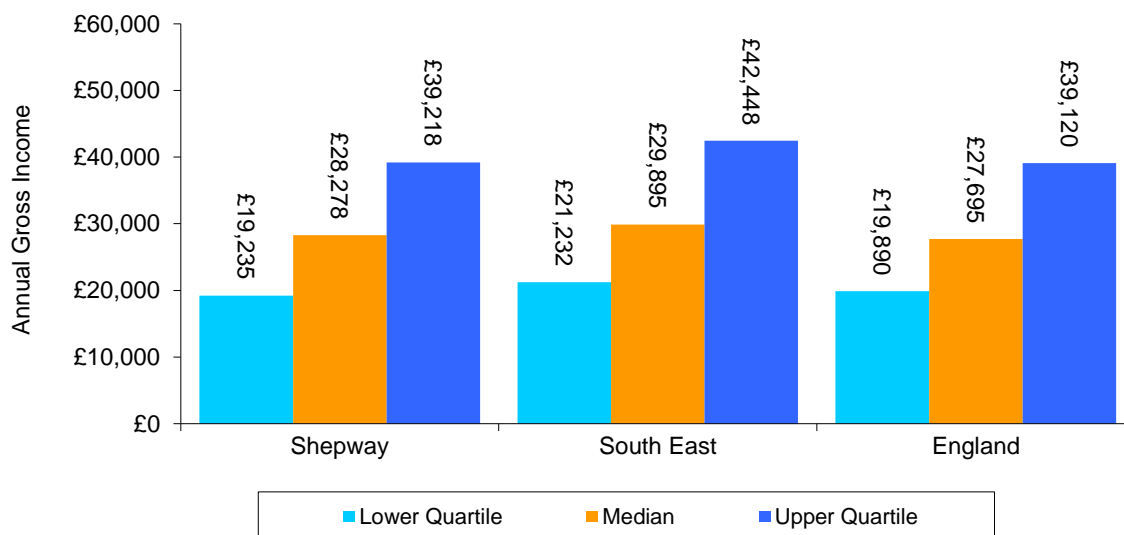
## Income

- 2.25 Income has a core effect on the level of choice a household has when determining their future accommodation. The mean earned income for full-time employees resident in Shepway in 2015 was £31,346, according to the ONS Annual Survey of Hours and Earnings, lower than the South East region (at £36,223) and the national average (£33,088). It is important to note that these figures assess individual incomes



rather than household incomes. As Figure 2.6 shows, at all points on the distribution, annual gross income in Shepway is notably lower than the equivalent for the South-East region but comparable to the figures for England as a whole.

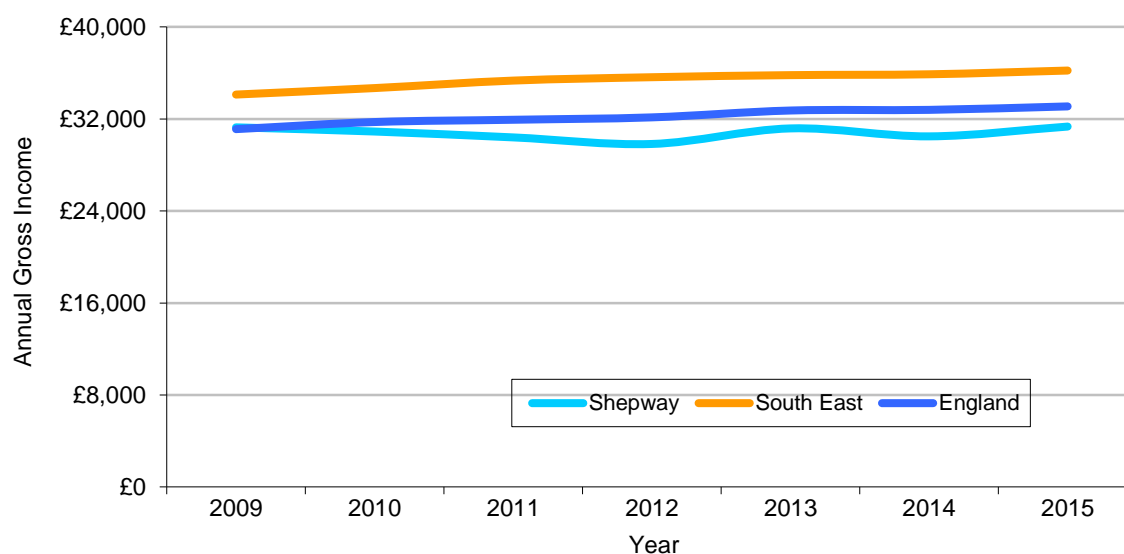
**Figure 2.6 Annual gross income of full-time employed residents 2015**



Source: ONS Annual Survey of Hours and Earnings (2015)

2.26 Figure 2.7 shows the change in the mean income of full-time employees resident in Shepway, the South East region and England since 2009. Shepway has recorded a smaller increase since 2009 (at 0.2%) than the South East region (6.2%) and England (6.4%).

**Figure 2.7 Change in mean annual income of full-time employed residents 2009-2015**



Source: ONS Annual Survey of Hours and Earnings (2009-2015)

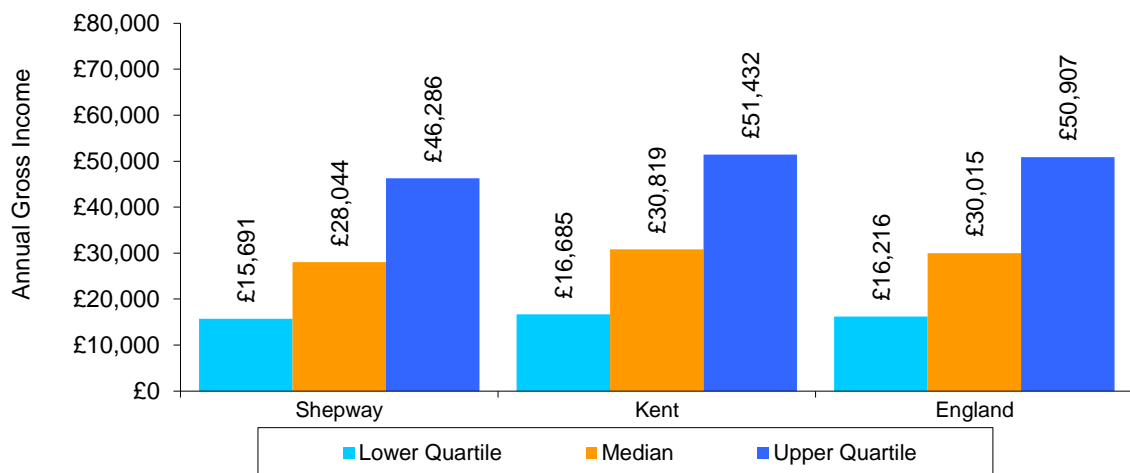




## Household income

2.27 CACI Paycheck estimates that the mean gross annual household income in Shepway is £34,710, which is 9.6% below the Kent equivalent (£38,377) and 8.8% below the England figure (£38,077). Figure 2.8 shows how household income in Shepway at various points on the income distribution compares with the County-wide and national equivalents. The data indicates that household incomes in Shepway are lower than for all other comparative areas shown.

**Figure 2.8 Distribution of annual gross household income**



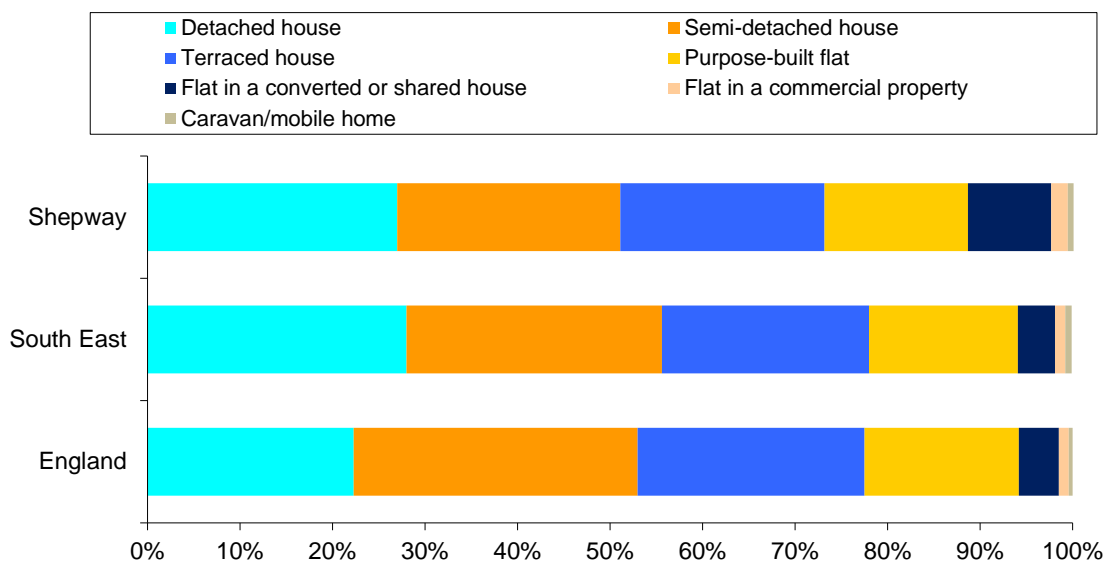
Source: CACI Paycheck, 2015

## Dwelling stock

2.28 Figure 2.9 compares the type of accommodation in Shepway in 2011 with that recorded for the South East region and England. Shepway contains more flats and fewer semi-detached dwellings than the regional and national averages. The most common property type across Shepway is detached houses followed by semi-detached dwellings.



**Figure 2.9 Dwelling type in Shepway, the South East region and England, 2011**



Source: 2011 Census

- 2.29 Since 2001 the number of purpose built flats has increased markedly in Shepway, by 44.3%. The change in the number of houses has been less notable, although semi-detached properties have recorded a rise of 7.8%.
- 2.30 Table 2.4 compares the size of accommodation (in terms of bedrooms) in Shepway, the South East region and England. The table indicates that Shepway has a smaller proportion of large properties (four or more bedrooms) and more small homes (one or fewer bedrooms) than the South East region. Overall, three bedroom homes account for some 35.7% of all dwellings in Shepway.

**Table 2.4 Size of dwelling stock in Shepway, the South East and England, 2011**

Property size	Shepway	South East	England
No bedrooms	0.3%	0.2%	0.2%
1 bedroom	12.9%	11.6%	11.8%
2 bedrooms	31.9%	26.2%	27.9%
3 bedrooms	35.7%	38.9%	41.2%
4 bedrooms	14.5%	17.0%	14.4%
5 or more bedrooms	4.7%	6.0%	4.6%
Total	100.0%	100.0%	100.0%

Source: 2011 Census

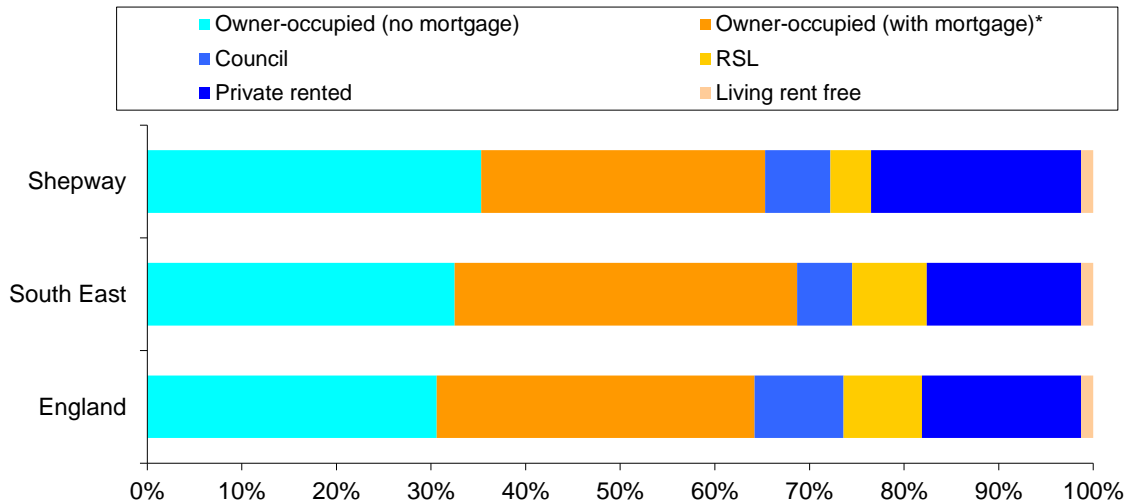
## Tenure

- 2.31 Figure 2.10 compares the tenure of households in Shepway in 2011 with that recorded for the South East region and England. The data indicates that 35.3% of households in Shepway are owner-occupiers without a mortgage, compared to 32.5% in the region and 30.6% nationally. The proportion of owner-occupiers with a



mortgage in Shepway (30.0%) is however lower than the regional (36.2%) and national average (33.6%). Some 11.2% of households in Shepway are resident in the social rented sector, lower than the figure for the South East region (13.7%) and England as a whole (17.7%). Finally, some 22.2% of households in Shepway live in private rented accommodation, compared to 16.3% in the South East region and 16.8% across England.

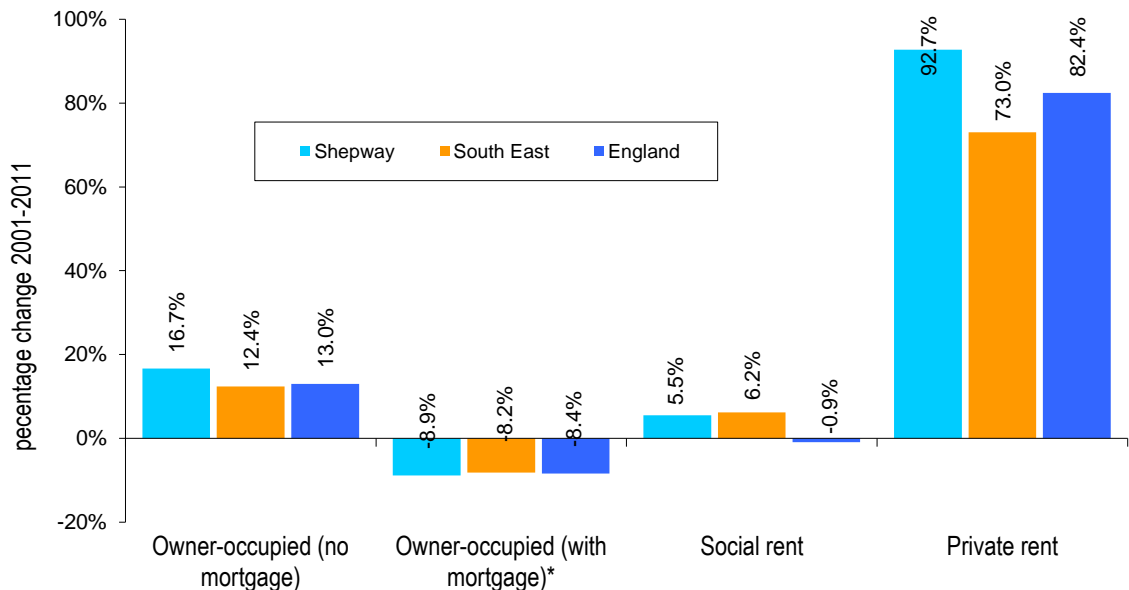
**Figure 2.10 Tenure profile in Shepway, the South East region and England, 2011**



Source: 2011 Census \*Includes shared ownership

2.32 Figure 2.11 shows the change in the size of each tenure between the 2001 and 2011 Census. The figure shows that in all areas the private rented sector has increased dramatically and the number of owner-occupiers with no mortgage has also grown. In comparison, the number of owner-occupiers with a mortgage has decreased. The social rented sector has generally shown the smallest change.

**Figure 2.11 Change in number of households in each tenure 2001 to 2011**



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

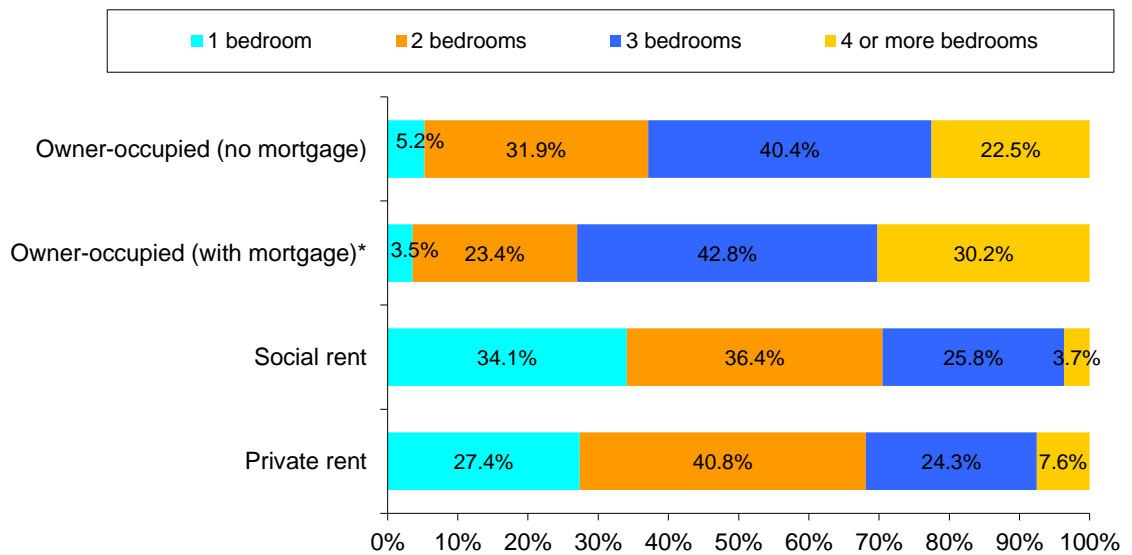


2.33 It should be noted that whilst the owner-occupied (with mortgage) sector has decreased, the number of shared ownership properties has increased, rising by 28.1% between 2001 and 2011 in Shepway (although from a low base).

### Tenure by bedroom

2.34 Finally, it is useful to understand the size of accommodation within each tenure as recorded in the 2011 Census. This is shown in Figure 2.12. The data indicates that, in Shepway, rented accommodation is smaller on average than owned dwellings.

**Figure 2.12 Dwelling size within each tenure in Shepway, 2011**



Source: 2011 Census \*Includes shared ownership



## 3 THE COST AND AFFORDABILITY OF HOUSING

### Introduction

- 3.1 An effective housing requirements study is founded on a thorough understanding of local housing – what it costs and how this varies. This chapter describes the changes in the housing market that have been recorded in Shepway. Subsequently, it assesses the entry-level costs of housing across the different price markets in operation. A comparison of the cost of different tenures will be used to identify the housing market gaps that exist. Finally, the chapter will report changes in affordability as well as the affordability of housing for different groups of the population currently.

### Relative prices

- 3.2 Recent house price data from the Land Registry, from the third quarter of 2015, is presented for Shepway, the South-East region and England as a whole in Table 3.1. The prices recorded for the third quarter of 2010 are also presented and the change in mean price over the last five years is shown. The table indicates that the mean price of dwellings in Shepway in Quarter 3 2015, at £232,870, is notably higher than the regional average and also lower than the national figure. The table shows that between 2010 and 2015 average prices have increased at a slower rate in Shepway than they have in these other areas.

**Table 3.1 Change in mean property prices 2010-2015**

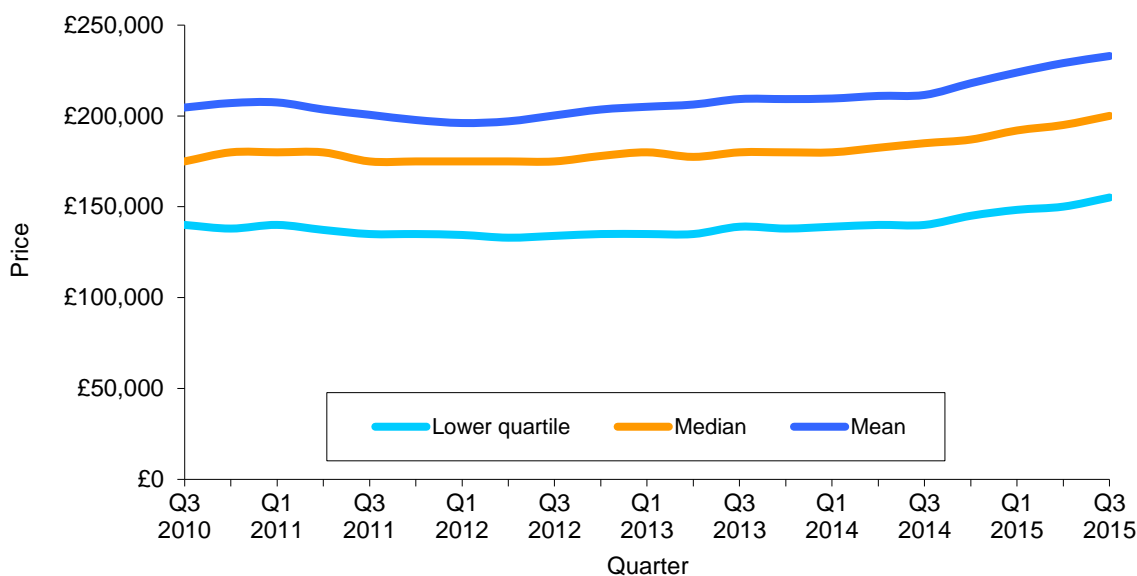
Location	Mean price Jul - Sep 2010	Mean price Jul - Sep 2015	Percentage change recorded 2010-2015
Shepway	£204,546	£232,870	13.8%
South East Region	£277,752	£325,284	17.1%
England	£231,368	£267,706	15.7%

Source: Land Registry

- 3.3 Figure 3.1 shows price change by property price level in Shepway since the third quarter of 2010. The figure indicates that price changes have been gradual, rather than sudden for all price points. Overall the data suggests that the price of cheaper property has increased at a slightly lower rate than expensive accommodation; lower quartile prices have risen by 10.7% compared to a 13.8% increase in mean prices. By comparison, the median price increase over the period is 14.3%.



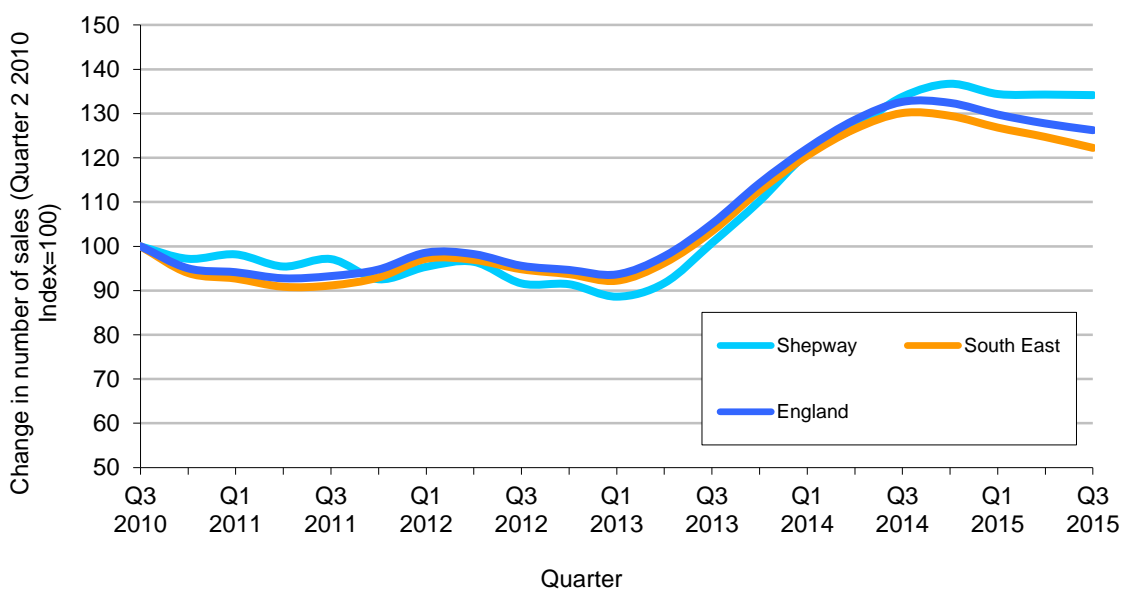
**Figure 3.1 Price change by price level in Shepway since 2010**



Source: Land Registry

3.4 Figure 3.2 shows the change in the number of property sales since the third quarter of 2010 for Shepway, the South East region and England. The figure suggests that the pattern in Shepway is broadly similar to the fluctuations recorded across the country and that after a relative plateau the number of sales rose from the start of 2013 to the end of 2014 before dropping again.

**Figure 3.2 Indexed change in sales in Shepway, the East region and England since 2010**



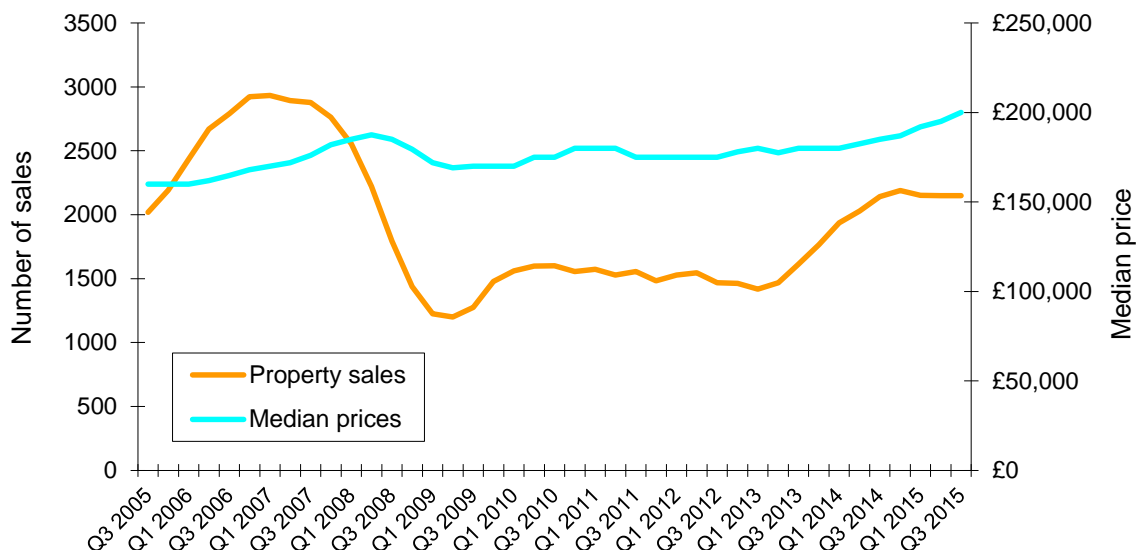
Source: Land Registry

3.5 It is useful to briefly review housing market activity over a longer period to consider influences on property price changes. Figure 3.3 shows the variation in median prices



and property sales levels since 2005 in Shepway. The data suggests that property prices remained relatively stable over the last ten years despite property sales declining dramatically for part of that period (summer 2007 to summer 2009).

**Figure 3.3 Changes in prices and sales levels in Shepway over the past 10 years**



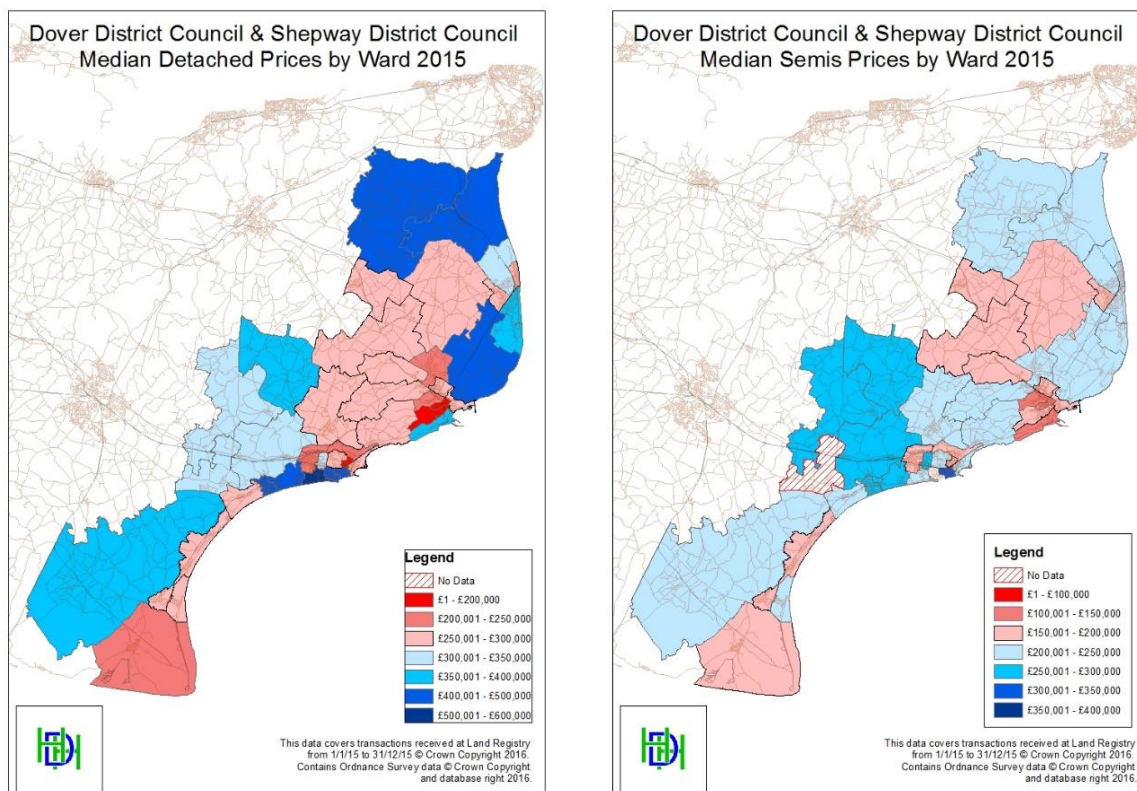
Source: Land Registry

## The cost of housing

3.6 To fully understand the affordability of housing within an area, it is necessary to collect data on the cost of housing by number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household. However, no secondary data contains this information. As part of this study we have therefore undertaken a price survey to assess the current cost of market (owner-occupied and private rented) and affordable housing in Shepway. Figure 3.4 shows the variations in the cost of housing across both Dover and Shepway and illustrates that there are clear distinctions across this housing market area.



**Figure 3.4 Variation in property prices across the Housing Market Area**



Source: Land Registry, 2016

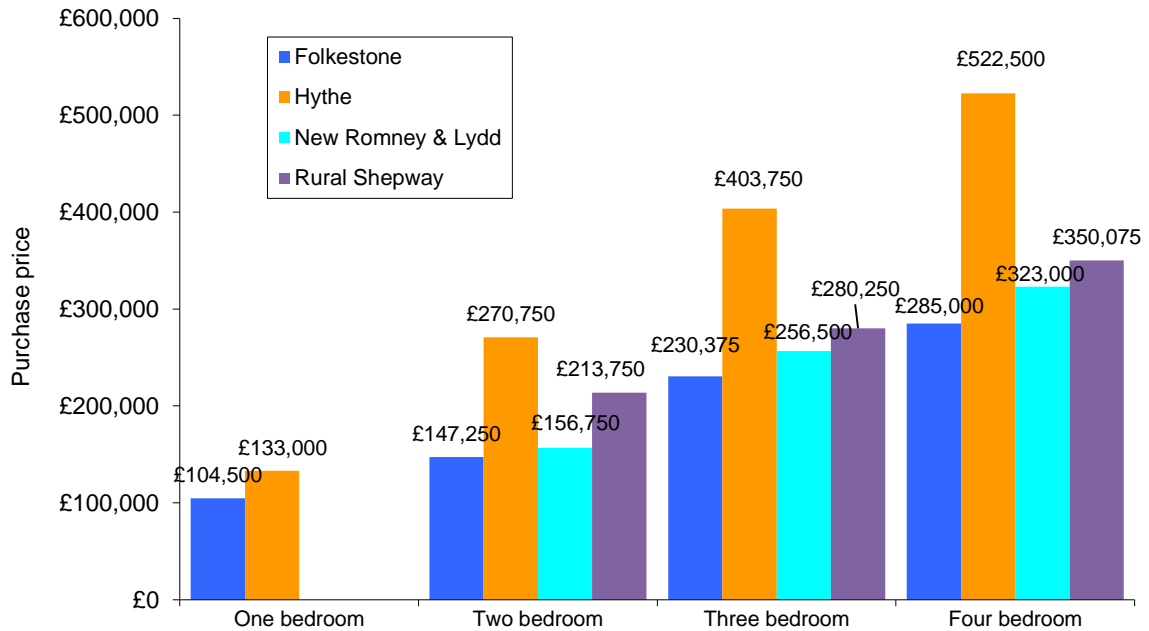
- 3.7 Variations in prices across the Council area were examined and four main price markets identified; Folkestone, Hythe, New Romney & Lydd and Rural Shepway. Hythe is the most expensive part of District, whilst Folkestone is the cheapest. Prices in New Romney & Lydd are notably cheaper than Hythe, but more expensive than Folkestone. Prices in Rural Shepway are the second most expensive in the District. Whilst these are the four distinct price markets in Shepway, it is important to note that they are not homogenous within themselves, with for example Sandgate being more expensive than the rest of Folkestone.
- 3.8 Median property prices by number of bedrooms were obtained in each of the four price markets in the District via an online search of properties advertised for sale during May 2016. The results of this online price survey are presented in Figure 3.5. The prices recorded include a discount to reflect that the full asking price is not usually achieved (with sales values typically 5% lower). It should be noted that there is an insufficient supply of one bedroom homes for sale in both the New Romney & Lydd and Rural Shepway price markets, to obtain an accurate profile of the cost of this accommodation.
- 3.9 The figure shows that in all price markets the relative difference between three and four bedroom homes is smallest, whilst the relative difference between two and three bedroom homes is largest in all price markets other than Hythe where the relative difference between one and two bedrooms is greatest. In terms of market availability,





the analysis showed that three bedroom properties are most commonly available to purchase in the Hythe, New Romney & Lydd and Rural Shepway price markets, with two bedroom homes most common in the Folkestone price market.

**Figure 3.5 Median property prices by size and price market**

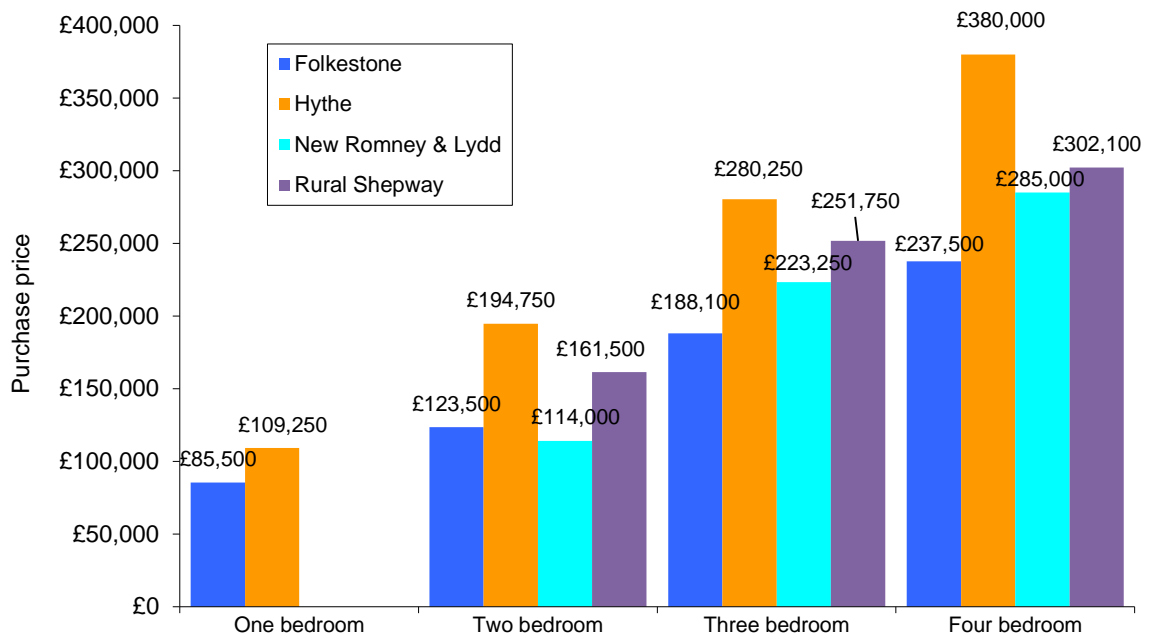


Source: Online estate agents survey May 2016

3.10 The online survey also collected information at different points of the price distribution. Entry-level property prices for each price market are presented in Figure 3.6. In accordance with the PPG, entry-level prices are based on lower quartile prices (paragraph 025 Reference ID: 2a-025-20140306). The figure indicates that entry-level prices in Shepway range from £85,500 for a one-bedroom home in the Folkestone price market, up to £380,000 for a four bedroom property in the Hythe price market.



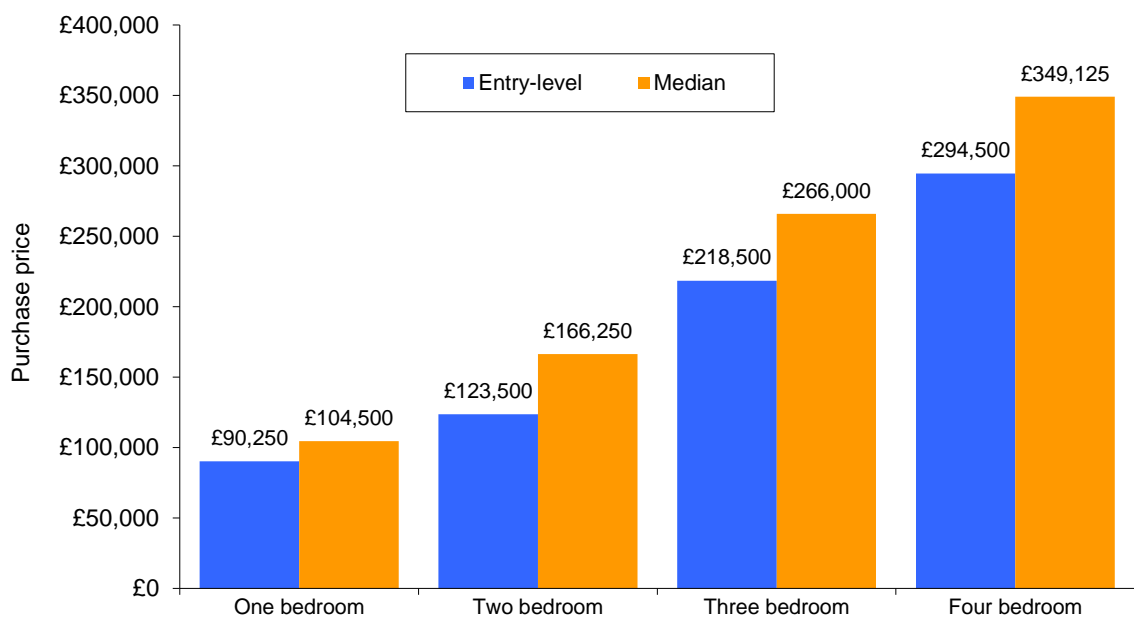
**Figure 3.6 Entry-level property prices by size and price market**



Source: Online estate agents survey May 2016

3.11 The analysis so far has considered price data by price market; however it is useful to also present this information for the District as a whole. Figure 3.7 therefore shows median and entry-level property prices by number of bedrooms across Shepway. The figure indicates that entry-level prices in Shepway range from £90,250 for a one-bedroom home up to £294,500 for a four-bedroom property. Median prices are generally around 15-30% higher than entry-level prices.

**Figure 3.7 Median and entry-level property prices across Shepway as a whole**



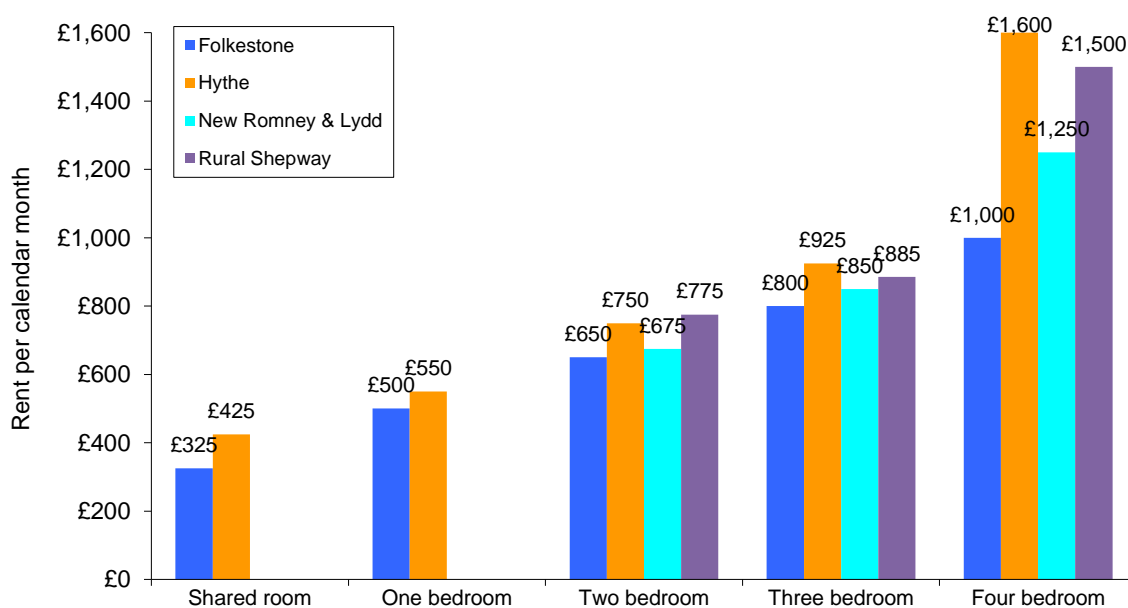
Source: Online estate agents survey May 2016



## Private rents

- 3.12 Whilst private rent levels vary by price market across Shepway, the distinction between the areas is less marked than with owner-occupation, reflecting that location is not as important a determinant in rent levels as condition and situation of the property. The median price for private rented accommodation by property size in each of the four price markets is presented in Figure 3.8. The figure also includes the cost of a shared room within the private rented sector. The Local Housing Allowance regulations, which indicates that single people 35 or under are only entitled to the shared accommodation rate rather than the rate for a one-bedroom home, imply that these individuals are deemed suitable to meet their housing needs within the market in this way. The cost of a room within shared accommodation is therefore included as it represents appropriate accommodation for single person household 35 or under and this groups of households will be tested against their ability to afford this in the affordable housing needs model set out in Chapter 5. The Housing Allocation Policy used to determine the suitability of a household for affordable housing in Shepway indicates that this is appropriate as it states that *'Single applicants under the age of 35 who are sharing will generally be considered as adequately housed.'*
- 3.13 The figure shows that, unlike with owner-occupation, the smallest difference is between the relative cost of a two and three-bedroom dwelling in all price markets. The profile of properties available is also somewhat different to that for purchase with a greater proportion of two bedroom homes available to rent. It should be noted that there is an insufficient supply of one bedroom homes and shared rooms for rent in both the New Romney & Lydd and Rural Shepway price markets to obtain an accurate profile of the cost of this accommodation.

**Figure 3.8 Median private rents by size and price market**

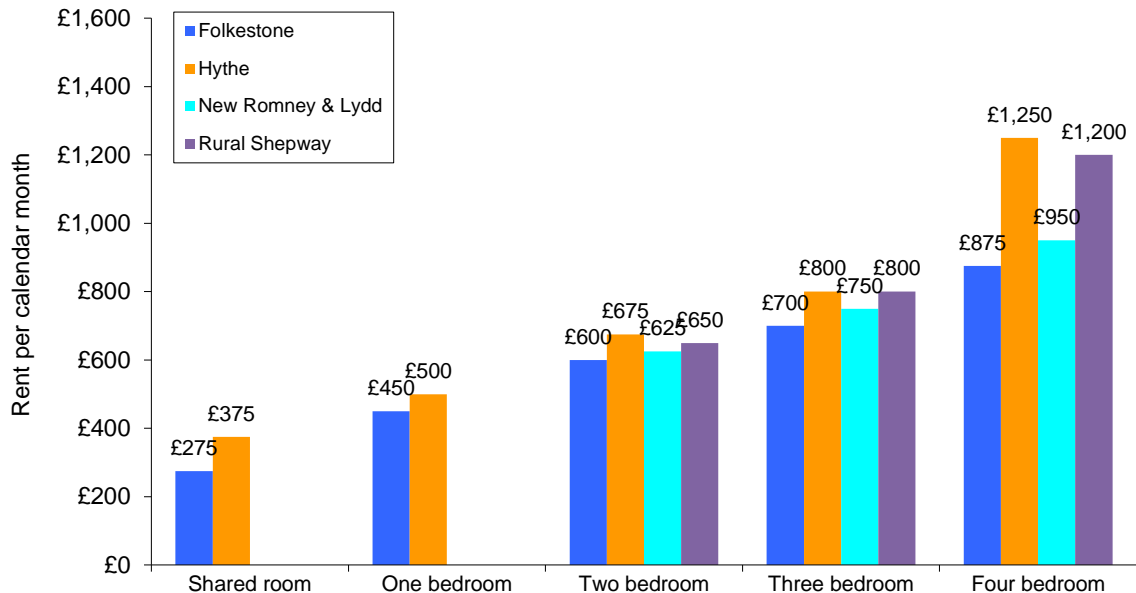


Source: Online letting agents survey May 2016



3.1 Entry-level private rents for each price market are presented in Figure 3.9. The figure indicates that entry-level rents in Shepway range from £450 per month for a one-bedroom home in the Folkestone price market up to £1,250 per month for a four-bedroom property in the Hythe price market.

**Figure 3.9 Entry-level private rents by size and price market**

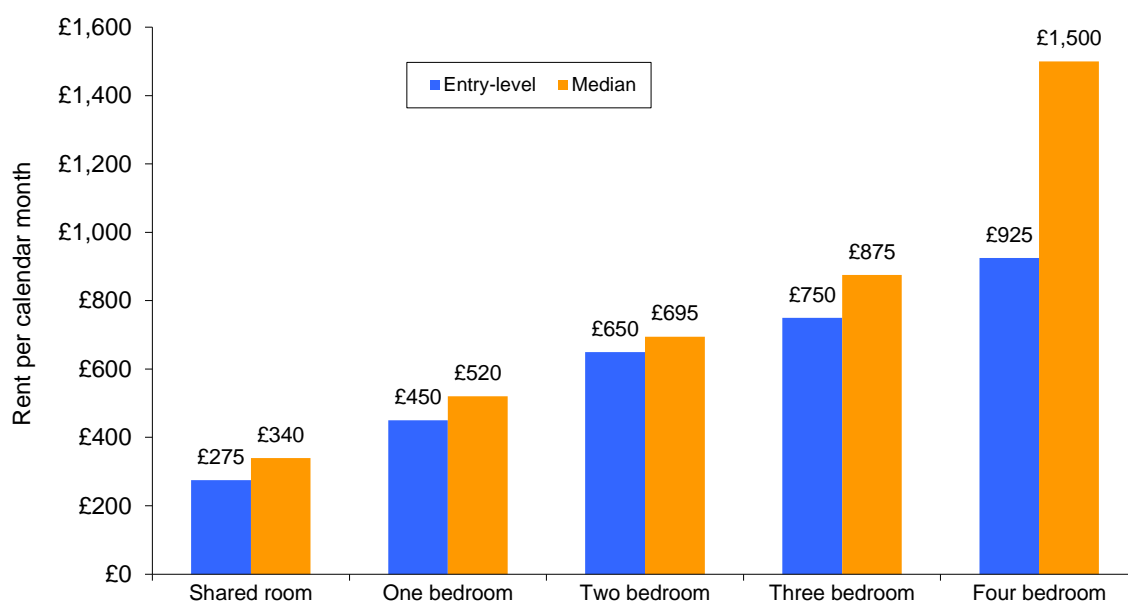


Source: Online letting agents survey May 2016

3.14 The entry-level and median price for private rented accommodation by property size across the whole of Shepway is presented in Figure 3.10. The data indicates that entry-level rents in Shepway range from £450 per month for a one bedroom home up to £925 per month for a four bedroom property. Median rents are generally around 10-20% higher than entry-level rents.



**Figure 3.10 Median and entry-level private rents across Shepway as a whole**



Source: Online letting agents survey May 2016

## Social rents

- 3.15 The cost of social rented accommodation by dwelling size in Shepway can be obtained from the Homes & Communities Agency’s Statistical Data Return dataset for the RSL sector and from the Local Authority Housing Statistics data return for the Council sector. Table 3.2 below illustrates the cost of social rented dwellings across Shepway. As can be seen, the costs are significantly below those for private rented housing, particularly for larger homes, indicating a significant potential gap between the social rented and market sectors.

**Table 3.2 Social rented costs (per month)**

Bedrooms	Shepway
One bedroom	£342
Two bedrooms	£386
Three bedrooms	£432
Four bedrooms	£480

Source: HCA’s Statistical Data Return 2015, Council LAHS 2015

## Affordable Rent

- 3.16 Affordable Rent is a relatively new product that has been introduced to reduce the requirement for capital subsidy for affordable accommodation. It is within the definition of affordable housing in the NPPF and is intended to house households on the Housing Register. It is not an intermediate product, but a new form of affordable



housing for rent that coexists with the existing Social Rent tenure. Whilst there remain long-standing tenancies on social rent, the majority of new rented affordable accommodation in Shepway is as affordable rent; both re-lets from the existing stock and new affordable rented accommodation added to the stock. Due to its different cost level, detail will be presented on its relative affordability in comparison with social rent where this is possible (in Chapter 5). Affordable Rents can be set at up to 80% of open market rents, implying there is flexibility as to what they may cost.

- 3.17 The Homes & Communities Agency (HCA)’s Statistical Data Return details the Affordable Rent levels charged in Shepway and these are set out in Table 3.3. A comparison with median market rents indicates that Affordable Rent levels are around 50% to 70% of market rents.

**Table 3.3 Affordable rented costs (per month)**

Bedrooms	Shepway
One bedroom	£329*
Two bedrooms	£503
Three bedrooms	£599
Four bedrooms	£731

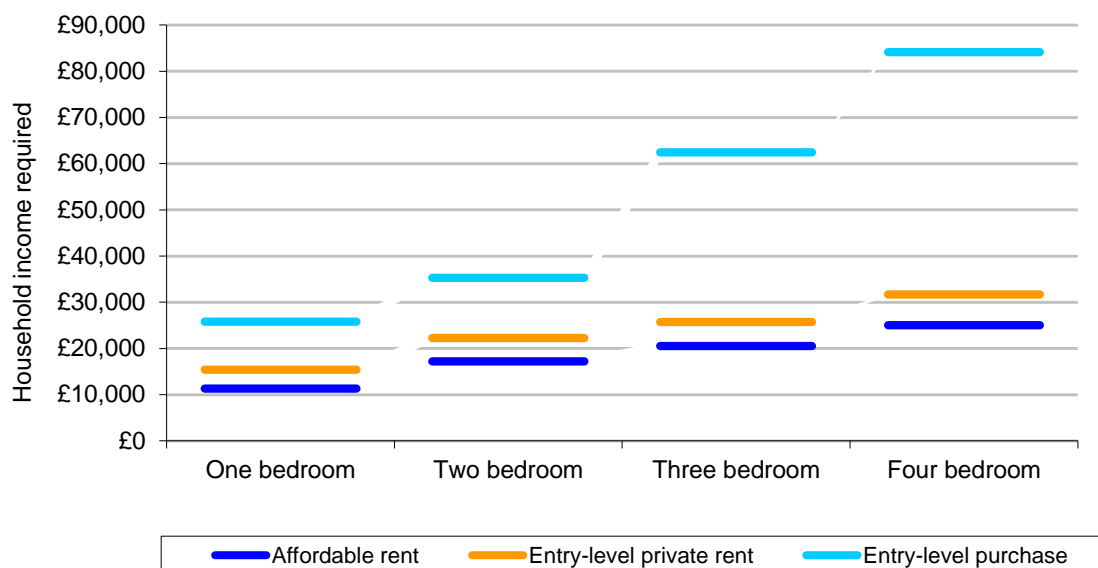
\*The cost of one bedroom Affordable Rented homes in Shepway in April 2015 was lower than the average one-bedroom social rent. Source: HCA’s Statistical Data Return 2015

## Analysis of housing market ‘gaps’

- 3.18 Housing market gaps analysis has been developed to allow comparison of the costs of different tenures. Figure 3.11 shows the housing ladder that exists for different sizes of property within Shepway. The housing ladder is illustrated by comparing the different types of housing in terms of the income required to afford them. To do this, we have divided the entry-level property price by 3.5 to get an annual income figure (to reflect the likely minimum income required to be granted a mortgage on the property) and multiplied the annual rent by 2.857 to produce a comparable figure. This latter step was carried out for both affordable and market rents. These approaches assume a household spends no more than a 35% of gross household income on rent – although we come back to this assumption later in this SHMA.
- 3.19 The figure shows a comparison of the indicative income requirements per household for different types of housing. Measurement of the size of the gaps between these ‘rungs of the ladder’ helps assess the feasibility of households moving between the tenures - the smaller the gaps, the easier it is for a household to ascend the ladder.



**Figure 3.11 Household income required to access housing in Shepway, by number of bedrooms**



Source: Online survey of property prices May 2016; HCA’s Statistical Data Return 2015, Council LAHS 2015

- 3.20 Figure 3.11 indicates that for all dwelling sizes, the gap between affordable rent and market rent is smaller than the gap between market rent and entry-level home ownership. The gaps for four-bedroom accommodation are large; an additional £6,600 per year is required to access a four-bedroom private rented home over the cost of a four bedroom affordable rented property, with a further £52,400 required to move to an owner-occupied home.
- 3.21 Table 3.4 shows the size of the gaps for each dwelling size in Shepway. The table indicates, for example, that three-bedroom market entry rents are 25.1% higher (in terms of income required) than the cost of affordable rents. The notable gap recorded between affordable rents and market entry rents for all dwelling sizes indicates that intermediate housing could potentially be useful for a large number of households. The significant gap between market entry rents and market entry purchase indicates notable potential demand for part-ownership products for households in this gap.

**Table 3.4 Scale of key housing market gaps**

Property size	Affordable rent/entry-level rent	Entry-level rent/entry-level purchase
One bedroom	36.6%	67.1%
Two bedrooms	29.3%	58.3%
Three bedrooms	25.1%	142.8%
Four bedrooms	26.5%	165.3%

Source: Online survey of property prices May 2016; HCA’s Statistical Data Return 2015, Council LAHS 2015



## Intermediate products

- 3.22 A range of intermediate options are available for households in Shepway, the costs of these are profiled below.

### Shared ownership

- 3.23 Table 3.5 presents the estimated costs of shared ownership housing in Shepway as obtained from the online estate agent survey. The open market values are based on new build prices at the time of the estate agent survey. The monthly costs of purchasing the property with a 35% equity share is presented as this is the most commonly available option. The monthly costs are based on a 25-year repayment mortgage with an interest rate of 3.99% paid on the equity share owned and a rent payable at 2.75% on the remaining equity. It is assumed that a deposit of 10% is required to acquire the housing. The table shows that 35% equity share shared ownership is cheaper than market entry rent in all instances and can be considered an affordable product.

### Discounted home ownership

- 3.24 Discounted home ownership is based on selling a home for a proportion of the market value with no residual rent to pay. However, the equity level owned is capped and any future re-sale will be at the same proportion of the agreed price. In Shepway the typical proportion of market value sold is 80%. The Government has recently announced its 'starter homes initiative' whereby the Government is offering concessions for housebuilders who construct new homes specifically to be sold as discount market houses (with a discount of at least 20%) for first-time buyers under 40 years old. The discounted price of these homes should be no more than £250,000 outside the London area.
- 3.25 Table 3.5 presents the estimated costs of discounted home ownership in Shepway. These are based on the same open market values as were used for shared ownership. The monthly costs are based on a 25-year repayment mortgage with an interest rate of 3.99% paid on the equity share owned.

**Table 3.5 Estimated cost of intermediate housing in Shepway (monthly cost)**

Bedrooms	Open market value	Shared ownership cost	Discount home ownership cost	Entry-level private rent	Entry-level owner-occupation*
One bedroom	£135,000	£418	£542	£450	£503
Two bedrooms	£195,000	£604	£782	£650	£688
Three bedrooms	£240,000	£743	£963	£750	£1,217
Four bedrooms	£295,000	£913	£1,183	£925	£1,641

\*The monthly cost of entry-level owner-occupation presuming a 25-year repayment mortgage with an interest rate of 3.99%. Source: Online estate agents survey, May 2016

- 3.26 Discounted home ownership with an 80% share is more expensive than entry-level market accommodation (private rent) and shared ownership accommodation. It is





also more expensive than entry-level home ownership, with the exception of three and four bedroom homes. It is also worth noting that the price at which discounted home ownership properties would be for sale (at 80% the value of new build home ownership) would be under the cap of £250,000 for all dwelling sizes in Shepway. As it costs more than market accommodation it will not be considered as an affordable product suitable for meeting those in housing need in Chapter 5 (as any household able to access it would also be able to acquire alternative market housing and therefore not be in affordable housing need), however it may still have a notable role to play within the housing market, by making a high quality home affordable to own for those otherwise unable to access this. An analysis of the potential demand for discounted home ownership from households currently in the private rented sector is therefore considered at the end of this chapter.

## Local Housing Allowance

- 3.27 Local Housing Allowance (LHA) has been brought in to replace Housing Benefit outside of the Social Rented sector. It is designed to make up the shortfall in people's ability to pay for their housing. Households unable to afford all of their rent are entitled to LHA to make up the difference so long as the rent does not exceed the LHA cap for the Broad Rental Market Area (BRMA) in which the claim is made as determined by the Valuation Office Agency. Table 3.6 sets out the monthly LHA caps that apply in Shepway, which is covered by three different BRMAs.
- 3.28 A comparison with the Affordable Rent levels in Shepway (set out in Table 3.3) indicates that the local Affordable Rents are currently cheaper than the LHA caps across Shepway (other than for two and four bedroom Affordable Rents in the Dover/Shepway BRMA). A comparison with the cost of median private rent indicates that the LHA cap is around 40-60% of this cost in Shepway.

**Table 3.6 Local Housing Allowance Cap (per month)**

<i>Bedrooms</i>	Shepway/Dover	Ashford	Canterbury
Shared room	£256	£291	£323
One bedroom	£374	£516	£537
Two bedrooms	£499	£630	£671
Three bedrooms	£623	£728	£782
Four bedrooms	£728	£969	£1,216

Source: Valuation Office Agency 2016

- 3.29 It is worth noting that during the Spending Review on 25th November 2015, the Government announced that housing benefit within the social rented sector, including the Shared Accommodation Rate for single claimants aged under 35 without dependent children, is to be capped at the relevant LHA rates for new tenants.



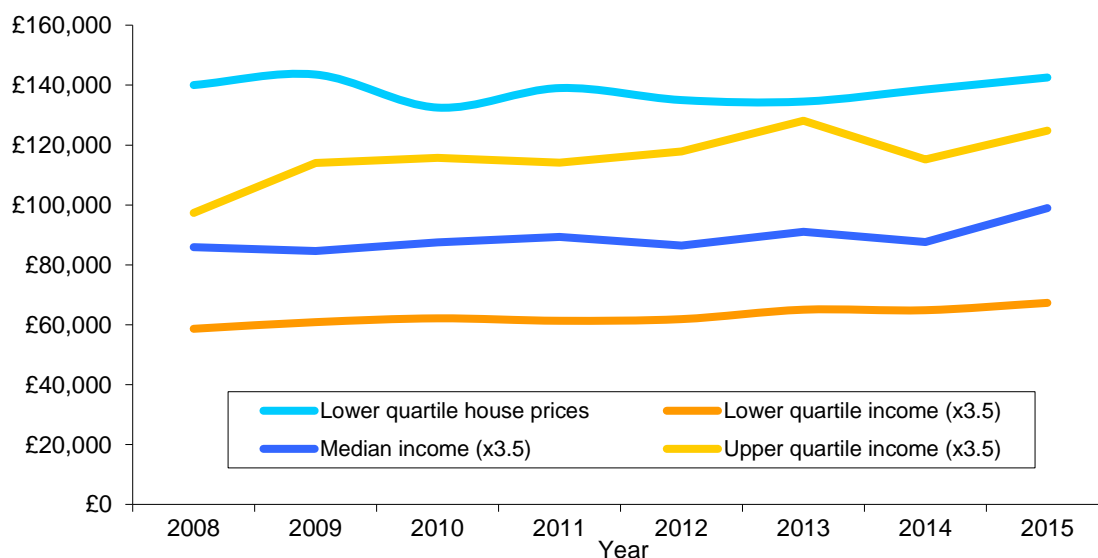
## Affordability of housing

- 3.30 Assessing the affordability of market housing in an area is crucial to understanding the sustainability of the housing market.
- 3.31 The affordability of housing in an area is measured by the ratio of market housing costs to income in that area. Initially the general authority-wide entry-level cost of market housing will be compared to different points on the earnings distribution of residents in the area to consider affordability in historical terms. This will be followed by an analysis that assesses the ability of households in Shepway to afford market accommodation of the size they require, using data on the household income distribution and the household composition in the District.

### General affordability

- 3.32 Figures 3.12 shows the lower quartile, median and upper quartile income of full-time workers in Shepway (as set out in Chapter 2) multiplied by 3.5 (the income multiple typically used by mortgage lenders) compared to lower quartile prices in the District (set out in Figure 3.1). Although this analysis is based on individual incomes rather than household incomes, it is useful to consider as it is the affordability comparison that the CLG monitor.
- 3.33 The figure shows that even full-time workers with earnings at the upper-quartile level in Shepway would just be unable to purchase an entry-level property in the authority, without additional income. Full-time workers with earnings at the lower quartile or median level would require substantial additional income or a capital sum to deduct from the purchase price to be able to afford a lower quartile property in the District. The figure indicates that affordability did improve slightly after the economic downturn; whilst in 2008 lower quartile prices were 5.7 times higher than median full-time incomes in Shepway, in 2015 they were 5.0 times higher.

**Figure 3.12 Earnings compared with lower quartile prices in Shepway**



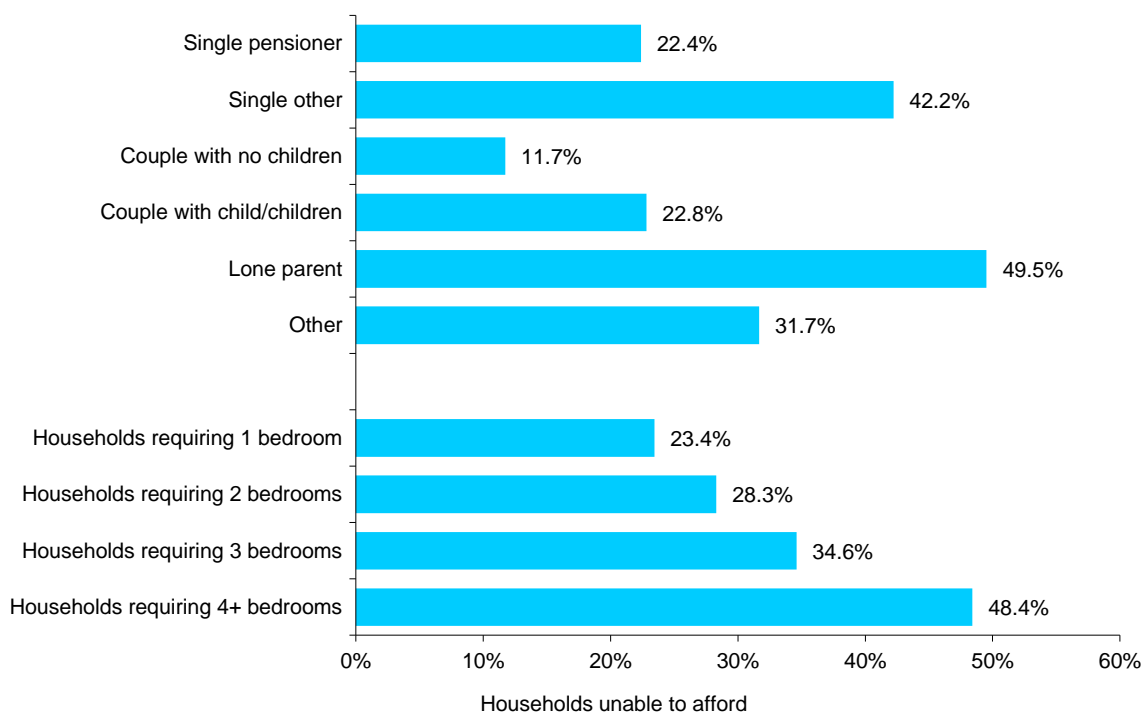
Source: Land Registry via CLG; Annual Survey of Hours and Earnings



## Specific theoretical affordability

- 3.34 The household income distribution referred to in Figure 2.8 differentiated by household type can be used to assess the ability of households in Shepway to afford the size of home that they require (according to the bedroom standard). The entry-level cost of housing by bedroom size is presented in Figures 3.7 and 3.10 and the test is based on the affordability criteria discussed above.
- 3.35 Figure 3.13 shows the current affordability of households in Shepway by household type and number of bedrooms required. This is the theoretical affordability of households, as the analysis considers all households regardless of whether the household intends to move.
- 3.36 The data indicates that 49.7% of lone parent households in Shepway would be unable to afford market housing (if they were to move home now), Single person households are also relatively unlikely to be able to afford, whilst couple households without children are most likely to be able to afford market housing in Shepway. Households requiring a four-bedroom home are least likely to be able to afford this size market housing.

**Figure 3.13 Theoretical affordability of market housing in Shepway**



## Potential demand for discount market housing (including starter homes)

- 3.37 Paragraphs 3.25 to 3.26 of this report introduce the discount market housing product available locally. It costs more than market entry rent and is also more expensive



than entry-level owner-occupation other than for three bedrooms. It is principally targeted at households in the private rented sector aspiring to purchase a home.

- 3.38 To try and establish the potential demand for these products from households in the private rented sector, the household income distribution differentiated by household type has been adjusted to reflect that nationally the income of private rented households is 98.9% of the figure for all households (according to the English Housing Survey). Applying this affordability profile to the number of households moving to a private rented home each year allows the number of these households that could afford discounted home ownership to be identified. This represents the potential annual demand for this product and is set out in Table 3.7, disaggregated by bedroom size requirements. These figures include households eligible for the ‘starter home initiative’ (first-time buyers under 40) but it is not possible to separate out this specific demand. It should be noted that this represents just the potential demand for this product, it is not possible to determine the tenure preferences of these households. In addition, some of these households would also be able to afford entry-level home ownership. It is clear however that this product would provide households in Shepway with the ability to access a high quality (brand new) owned home, that would not otherwise be able to afford it.

**Table 3.7 Potential annual demand for discount home ownership**

<i>Bedrooms</i>	<i>Shepway</i>
One bedroom	35
Two bedrooms	29
Three bedrooms	19
Four bedrooms	7
Total	90

- 3.39 The potential annual demand for 90 starter homes per year identified may overestimate the demand that occurs in reality and so the Council should initially seek a relatively small amount of this product within their affordable housing requirement (presuming that the definition for affordable housing will as expected be adjusted to include starter homes). The bulk of affordable homes required should still be that for which there is an evidenced need for (affordable rent and shared ownership as demonstrated in chapters 4 and 5.



## 4 TYPE AND TENURE OF FUTURE HOUSING NEEDED

### Introduction

- 4.1 Paragraph 021 of the PPG is clear that ‘once an overall housing figure has been identified, plan makers will need to break this down by tenure, household type (singles, couples and families) and household size’. This chapter describes the long-term balancing housing markets (LTBHM) model which uses secondary data to determine the future demand for housing by size and tenure based on the profile of households resident in Shepway in 2037. This will then be compared to the current housing stock and a profile of new accommodation required will be determined.
- 4.2 The model is set out in more detail subsequently, however this chapter initially presents the demographic changes that will occur in Shepway over the period of the Local Plan as set out in the projections used to calculate the Objectively Assessed Need. The change in the household composition indicated within these projections drives the size and tenure demand profiles generated by the model.

### Demographic projections

- 4.3 The household and population projections associated with the Objectively Assessed Need calculation presented in the OAHN Study have been further disaggregated into different household groups to facilitate this analysis. Table 4.1 sets out the number of households that will be resident in Shepway in 2037 disaggregated by broad household type. The 2014 household profile is also presented as a reference point, as 2014 is the base date for this model as this is when the Plan period began.

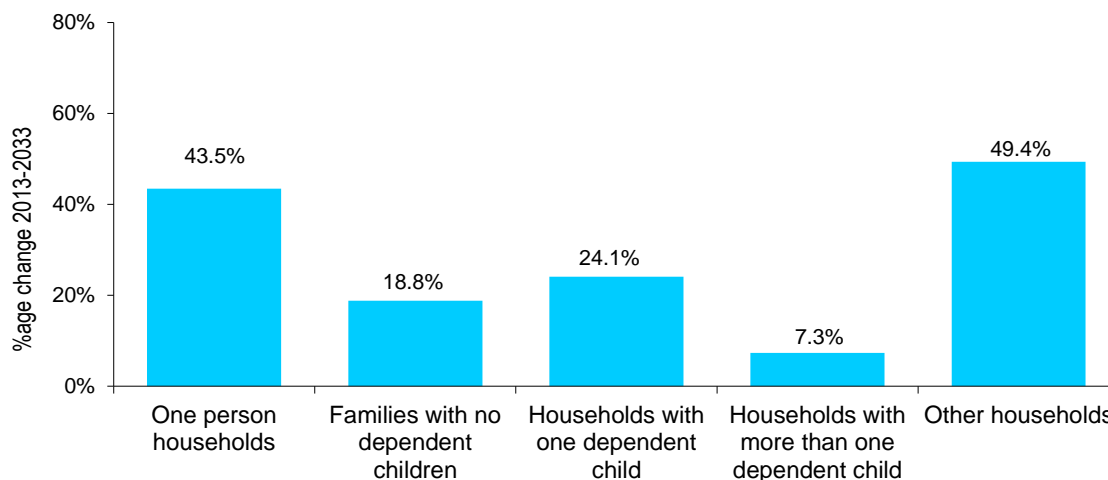
**Table 4.1 Projected household population in Shepway in 2037 by household type**

Household type	2014 Number	2037 Number	2037 Percentage
One person	16,801	24,102	38.4%
Families with no dependent children	17,060	20,266	32.3%
Households with one dependent child	5,645	7,003	11.2%
Households with more than one dependent child	6,373	6,839	10.9%
Other	3,021	4,513	7.2%
<b>Total</b>	<b>48,900</b>	<b>62,723</b>	<b>100.0%</b>

- 4.4 Figure 4.1 indicates the change in these household types that will occur between 2014 and 2037. The figure indicates that the number of ‘other’ households are expected to increase the most in Shepway (although from a very low base), followed by one person households. Households with more than one dependent child are projected to increase by the smallest amount.



**Figure 4.1 Change in household structure, 2014 – 2037**



## Methodology of the model

- 4.5 The Census provides information on the size (in terms of bedrooms) and tenure of accommodation in Shepway in 2011. This has been adjusted<sup>3</sup> to reflect the changes since 2011 to provide an accommodation profile in 2014.
- 4.6 The 2011 Census also provides detail on the occupational patterns of different household groups in each authority, which means that the profile of housing occupied by each household type can be determined. Rather than assuming the current usage patterns for each household type will apply to the future population of that household group, the model assesses the current trends in occupation patterns (recorded by the change in the tenure profile of each household type between the 2001 and 2011 Census in Shepway alongside the changes in the size of accommodation occupied within each tenure) and models their continuation through to 2037. In addition, a further adjustment is made to counter the existence of overcrowding, which the PPG indicates should be addressed. Households currently overcrowded will therefore be housed in adequately sized accommodation within the model. This means that the future housing stock will better reflect the requirements of the future population in the area.
- 4.7 This profile of suitable accommodation for each household type is applied to the size of the household group in 23 years' time. The accommodation profile required in 2037 is then compared to the current accommodation profile and the nature of additional housing required is derived. It should be noted that the model works by matching dwellings to households so the figures are based on the change in number of households identified within the OAN calculations. However, the overall Objectively Assessed Need figure calculated in the OAHN Study presumes that the requirement for new dwellings is greater than the projected growth in households in accordance

<sup>3</sup> Using the latest data from the Homes & Communities Agency's Statistical Data Return and the LAHS datasets and trends indicated within the English Housing Survey and by the Census.



with the approach set out in the PPG. Chapter 7 below will therefore convert the household based results from this chapter into dwelling based equivalents. The following section presents the outputs of this model.

## Tenure of housing required

- 4.8 Table 4.2 shows the projected tenure profile for Shepway in 23 years' time. The data shows that in 2037 the housing stock across Shepway should comprise 61.3% owner-occupied dwellings, 25.3% private rented homes, 1.8% shared ownership properties and 11.6% social rented/Affordable Rented accommodation.

**Table 4.2 Projected tenure profile in 2037**

Tenure	Number	Percentage
Owner-occupied	38,425	61.3%
Private rented	15,890	25.3%
Shared Ownership	1,132	1.8%
Social rent/Affordable Rent	7,277	11.6%
Total	62,723	100.0%

- 4.9 Table 4.3 shows the tenure profile required by households resident in Shepway in 23 years' time in comparison to the tenure profile recorded currently. The difference between these two distributions is the change required to the housing stock over this period. The results show that 55.2% of new housing should be owner-occupied, 23.2% private rented, 6.6% should be shared ownership and 15.0% Social Rent/Affordable Rent.

**Table 4.3 Tenure of new accommodation required in Shepway over the next 23 years**

Tenure	Current tenure profile (2014)	Tenure profile 2037	Change required	% of change required
Owner-occupied	30,791	38,425	7,634	55.2%
Private rent	12,687	15,890	3,203	23.2%
Shared ownership	225	1,132	907	6.6%
Social Rent/Affordable Rent	5,197	7,277	2,080	15.0%
Total	48,900	62,723	13,823	100.0%

- 4.10 The model is also able to provide detail on the size of new dwellings required within each tenure, as is set out in the section below.

## Size of housing required within each tenure

- 4.11 Table 4.4 presents the size of owner-occupied accommodation required in Shepway in 23 years' time in comparison to the size profile recorded in the sector currently. The implied change to the housing stock is also presented. The table shows that some 39.1% of new owner-occupied dwellings should be three bedroom dwellings, with 28.5% having two bedrooms, 27.5% should be accommodation with four or more bedrooms and 4.8% one bedroom homes.



**Table 4.4 Size of new owner-occupied accommodation required in Shepway over the next 23 years**

Dwelling size	Current size profile (2014)	Size profile 2037	Change required	% of change required
One bedroom	1,387	1,757	370	4.8%
Two bedroom	8,157	10,335	2,178	28.5%
Three bedroom	12,702	15,689	2,987	39.1%
Four or more bedrooms	8,544	10,644	2,100	27.5%
Total	30,791	38,425	7,634	100.0%

- 4.12 This analysis can be repeated for private rented housing and is presented in Table 4.5. The data indicates that of the 3,203 private rented dwellings required within Shepway, 32.2% should be two bedroom properties with a further 31.0% should be three bedroom homes. Some 20.2% of dwellings should have a single bedroom and 16.6% should contain four or more bedrooms.

**Table 4.5 Size of new private rented accommodation required in Shepway over the next 23 years**

Dwelling size	Current size profile (2014)	Size profile 2037	Change required	% of change required
One bedroom	3,569	4,216	647	20.2%
Two bedroom	5,133	6,163	1,031	32.2%
Three bedroom	3,015	4,007	993	31.0%
Four or more bedrooms	971	1,503	532	16.6%
Total	12,687	15,890	3,203	100.0%

- 4.13 Table 4.6 sets out the equivalent analysis for shared ownership/discounted home ownership housing. The data indicates that of the 907 shared ownership/discounted home ownership dwellings required within Shepway, 29.1% should be two bedroom properties with a further 28.4% three-bedroom accommodation. Some 21.9% should have one bedroom and 20.5% should have four or more bedrooms.

**Table 4.6 Size of new shared ownership accommodation required in Shepway over the next 23 years**

Dwelling size	Current size profile (2014)	Size profile 2037	Change required	% of change required
One bedroom	50	249	199	21.9%
Two bedroom	85	349	264	29.1%
Three bedroom	71	329	258	28.4%
Four or more bedrooms	19	205	186	20.5%
Total	225	1,132	907	100.0%

- 4.14 Table 4.7 shows the size of accommodation required in the Affordable Rented/social rented sector. The table shows that of the 2,080 additional Affordable Rented units required within Shepway over the next 23 years, 36.1% three bedrooms, 24.5% four or more bedrooms, 23.7% should have one bedroom and 15.7% two bedrooms.





**Table 4.7 Size of new social rent/Affordable Rent required in Shepway over the next 23 years**

Dwelling size	Current size profile (2014)	Size profile 2037	Change required	% of change required
One bedroom	1,571	2,063	492	23.7%
Two bedroom	2,305	2,632	327	15.7%
Three bedroom	1,215	1,966	751	36.1%
Four or more bedrooms	106	616	510	24.5%
Total	5,197	7,277	2,080	100.0%



## 5 AFFORDABLE HOUSING NEED

### Introduction

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

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

- 5.4 The first stage of the model assesses current need. This begins with an assessment of housing suitability, before the affordability test is applied to determine the number of these households that require affordable housing, and are therefore in current need.
- 5.5 The PPG sets out four particular categories of unsuitable housing that should be specifically identified. These are presented in Table 5.1 below, which also indicates the number of households in each category and the source of the data. The final



column represents the revised total for each of these categories once any double-counting between them has been taken into account. Households can be unsuitably housed for more than one reason so it is important that they are only counted once.

- 5.6 The table shows that there are 3,091 households currently in unsuitable housing or lacking their own housing in Shepway and the most common reason for unsuitability is overcrowding. This figure of 3,091 represents 6.2% of all households in Shepway.

**Table 5.1 Current households who lack their own housing or live in unsuitable housing in Shepway**

Element	Source	Number of h/holds	Revised number of h/holds
Homeless households	The Council's housing register as of April 2016.	186	186
Households in temporary accommodation	Section E6 of the Council's P1(E) return for 4 <sup>th</sup> quarter of 2015 showing the number of homeless households accommodated in temporary accommodation in Shepway at the end of the quarter.	46 <sup>4</sup>	0 <sup>5</sup>
Overcrowded households	2011 Census modelled to April 2016. This was done by calculating the annual change in the number of overcrowded households (in terms of rooms not bedrooms as bedrooms were not included in the 2001 Census) in Shepway recorded between the 2001 and 2011 Census (set out in tables S053 Household composition by tenure and occupancy rating and table DC4104EW1a Tenure by occupancy rating (rooms) by household composition). The five-year change for each tenure recorded from this source was averaged against the latest five-year change for each tenure recorded nationally by the English Housing Survey (set out in table FA1421 Trend in overcrowding rates by tenure). This average five-year change was applied to the 2011 Census figures for overcrowding in each tenure to derive an estimate for 2016 (set out in table DC4105EW1a - Tenure by occupancy rating (bedrooms) by household composition).	1,877	1,877
Concealed households*	2011 Census modelled to April 2016. This was done by calculating the annual change in the number of concealed households recorded between the 2001 and 2011 Census (set out in table S058 - Households in a shared dwelling and amenities and household size by central heating and number of rooms and in table DC4205EW - Dwelling type by type of central heating in household by occupancy rating (rooms) by ethnic group of Household Reference Person (HRP)).	514	253 <sup>6</sup>
Other groups	The Council's housing register as of April 2016. Only households that are on the register due to a category of unsuitable housing are included (excluding overcrowded, temporary, concealed and homeless households accounted for above)). This amounts to all remaining households in bands A to C	775	775
<b>Total</b>		<b>3,399</b>	<b>3,091</b>

<sup>4</sup> This only includes households living in non-self-contained temporary accommodation i.e. B&B and hostels.

<sup>5</sup> All households in temporary accommodation are also on the Council's Housing Register, although the type of accommodation they occupy is not separately distinguished so this is obtained from the P(1)E form.

<sup>6</sup> The 2011 Census indicated that 50.8% of concealed households were also overcrowded in Shepway.



Source: 2011 Census data modelled to 2016, Shepway Council's Housing Register \*According to the Practice Guidance, concealed households include couples, people with young children and single adults over 25 sharing a kitchen, bathroom or WC with another household.

## Affordability

- 5.7 Some of these households in unsuitable housing are likely to be able to afford alternative accommodation in the market sector without requiring subsidy. The ability of these households to afford the cost of entry-level market housing of the appropriate size (set out in Figures 3.7 and 3.10) is therefore tested. The waiting list details the size of accommodation required by homeless households and households unsuitably housed for other reasons. For overcrowded households and concealed households, the household composition recorded for these households in the Census is used to determine the size requirement profile. To test overcrowded households the income distribution for each dwelling size requirement, identified using the CACI income profile for Shepway, is adjusted to reflect that nationally the income of overcrowded households is 98.6% of the figure for all households (according to the English Housing Survey). Similarly, for homeless, concealed and 'other' unsuitably housed households the income distribution is adjusted to reflect that nationally the income of social rented households is 52.0% of the figure for all households (according to the English Housing Survey).
- 5.8 These households in unsuitable housing or lacking their own housing are therefore tested for their ability to afford market housing in Shepway using an affordability test where the cost of housing can constitute up to 35% of gross income and still be affordable<sup>7</sup>. The impact of using other thresholds is examined at the end of this chapter. Table 5.2 shows the number of unsuitably housed households requiring different dwelling sizes and the proportion of these households able to afford the market-entry point. The number of households that are therefore in current need is shown in the final column.

**Table 5.2 Affordability of households in unsuitable housing**

Number of bedrooms required	Unsuitable housed households	Percentage unable to afford entry-level market housing	Households in current need
One bedroom	746	55.5%	414
Two bedroom	1,013	43.6%	442
Three bedroom	787	60.7%	477
Four or more bedrooms	545	78.0%	425
Total	3,091	56.9%	1,759

<sup>7</sup> This affordability test is used in preference to the affordability test of up to 25% of gross income on housing that was contained in the, now cancelled, 2007 Practice Guidance, as this is the most appropriate figure when the affordability of local housing is considered based on practice in the market (such as assumptions used by letting agents and mortgage brokers). As this study is seeking to make a 'policy off' assessment of the housing market an assumption that reflects the workings of the market should be used. This suitability of this assumption however will be discussed thoroughly at the upcoming stakeholder consultation event.



5.9 Overall 56.9% (1,759 households) of unsuitably housed households or households lacking their own housing in Shepway are unable to afford market housing and are in current need. For the purposes of the housing needs assessment, households considered to be in housing need have been split into two categories: current occupiers of affordable housing in need that would make the property available when they move (this includes occupiers of social rented and shared ownership accommodation that are not living with another household currently), and other households. It is estimated that some 390 households in need currently live in affordable housing that would become available for reuse<sup>8</sup>.

### Total current need

5.10 Table 5.3 summarises the first stage of the assessment of affordable housing need as set out by PPG. The data shows that there are an estimated 1,759 households in current need in Shepway.

**Table 5.3 Stage 1: Current unmet gross need**

Component	
Homeless households and those in temporary accommodation	184
Overcrowded and concealed households	1,131
Other groups	444
<b>Total current housing need (gross)</b>	<b>1,759</b>

### Stage 2: Newly arising affordable housing need

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

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

### Need from newly forming households

5.12 The headship rate for each five-year age cohort between the ages 15 and 49 was calculated using information in the Census on the number of people and number of household heads within each age cohort. This headship rate was then applied to the population projections associated with the calculation of the Objectively Assessed Need figure. This identified the projected number of households likely to form in Shepway. This figure is then averaged to provide an annual estimate for the number of newly forming households.

<sup>8</sup> For those households who lack their own housing or live in unsuitable housing it was necessary to not only establish the number of households in each category, but also their current tenure (alongside the type of household they were and the size of home they required). This was obtained from the original data sources detailed in Table 3.1. The final tenure profile of households in need, and the figure of 228 in affordable accommodation derived, accounts for the different affordability profiles of these different groups of households who lack their own housing or live in unsuitable housing groups.



- 5.13 Using this methodology, it is estimated that 731 new households will form per year in Shepway. This represents a household formation rate of 1.5%, slightly lower than the figure of 1.6% recorded nationally by the English Housing Survey. To assess the ability of these households to afford entry-level market housing of the appropriate size, it is presumed that these new households will have the same composition as the profile for new households recorded in the English Housing Survey, from which the appropriate size requirement profile can be determined. To test newly forming households' ability to afford market housing, the income distribution for each dwelling size requirement (identified using the CACI income profile for each sub-area) is adjusted to reflect that nationally the income of newly forming households is 72.9% of the figure for all households (according to the English Housing Survey).
- 5.14 Table 5.4 shows details of the derivation of newly arising need from newly forming households. The table shows that 33.1% of newly forming households will be unable to afford market housing in Shepway, which means that there will be an annual affordable housing requirement from 242 newly forming households.

**Table 5.4 Newly arising need from new household formation (per annum)**

Component	
Number of newly forming households	731
Proportion unable to afford entry-level market housing	33.1%
<b>Number of newly forming households requiring affordable accommodation</b>	<b>242</b>

### Existing households falling into need

- 5.15 The PPG recommends that this figure is derived by looking at recent trends in households applying for affordable housing. Analysis of the approaches for affordable accommodation made to the Council re-lets over the last three years (April 2013 to March 2016) indicates that there were 895 households that fell into need over the last three years. Annualised this is 298 (895/3) households per year in affordable housing need.
- 5.16 This figure will include newly forming households, which have featured in the previous step. The CORE LA Area Lettings Reports<sup>9</sup> provide an estimate of the proportion of social rented lets each year taken by newly forming households in Shepway. It shows that an average of 22.3% of lettings in Shepway were to newly forming households over the last three years. It is assumed therefore that 67 (22.3% of 298) of the households in need are newly forming households. The resultant number of existing households falling into need in Shepway is 231 (298-67) households per annum.

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<sup>9</sup> CORE (COntinuous REcording) is a national information source funded by the Department for Communities and local Government that records information on the characteristics of both private registered providers and local authority new social housing tenants and the homes they rent and buy.



## Total newly arising need

- 5.17 Table 5.5 summarises the second stage of the assessment of affordable housing need as set out by the PPG. It indicates that 474 (242+231) households will be in newly arising need per annum in Shepway.

**Table 5.5 Stage 2 Newly arising need (per annum)**

Component	
New household formation (gross per year)	731
Proportion of new households unable to buy or rent in the market	33.1%
Existing households falling into need	231
<b>Total newly arising housing need (gross per year)</b>	<b>474</b>

## Stage 3: Current affordable housing supply

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

### Current occupiers of affordable housing in need

- 5.19 It is important when considering net need levels to discount households already living in affordable housing. This is because the movement of such households within affordable housing will have an overall nil effect in terms of housing need. As established when calculating current need (paragraph 5.9), there are 390 households currently in need already living in affordable housing in Shepway.

### Surplus stock

- 5.20 A certain level of vacant dwellings is normal as this allows for transfers and for work on properties to be carried out. Established good practice suggests that if the vacancy rate in the affordable stock is in excess of 3%, some of the vacant units should be considered as surplus stock which can be included within the supply to offset housing need. Shepway records a vacancy rate in the affordable sector of 1.3%. As the vacancy rate is lower than the 3% benchmark, no vacant dwellings are considered available to be brought back into use to increase the supply of affordable housing.

### Committed supply of new affordable units

- 5.21 The PPG indicates that *'the committed supply of new affordable units (social rented and intermediate housing) at the point of the assessment'* be taken into account within the model. The Council has indicated that there are 66 new affordable homes currently committed across Shepway.

### Planned units to be taken out of management

- 5.22 The PPG states that the *'net number of units to be taken out of management (demolition or replacement schemes that lead to net losses of stock)'* should be



quantified. The Council has indicated that there are is a planned replacement scheme that will lead to a net loss of 44 units of affordable housing in the District.

## Total current affordable housing supply

- 5.23 Having been through the four components in order to assess the current affordable housing supply, the stage of the model is summarised in Table 5.6. The data shows that there are an estimated 412 affordable homes currently available in Shepway area.

**Table 5.6 Stage 3 Current affordable housing supply**

Component	
Affordable dwellings occupied by households in need	390
Surplus stock	0
Committed supply of affordable housing	66
Units to be taken out of management	44
<b>Total affordable housing stock available</b>	<b>412</b>

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

- 5.24 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social re-lets and the annual supply of re-lets within the intermediate sector. Although the private rented sector can be viewed as alternative affordable housing as Councils are entitled to discharge homeless households into this tenure and households commonly reside in the sector with state-support for their housing cost (Local Housing Allowance), the NPPF is clear that the private rented sector is not a form of affordable housing. It has therefore not been included as part of the affordable housing supply within this model and the approach therefore accords with that indicated within the Eastleigh Inspector's decision<sup>10</sup>.

### The future supply of social/affordable rented housing

- 5.25 This is an estimate of likely future re-lets from the affordable stock. The PPG suggests that the estimate should be based on past trend data over the last three years. CORE data provides an indication of the number of lettings in the Social Rented / Affordable Rented sector and the results for the last three years are presented in Table 5.7. The average number of lettings across the social and affordable rented sector over the three-year period was 382 per annum in Shepway.

**Table 5.7 Analysis of past housing supply (social rented/Affordable Rented sector)**

Year	Shepway
2012/13	372

<sup>10</sup> Report to Eastleigh Borough Council by Simon Emerson BSc DipTP MRTPI an Inspector appointed by the Secretary of State for Communities and Local Government Date: 11th February 2015





Year	Shepway
2013/14	399
2014/15	376
<b>Average</b>	<b>382</b>

Source: CORE LA Area Lettings Report 2012/2013, 2013/2014, 2014/2015

## Supply of intermediate housing

- 5.26 In most local authorities the amount of intermediate housing (mostly shared ownership) available in the stock is fairly limited (as is the case across Shepway). However, it is still important to consider to what extent the supply may be able to help those in need of affordable housing. Therefore, we include an estimate of the number of intermediate units that become available each year, based on applying the estimated re-let rate for the social rented sector<sup>11</sup> (7.3% in Shepway) to the estimated stock for each form of intermediate housing in the District. This is set out in Table 5.8. It is estimated that around 16 units of intermediate housing will become available to meet housing needs from the existing stock each year in Shepway.

**Table 5.8 Estimated intermediate supply**

Intermediate tenure	Stock	Annual re-lets
Discount home ownership	10	1
Shared ownership	212	15
<b>All intermediate lettings</b>	<b>-</b>	<b>16</b>

Source: HCA's Statistical Data Return 2015

## Annual future supply of affordable housing

- 5.27 The total future supply of affordable housing is the sum of the social rented supply and the intermediate supply as set out in Table 5.9.

**Table 5.9 Stage 4 Future supply of all affordable housing (per annum)**

Component	
Annual supply of social/affordable rented re-lets	382
Annual supply of intermediate housing available for re-let or resale at sub-market levels	16
<b>Annual supply of all affordable housing</b>	<b>398</b>

## Estimate of net annual housing need

- 5.28 The PPG states that the figures in the model need to be converted to annual flows to establish the total need for affordable housing. The first step in this process is to calculate the total net current need. This is derived by subtracting the estimated current affordable housing supply (Stage 3) from the current unmet gross need for affordable housing (Stage 1).

<sup>11</sup> This is calculated by dividing the total number of relets as set out in Table 5.7 by the total stock of social and affordable housing as set out in the HCA's Statistical Data Return, 2015.



5.29 The second step is to convert this total net current need figure into an annual flow. The PPG is not specific as to how this should be done. For the purposes of this study the period of 21 years will be used to fit in with the remaining timeframe of the Local Plan. The final step is to sum the annualised net current need with the total newly arising affordable housing need (Stage 2) and subtract the future annual supply of affordable housing (Stage 4). Table 5.10 sets out this process. It leads to a total need for affordable housing of 139 per year in Shepway.

**Table 5.10 Results of the affordable housing needs model**

Stage in calculation	Shepway
Stage 1: Current unmet gross need for affordable housing (Total) (Table 5.3)	1,759
Stage 2: Newly arising affordable housing need (Annual) (Table 5.5)	474
Stage 3: Current affordable housing supply (Total) (Table 5.6)	412
Stage 4: Future housing supply (Annual) (Table 5.9)	398
Stage 5.1 Net current need (Stage 1- Stage 3) (Total)	1,347
Stage 5.2 Annualise net current need (Stage 5.1/21) (Annual)	64
<b>Stage 5.3 Total need for affordable housing (Stage 2+ Stage 5.2 – Stage 4) (Annual)</b>	<b>139</b>
Total gross annual need (Stage 1/21 + Stage 2) (Annual)	557
Total gross annual supply (Stage 3/21 + Stage 4) (Annual)	418

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

5.30 Table 5.11 gives a breakdown of the gross annual households in need, by household type in Shepway. The table shows that some 3.5% of 'other' households are in housing need compared to 0.8% single person households. Overall, single person households comprise 24.8% of all households in need.

**Table 5.11 Annual need requirement by household type**

Household type	Need requirement				
	No. of h'holds in need (gross)	Not in need	Total Number of h'holds	% of h'hold type in need	As a % of those in need
One person	143	17,264	17,407	0.8%	24.8%
Couple with no children	120	13,839	13,959	0.9%	20.8%
Couple with child/children	111	10,581	10,692	1.0%	19.3%
Lone parent	92	4,619	4,711	2.0%	15.9%
Other	110	3,031	3,141	3.5%	19.1%
Total	577	49,333	49,910	1.2%	100.0%

## Size of accommodation required

5.31 Table 5.12 shows the size of accommodation required by households in housing need in Shepway. The supply distribution for social rented and intermediate homes is derived from the average profile of re-lets of affordable accommodation over the last three years as documented by the Council's housing register. The last column in the



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

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

**Table 5.12 Size of additional units required to meet housing need**

Size of home	Need requirement				
	Gross annual need	Gross annual supply	Net annual need	As a % of total net annual need	Supply as a % of gross need
One bedroom	263	170	93	50.3%	64.6%
Two bedrooms	133	159	-26	0.0%	119.7%
Three bedrooms	104	72	32	17.5%	68.9%
Four or more bedrooms	77	17	60	32.2%	22.5%
Total	577	418	159	100.0%	72.4%

## Type of affordable home required

- 5.33 As discussed in Chapter 3, a range of affordable products is available to meet affordable housing need in Shepway. This section will consider the suitability of these different products for meeting affordable housing need.

### Gross requirement

- 5.34 Table 5.13 illustrates how many households in affordable housing need in Shepway are able to afford the different affordable products. The figures presented are exclusive, so for example the 21 households requiring a two-bedroom home that are able to afford shared ownership home do not include the 59 households able to afford Affordable Rent (even though they would also be able to afford Affordable Rent). Households have therefore been assigned the most expensive product they are able to afford. The social rented group also includes those unable to afford any accommodation without support from HB/LHA, as this is the tenure in which these households are most likely to reside.
- 5.35 The table shows that of the 577 households in gross need each year in Shepway, 8.0% could afford shared ownership, 64.4% Affordable Rent and 27.6% can afford Social Rent or require support.



**Table 5.13 Size and type of affordable home required by those in need (per annum)**

Product	One bed	Two bed	Three bed	Four bed	Total (number)	Total (%)
Discount market housing	0	0	0	0	0	0.0%
Shared ownership	17	21	3	5	46	8.0%
Affordable rent	246	59	49	18	372	64.4%
Social rent/requires assistance	0	53	52	54	159	27.6%
All households	263	133	104	77	577	100.0%

## Sensitivity analysis - affordability threshold

- 5.36 The results presented this chapter are based on using an affordability test where the cost of housing can constitute up to 35% of gross income and still be affordable. The impact of adjusting this affordability threshold is considered in Table 5.14, which details the results of the PPG affordable housing need model across Shepway where the cost of housing could constitute no more than 25% and 30% of gross household income, rather than 35% used in the standard model.

**Table 5.14 Impact of different affordability assumptions on affordable housing requirement in Shepway**

	Rent payable constitutes no more than:		
	35% of gross household income	30% of gross household income	25% of gross household income
Stage 1: Current gross need	1,759	2,058	2,357
Stage 2: Newly arising need	474	554	640
Stage 3: Current supply	412	465	591
Stage 4: Future supply	398	398	398
Stage 5.1 Net current need	1,347	1,592	1,766
Stage 5.2 Annual net current need	64	76	84
Stage 5.3 Total annual need	139	232	325

- 5.37 The table indicates that the net requirement would increase from 139 to 232 affordable homes per year in Shepway if 30% of gross household income could be spent on housing costs. This would increase further to 325 affordable homes per year if 25% of income could be spent on housing costs.



## 6 REQUIREMENTS OF SPECIFIC GROUPS OF THE POPULATION

### Introduction

- 6.1 The NPPF indicates that a SHMA should ensure all subgroups of the population are addressed. Whilst the LTBHM considers all household groups within the model, the results can be broken down to show the accommodation requirements of certain household groups of interest. This chapter considers the specific profiles of the following groups of the population, which are suggested in the PPG and have an appreciable impact on the housing market within Shepway:
- Older persons
  - People with disabilities
  - Family households
  - Service families
- 6.2 Students were considered, but there is no university within Shepway, so this group has not been profiled in detail. This chapter will also examine the private rented sector in more detail and comment on the level of demand from people wishing to build their own homes.

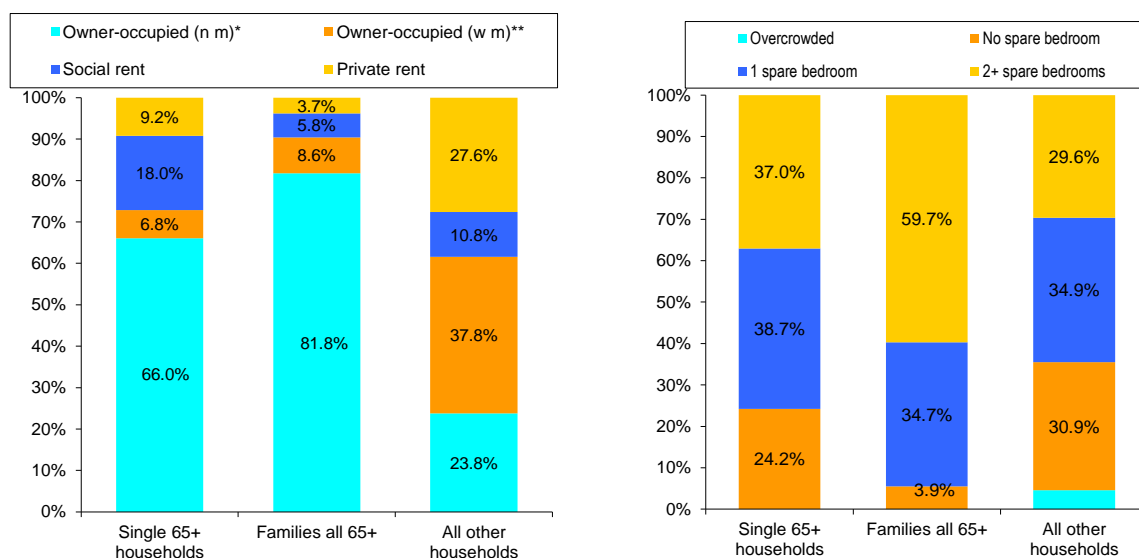
### Housing needs of older people

#### Current situation

- 6.3 The SHMA Guidance recognises the need to provide housing for older people as part of achieving a good mix of housing. The Census indicates that 25.4% of households in Shepway were older person only households (households where all members are 65 or over), compared to 21.9% regionally and 20.5% nationally. Of these older person only households in Shepway in 2011, 59.2% contained only one person, a higher proportion than that recorded in the South East region (57.7%) but lower than the figure for England (60.0%).
- 6.4 Figure 6.1 shows the tenure profile of older person only households in Shepway in 2011 compared to the remainder of the household population. The figure also sets out the occupancy level of these groups. The results show that both of the older person groups show a higher level of owner-occupation than other households. Older person households were also more likely than average to have multiple spare bedrooms in their home.



**Figure 6.1 Profile of accommodation for older person households in Shepway**



Source: 2011 Census \*Owner-occupied no mortgage \*\* Owner-occupied with mortgage, includes shared ownership.

## Future requirement

- 6.5 The Objectively Assessed Need projections indicate that the population aged 65 or over is going to increase dramatically over the plan period from 25,257 in 2014 to 40,536 in 2037, a rise of 60.5%.
- 6.6 The Projecting Older People Information System (POPPI) website uses information on recent trends in the health and occupation patterns of those age 65, and applies them to the latest sub-national population projections to provide an indication of the potential future profile of older persons in each authority in the country. This source suggests that the proportion of older persons living alone in Shepway will increase from 36.6% in 2015 to 37.9% in 2030 (the furthest date that the POPPI website projects to).
- 6.7 The results of the LTBHM model can be disaggregated into different household groups within the whole population. Table 6.1 shows the projected accommodation profile for older person households in Shepway in 2037 arising from that model.

**Table 6.1 Type of accommodation required for pensioner households in 2037**

Dwelling size	Owner-occupation	Private rented	Shared ownership	Social rent/ Affordable Rented	Total
One bedroom	14.8%	5.0%	1.2%	8.7%	29.7%
Two bedrooms	24.7%	3.5%	0.9%	3.4%	32.5%
Three bedrooms	31.7%	0.5%	0.1%	0.3%	32.6%
Four or more bedrooms	5.2%	0.0%	0.0%	0.0%	5.2%
<b>Total</b>	<b>76.4%</b>	<b>9.0%</b>	<b>2.2%</b>	<b>12.4%</b>	<b>100.0%</b>



## Specialist accommodation

- 6.8 Given the dramatic growth in the older population and the higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. It is therefore useful to consider the ability of specialist accommodation to meet the requirements of this group. To do this we use the Strategic Housing for Older People tool developed by the Housing Learning and Improvement Network<sup>12</sup>, although some of the figures within the current stock profile have been adjusted in light of more up-to-date information provided by the County Council. It should be noted that this tool is only driven by demographic changes and does not take into account peoples' aspirations as to what form of accommodation they would prefer.
- 6.9 Table 6.2 shows the current supply of specialist housing for older people. At present it is estimated that there are 1,360 units in Shepway; this is equivalent to 119 units per 1,000 people aged 75 and over. The Strategic Housing for Older People tool uses this ratio (the number of units per 1,000 people 75 and over) as the key variant when modelling future demand so it is important to establish the current level. It is also worth noting that some 47.8% of this accommodation is in the affordable sector, despite the overwhelming propensity of older persons only households to be owner-occupiers.
- 6.10 Table 6.2 also shows the amount of specialist accommodation that will be required by the population in 2037 if the current rate of occupation is maintained (119 units per 1,000 people aged 75 and over). The total additional units required to increase the current provision to this level is also presented. As the current rate of provision is notably lower than the base recommended within the Strategic Housing for Older People tool (170 units per 1,000 people) it is useful to also to consider a scenario where the rate of use of this form of accommodation increases to this level. The fifth and sixth column of the table therefore show the total and net requirement for specialist accommodation if the usage rate increases to 170 per 1,000 people.

**Table 6.2 Specialist accommodation required in the Shepway over the next 23 years**

Type and tenure of specialist accommodation		Current profile (2014)	Future requirement based on current usage ratio of 119 per 1,000 people aged 75+		Future requirement based on increasing usage ratio to 170 per 1,000 people aged 75+	
			Profile 2037	Additional units required	Profile 2037	Additional units required
Sheltered housing*	Market	698	1,224	526	1,719	1,021
	Affordable	611	1,282	671	1,498	887
Extracare housing	Market	12	32	20	133	121
	Affordable	39	101	62	422	383
Total		1,360	2,639	1,279	3,772	2,412

<sup>12</sup> <http://www.housinglin.org.uk/>



\* Whilst sheltered housing is the term used within the Housing LIN model and has therefore been reproduced within this report, it is acknowledged that the future requirement identified does not equate to a need for the traditional type of supported housing, which has been surpassed in its usefulness by housing in which the support can be delivered in a more flexible way and that the accommodation therefore is less specific in its design.

Source: The Housing Learning and Improvement Network' Strategic Housing for Older People tool, 2016 & Shepway Council for profile of current affordable sheltered housing

- 6.11 If it is presumed that occupation patterns remain at current levels, then there is a requirement for 1,279 additional specialist units of which 1,197 should be sheltered housing and 82 extracare housing<sup>13</sup>. The requirement for 1,279 additional specialist units for older people represents 9.3% of the total household growth for the period 2014 to 2037. If it is assumed that occupation rates increase to a rate of 170 per 1,000 people 75 or over then 2,412 additional specialist units are required which constitutes 17.4% of the total household growth. As varying the occupation rate has such a dramatic effect on the overall requirement, it may be appropriate for the Council to pursue the lower of these two figures, which is closer to the current expectations of older households and monitor how usage patterns develop over time. This approach also appears appropriate considering that the Council have indicated that the existing affordable sheltered stock in the District can be difficult to let from time to time.
- 6.12 The model identifies that some 57.3% of this additional specialist accommodation should be affordable with the remainder market housing. However, the Census indicates that over three-quarters of all older person households in Shepway in 2011 were owner-occupiers and it would be expected that the majority of these households would be able to afford specialist accommodation in the market sector if it was required. In addition, the LTBHM model indicates that over four-fifths of older person households in 2037 would be most suitably housed in market accommodation.
- 6.13 It is therefore suggested that the market/affordable ratio for total specialist accommodation in 2037 derived from the Strategic Housing for Older People tool (based on the current Shepway ratio) be averaged with the overall market/affordable ratio for all housing for older persons in 2037 derived from the LTBHM model. This leads to a recommended split of 36% of new specialist accommodation as affordable and 64% within the market sector. It should be noted that this requirement for 459 affordable and 820 market specialist units forms part of the overall Objectively Assessed Need required over the Local Plan period in Shepway.
- 6.14 As well as the need for specialist housing for older people there will also be an additional requirement for Registered Care. According to the Kent County Council there are around 337 spaces in General Frailty residential care homes, 419 spaces in Dementia residential care homes and 276 spaces in nursing homes in Shepway currently. The modelling undertaken by Kent County Council indicates that by 2021, 154 of the spaces in the General Frailty residential care homes and 95 of the spaces in the Dementia residential care homes in Shepway will no longer be required. There

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<sup>13</sup> It should be noted that within their own analysis Kent County Council have identified a requirement for 234 more extra care units for older persons within Shepway by 2021.





will however be a requirement for an additional 226 spaces within nursing homes over this period. It has been indicated that some of this new housing may be able to be met through remodelling the existing accommodation, but that will not always be possible.

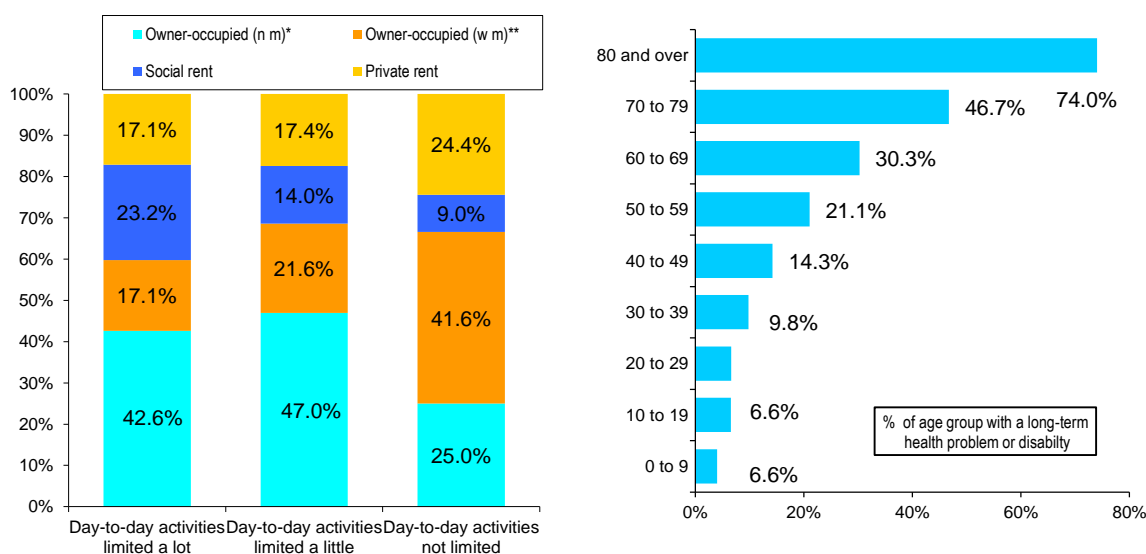
- 6.15 Any additional accommodation that is required to meet the future institutional population does not form part of the new housing to meet the Objectively Assessed Need. (On a practical point it would not be appropriate to increase the housing requirement to meet this need (as it is not housing) – although it may be appropriate to plan for the provision of this need separately).

## Households with specific needs

### Current situation

- 6.16 Paragraph 2.5 indicates that, in 2011, some 21.1% of the resident population in Shepway had a long-term health problem or disability. Some 47.3% of all residents with a long-term health problem or disability in Shepway had a condition that limited day-to-day activities a lot, with 52.7% having a condition that limited activities a little.
- 6.17 Figure 6.2 below shows the tenure profile of people with a long-term health problem or disability in Shepway in 2011 compared to the remainder of the population. The figure also sets out the prevalence of a long-term health problem or disability in the different age groups of the population. The results show that whilst people with a long-term health problem or disability are more likely than average to be owner-occupiers with no mortgage, they are also more likely than average to reside in the social rented sector. The analysis also reveals a strong correlation between age and long-term health problem or disability.

**Figure 6.2 Tenure and age profile of people with a long-term problem or disability in Shepway**



Source: 2011 Census \*Owner-occupied no mortgage \*\* Owner-occupied with mortgage, includes shared ownership.



## Projected health of the future population

- 6.18 The Projecting Older People Information System (POPPI) website and the parallel Projecting Adult Needs and Service Information (PANSI) model the likely future incidence of a range of health issues for each authority in England. Table 6.3 sets out the number of people projected to have one of four health issues over the next fifteen years in Shepway. The four issues chosen are broad health categories presented to provide the most useful general information for this report. The data from PANSI and POPPI is based on current and recent prevalence rates and whilst these may vary in the future, the figures provide a useful baseline estimate.
- 6.19 Table 6.3 shows that the number of those aged 65 or over with a limiting long-term illness that limits them a lot is expected to increase by 46.9% between 2015 and 2030 across Shepway. This compares to an increase of 4.8% in the number of people aged 18-64 with a serious physical disability, a decrease of 0.3% in the number of people aged 18-64 with a common mental health disorder and an increase of 6.0% in the number of people with a moderate or severe learning disability.

**Table 6.3 Number of people with particular health issues projected in Shepway in the next 15 years**

	2015	2020	2025	2030
People aged 65 and over with a limiting long-term illness that limits them a lot	5,556	5,653	6,349	7,309
People aged 18-64 with a serious physical disability	1,568	1,570	1,638	1,683
People aged 18-64 with a common mental health disorder	10,091	10,077	10,141	10,107
People with a moderate or severe learning disability (all ages)	416	419	427	433

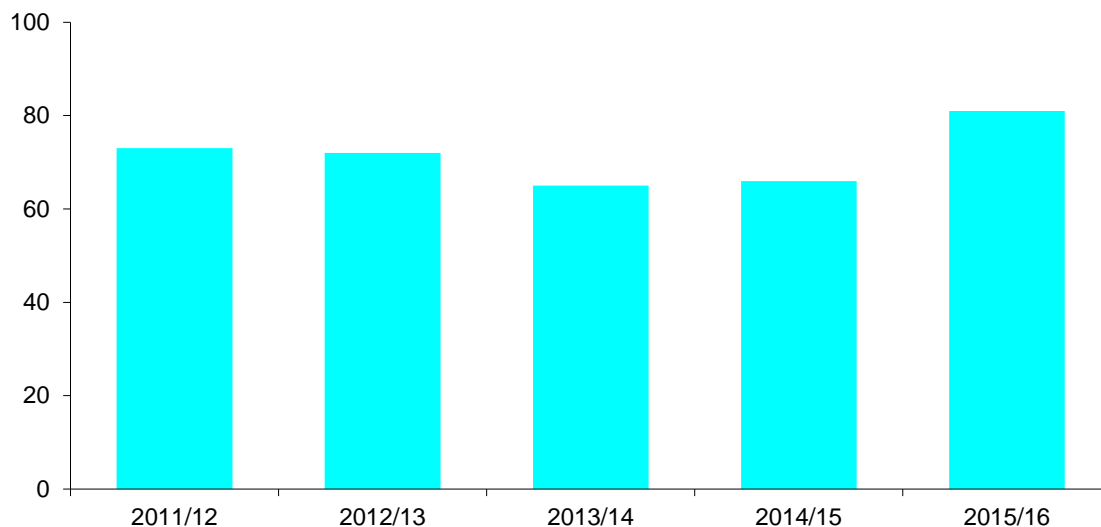
Source: The Projecting Older People Information System and Projecting Adult Needs and Service Information, 2015

## Adaptations and support

- 6.20 In addition to specialist accommodation, the Council helps people to remain in their current home by providing support and assistance. Figure 6.3 shows the number of Disabled Facilities Grants that have been completed between 2011/12 and 2015/16 in Shepway. The figure shows that the requirement for these services has not fluctuated greatly over this period.



**Figure 6.3 Disabled Facilities Grant completions in Shepway**



Source: Shepway Council, 2016

## Specialist accommodation

6.21 Kent County Council have provided information on the existing provision and future requirement for specialist accommodation for non-older-persons in Shepway, as set out in table 6.4 below. The data indicates that whilst there is projected to be a surplus of residential accommodation for those with a learning disability and those with a mental health problem by 2021, there is a requirement for additional supported accommodation for those with a learning disability. As the number of units likely to become available is predicted to exceed the number of new units needed, it may be possible for some of the requirement to be met by remodelling the current provision rather than building new units.

**Table 6.4 Non-older persons specialist accommodation required in Shepway**

Learning disability	Current profile	Required 2021	Additional units required
Residential Care	369	139	-230
Supported accommodation	13	73	60
Other	37	65	28
<i>Mental Health</i>	<i>Current profile</i>	<i>Required 2021</i>	<i>Additional units required</i>
Residential Care	51	20	-31
Supported accommodation	41	41	0

Source: Kent County Council, 2016

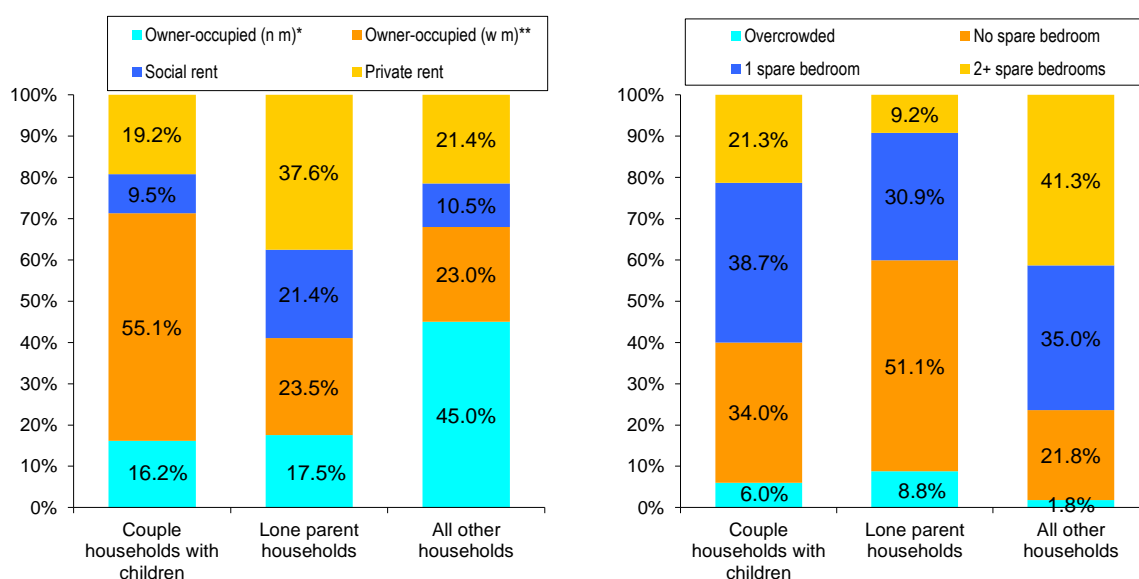


## Families with children

### Current situation

- 6.22 Figure 2.3 shows the household composition recorded at the time of the Census. This indicated that 32.2% of the household population were families with children, a figure lower than the regional figure (36.2%) and the national average (36.0%).
- 6.23 Figure 6.4 below shows the tenure profile of the two main types of ‘family with children’ households in Shepway in 2011 compared to the remainder of the household population. The figure also sets out the occupancy level of these groups. The data shows that whilst there are notably fewer owner-occupiers with no-mortgage amongst couple households with children than amongst other households in Shepway, the proportion of this group in the social and private rented sector is lower than recorded for other households. Lone parents however are notably more likely than other households to be in both social rented and private rented accommodation. Family households with children are also more likely to be overcrowded and less likely to be under-occupied than other households in Shepway.

**Figure 6.4 Profile of accommodation for family households in Shepway**



\*Owner-occupied no mortgage \*\* Owner-occupied with mortgage, includes shared ownership. Source: 2011 Census

### Future requirement

- 6.24 The Objectively Assessed Need projections indicate that the total population of families with children in Shepway is going to rise from 15,612 in 2014 to 17,298 by 2037 and the proportion of lone parent families within this group will grow from 30.5% in 2014 to 39.2% in 2037. Table 6.5 shows the projected accommodation profile for family households in Shepway in 2037 derived from the LTBHM model, presuming that households do not have to reside in overcrowded accommodation.



**Table 6.5 Type of accommodation required for households with dependent children in 2037**

Dwelling size	Owner-occupation	Private rented	Shared ownership	Social rent/ Affordable Rented	Total
One bedroom	0.0%	0.0%	0.0%	0.0%	0.0%
Two bedrooms	11.7%	2.6%	0.4%	7.3%	22.1%
Three bedrooms	32.4%	2.7%	0.7%	9.8%	45.6%
Four or more bedrooms	28.1%	1.6%	0.6%	1.9%	32.3%
<b>Total</b>	<b>72.3%</b>	<b>7.0%</b>	<b>1.7%</b>	<b>19.0%</b>	<b>100.0%</b>

## Gypsies and travellers

6.25 The SHMA does not extend to a Gypsy and Traveller Accommodation Assessment (GTAA). The East Kent Gypsy, Traveller and Travelling Showpeople Accommodation Assessment, Final Report (Philip Brown and Joanna Wilson Brown, Salford Housing & Urban Studies Unit University of Salford, April 2014) considered the needs of these groups in detail. The report concluded:

*‘5. There are no signs that the growth in the Gypsy and Traveller population will slow significantly. Research from the Equalities and Human Rights Commission (EHRC) indicated that there are around 6,000 additional pitches for Gypsies and Travellers immediately required to meet the current shortage of accommodation within England.*

*6. This study has taken a thorough assessment of the need arising from all accommodation types present at the time of the survey. It should be regarded as a reasonable and robust assessment of need upon which to base planning decisions going forward. Sites developed after 21st August 2013 contribute to the need requirements detailed in the table below:*

*Table A: Residential accommodation need arising from existing district level Gypsy and Traveller and Travelling Showpeople populations*

	Canterbury	Dover	Shepway	Thanet
Current authorised residential provision (pitches)	48	31	4	0
Residential pitch/plot need (2013– 2017)	23	8	5	0
Residential pitch/plot need (2018– 2022)	8	4	1	0
Residential pitch/plot need (2023– 2027)	9	5	1	0
Total Residential pitch/plot need (2013– 2027)	40	17	7	0

6.26 The need in Dover is 17 (although it is understood that five pitches have been provided). The report (at paragraph 7) that the GTAA assessment of accommodation need is repeated in about five years (i.e. before 2019) to ensure it remains as accurate. These findings are therefore considered to be current.



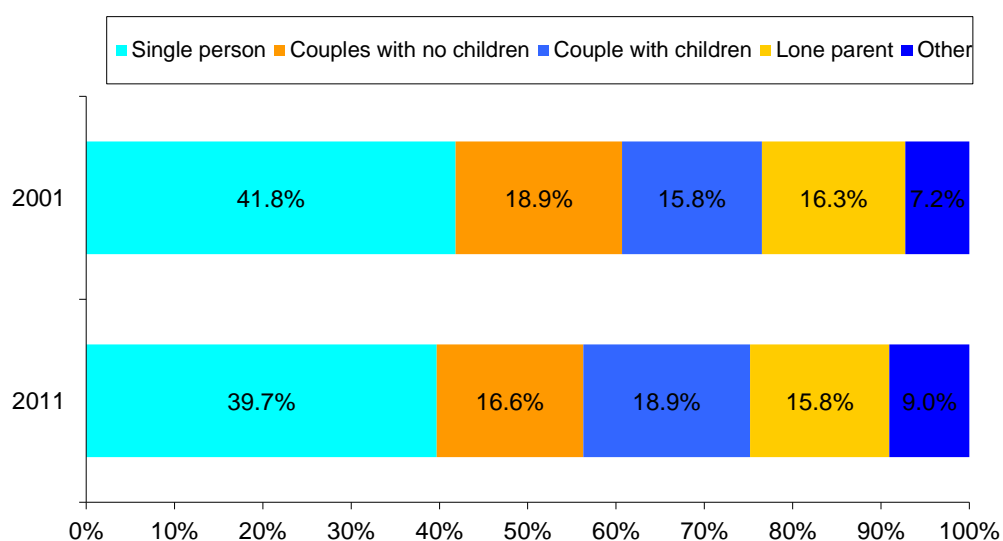
6.27 In terms of overall housing provision, it is important to note that the gypsy and traveller population is included within the ONS population projections and the DCLG household projections. It is therefore not appropriate to adjust the OAN to meet the specific needs of this group, although the Council may need to make specific housing provision within the Plan.

## The private rented sector

### Growth

6.28 The current tenure profile in Shepway was modelled as part of the LTBHM model. This estimated that there are 12,673 private rented households in Shepway in 2014, which represents 25.9% of households in the District. The private rented sector is becoming increasingly important in Shepway; as shown in Figure 2.11, the Census indicates that it increased by 92.7% in Shepway between 2001 and 2011. Figure 6.5 compares the household composition of the private rented sector in Shepway in 2001 to the profile of households resident in this tenure in Shepway in 2011. The data shows that not only has the private rented sector expanded, but the households in it have diversified.

**Figure 6.5 Change in the household composition of the private rented sector in Shepway**



Source: 2001 and 2011 Census

### Current trends

6.29 To assess the stability of the sector currently it is useful to consider how the private rent levels charged vary over time. Table 6.6 shows the change in private rents over the last three years at both the median and lower quartile level. This data is disaggregated by accommodation size and location. The table shows for example that between 2011/12 and 2014/15 three-bedroom lower quartile rents increased by 2.5% in Shepway. Overall the data suggests that the private rented sector is fairly stable in Shepway when compared to the changes recorded at regional level.



**Table 6.6 Change in private rents charged in Shepway, the South East region and England between 2011/12 and 2014/15**

Lower quartile prices				
Area	One bedroom	Two bedrooms	Three bedrooms	Four+ bedroom
Shepway	-3.1%	0.0%	2.5%	-5.6%
South East	8.7%	7.6%	8.8%	7.1%
England	6.3%	4.2%	0.0%	3.8%
Median prices				
Area	One bedroom	Two bedrooms	Three bedrooms	Four+ bedroom
Shepway	6.3%	4.5%	6.9%	-0.6%
South East	8.7%	7.6%	8.8%	7.1%
England	6.1%	5.3%	3.8%	6.8%

Source: Valuation Office Agency, 2012-15

## The benefit-supported private rented sector

- 6.30 The report '*Who Lives in the Private Rented Sector*' published in January 2013 by the British and Social Housing Foundation estimates that nationally around a quarter of private tenants are in receipt of Local Housing Allowance. In Shepway the figure is around 65%. Further analysis reveals that the number of households in the private rented sector supported by LHA has reduced by 6.7% over the last three years (between 2012 and 2015).
- 6.31 It is important to recognise the role of the benefit-supported private rented sector plays in alleviating the pressure on the affordable housing stock, by housing some households that would otherwise be resident within the sector, however it is not an official form of affordable housing as defined by the NPPF.

## Service families

- 6.32 The Ministry of Defence (MoD) operates the Shorncliffe Station with the Housing Market Area, which has personnel housed at locations in Shorncliffe, Dover, Hawkinge, Canterbury and Ashford.

## Current profile

- 6.33 There are 664 service personnel working at Shorncliffe Station, with 268 living on station (behind the wire) and 396 resident in the wider housing market. Of the 664 service personnel at Shorncliffe Station, 267 are single and living in service accommodation on site and 397 are in larger households. Of those living in the wider housing market, the vast majority are in tied accommodation with only around 10 personnel in owner-occupation.
- 6.34 When asked about specific accommodation shortages within the market that impact on service personnel, it was advised that 'due to the size of the regiment's MA personnel, there are not enough houses in Folkestone area for every MA personnel even though the battalion is based in Folkestone. However, there are no shortages of houses in overall. But, it is very difficult to provide effective welfare/Community



support to those families away from the base due to the locality and limited number of welfare support staff.’

## Housing flows

- 6.35 The average stay, or posting, for Service personnel is three years, though this may vary in individual cases. Therefore about one third of the service personnel change over every year.
- 6.36 The responsibility of the MOD to house ex serving personnel ceases when they leave the military, but all service personnel have access to advice on planning for their accommodation needs after they leave the Services. However it had been always difficult to get housing support for those redundant from the army, particularly those who will retire due to medical grounds.

## Future plans

- 6.37 There are plans to alter the military population at Shorncliffe; one unit of 108 personnel are due to be relocated to Basingbourn by 2018, whilst there should be another 50 personnel for the 2nd Battalion Royal Gurkha Rifles (2RGR) to come into Shorncliffe station within the next year. The number of military personnel in the housing market is not planned to be changed, however they would ideally be housed as close to Shorncliffe as possible. In addition it is likely that 21 personnel currently living in Canterbury may be moved to Dover as and when accommodation becomes available, so that those houses (adjoining Howe Barracks (in Canterbury) which has now been sold) can be released.
- 6.38 It is clear that the barracks has little impact on the wider housing market area as the vast majority of service personnel reside in specific Ministry of Defence accommodation either on site or tied accommodation in the housing market. As there are no plans to notably alter the size of this site it is not necessary to make an adjustment to the proposed housing target to meet the needs of this group.

## People wishing to build their own homes

- 6.39 It should be noted that the NPPF specifically refers to *people wishing to build their own homes* within the examples cited in paragraph 159. The Council has set up a list for people interested in undertaking a self-build development to register themselves on.





## 7 CONCLUSION

7.1 On completion of the calculation of the need for affordable housing, the PPG says, at Reference ID: 2a-029-20140306:

*The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.*

7.2 It is clear that a Planning Authority should consider whether or not the housing target in the Local Plan should be increased to assist with meeting the need for affordable housing.

7.3 The total annual affordable housing need in Shepway of 139 households per year (as calculated in Chapter 5, Table 5.10) represents 23.2% of the annual projected household growth in the District between 2014 and 2033 (601 households per year as identified within the full OAN calculations). This proportion of new housing as affordable appears achievable to deliver in Shepway. It is clear that the Council can be confident that the affordable housing requirement can be met by the Objectively Assessed Need identified and no adjustment is required to this figure. The figure of 23.2% is similar to the proportion of new affordable housing required within the LTBHM model, 21.6% as indicated in Table 4.3, providing further evidence that the assumptions reflect the realities of the current housing market locally.

7.4 Chapter 6 considered the impact of subgroups of the population on the housing target. The analysis indicated that no adjustment was required to account for the barracks in Shepway, as the number of military personnel in the housing market is not planned to be changed. In terms of specialist dwellings for older persons (class C3b), as set out in Chapter 6, it is evidenced that in Shepway an additional 459 affordable and 820 market market sheltered<sup>14</sup> and extracare housing units should be provided over the plan period within the identified Objectively Assessed Need.

7.5 To determine the size and tenure of the new housing required within the OAN to accord with paragraph 21 of the PPG, the LTBHM model outputs are used. Initially however it is necessary to convert the household totals presented in this report to dwelling figures by applying the vacancy rate of 5.3% (the difference between the household growth total of 601 per year between 2014 and 2033 and the annual requirement for new dwellings over the plan period of 633).

7.6 Figure 7.1 sets out the size and tenure requirement for the 14,559 dwellings (633 per annum) required over the plan period (between 2014 and 2037). The profile set out is

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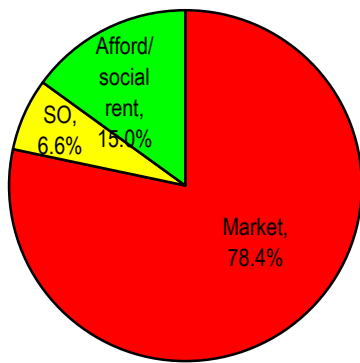
<sup>14</sup> Whilst sheltered housing is the term used within the Housing LIN model and has therefore been reproduced within this report, it is acknowledged that the future requirement identified does not equate to a need for the traditional type of supported housing, which has been surpassed in its usefulness by housing in which the support can be delivered in a more flexible way and that the accommodation therefore is less specific in its design.



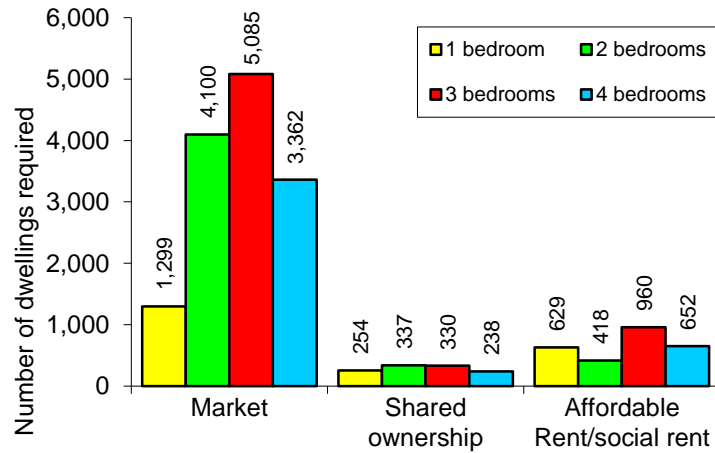
a guide to the overall mix of accommodation required in the District and it is acknowledged that the Council may wish to divert away from this profile in individual locations depending on the characteristics of the particular sites.

**Figure 7.1 Requirement for all new housing between 2014 and 2037**

**Tenure split**



**Size profile**





## APPENDIX A SUMMARY OF STAKEHOLDER CONSULTATION

### A.1 Introduction

This appendix describes the process of consulting with stakeholders – who was contacted and the nature of the consultation. It also describes the consultation event that took place, including what was discussed. Finally the appendix sets out the comments that were received and the response to them.

### A.2 Stakeholder workshop

A consultation event on the draft HMA-wide findings of this study, took place on 23rd June 2016. A wide range and number of organisations were invited to attend to observe the preliminary outputs of the study and to discuss the methodological assumptions used to derive the estimates. The event was well attended, with a diversity of stakeholders represented. Table A1.1 lists all of the stakeholders that were invited alongside those that attended.

The event was a presentation of the relevant national guidance which provides the framework for the study, an overview of the purpose of the report and the two main models used to obtain the outputs, the assumptions used within the models (principally focusing on the affordable housing need model), and the initial outputs of the study that had been derived. It was made clear that the calculation of the OAN was a separate piece of work that would not be covered in the discussion. It was also clarified that some of the findings, especially the LTBHM outputs, were draft and would change as the new household projections are published in July, which would alter the OAN. Questions were encouraged throughout and a few topics identified for more in depth discussion – the cost of housing, the role of the private rented sector, the appropriate affordability threshold to use and how to deal with single people under 35 potentially in housing need.

**Table A1.1 Stakeholder consultation event attendee list**

Organisation Invited	Attended	Organisation Invited	Attended	Organisation Invited	Attended
Shepway District Council	Yes	Barton Willmore		Pentland Homes	
Dover District Council	Yes	Better Places Ltd		Persimmon Homes	
Southern Housing Group Limited	Yes	Bidwells		Savills	
AmicusHorizon Limited		CgMs Consulting		Quinn Estates	Yes
English Rural Housing Association Limited		China Gateway International PLC		McCarthy and Stone	
Orbit South Housing Association Limited		Cluttons LLP		Barrat Homes	
Town and Country Housing Group		EZ - Plans		Taylor Wimpey	Yes



Organisation Invited	Attended	Organisation Invited	Attended	Organisation Invited	Attended
Sanctuary Housing		G W Finn & Sons		Mick Druary	
Moat Housing		Godden Allen Lawn	Yes	KCC Social Care, Health and Wellbeing	Yes
HCA		Hobbs Parker Property Consultants		Miles and Barr	
Horton Strategic Ltd		Hume Planning Consultancy		Martin and Co	
Action with Communities in Rural Kent		Ian Bull Consultancy Ltd	Yes	Your Move	
K College		Jennifer Owen & Associates Ltd		Ward and Partners	
Crown Estates Commissioners		J P Planning Consultants		Abbey Homes	
South East Local Enterprise Partnership		Lee Evans Planning	Yes	George Webb Finn	
Phillip Jeans Homes		Le Vaillant Owen			

### A.3 Summary of discussion

#### *Cost of housing*

HDH set out the cost of housing identified, the variations across the Districts and that the PPG states that you should use lower level quartile prices. Given that the quality of housing at the bottom of the market is mixed, HDH don't consider there is a case for using a level below lower quartile. It was asked if this made sense. The consensus from the room was that it did.

It was asserted that the rents in Dover are more affordable in the town compared to elsewhere in the District, however rents are above the housing allowance. This suits people in work as they can top up their benefits with their income. However other more expensive areas are unaffordable, so the only alternative here is social rented/ affordable rent products or to give up on their aspirations of living in that area and move somewhere cheaper. There is also a shortage of housing which is pushing up rents.

#### *Starter homes*

HDH stated that they will provide analysis around starter homes in the report. Need to consider that if starter homes are more expensive than entry level owner occupation who can afford them and whether they will help meet the need for affordable housing. Alternatively are they just a way for people in the private rented sector to afford housing.

It was questioned whether the approach would create misleading results as values in Dover are low compared to elsewhere in the District. HDH said that the PPG requires results at a District level and that there is so little new build housing from which to model starter home costs across the District, a District-wide approach was necessary. It was indicated that it



would be useful to consider starter homes at a more local level and HDH said that they can provide a steer, but it won't be a robust analysis.

A developer was concerned that starter homes will eat into sales of market houses and whether it was necessary to revisit s106 agreements to include them – there are still lots of unknowns and uncertainty around this product. Another developer questioned whether market prices increase to compensate for starter homes so they become meaningless?

### *Affordability test*

HDH outlined the affordability test used. For households to afford their housing the report has assumed that no more than 35% of the household income will be spent on housing. The old guidance assumed 25%. Research conducted locally with agents suggests that 30 – 40% household income is spent on housing, with some households in rented accommodation spending up to 50%. HDH questioned whether everyone thought 35% was an appropriate assumption? Everyone agreed that they were comfortable with the 35% assumption

HDH then outlined assumptions made concerning the treatment of the under 35's. Under 35's have been tested against their ability to afford a room in a shared house - the Census shows how younger people are living in shared houses. It is not the intention to exclude this group, just reflect existing practice in the market. Also, if this group applied for benefits they would receive it at a shared rate, unless they had other needs. HDH asked if there were any comments and no comments were noted.

### *The Private Rented Sector (PRS)*

The PPG at para 23 does not mention the PRS, however we can acknowledge the role of the PRS in meeting affordable need. It is necessary to consider how to deal with the PRS in this study. PRS frequently used as affordable housing, so it is logical to count PRS as a supply of affordable housing – the Council can discharge its duty in this way. However as the PRS doesn't meet the definition of affordable in the PPG it won't be counted as part of the overall affordable supply. Some delegates were concerned that we would be significantly discounting supply by not including the PRS, especially as there has been a significant increase in the PRS over the last 10 years. HDH were clear however that the Eastleigh decision made it impossible to include the PRS as supply within the affordable housing needs model.

### *The affordable housing need model*

The method for the calculation of affordable need for both Dover and Shepway was discussed. The housing supply table for Dover was questioned; does this include new provision/ re-lets/ new build? HDH confirmed that it did. It was pointed out that the model doesn't take into account change in Government policy, sale of council houses, impact of the right to buy, which all impact on affordable housing supply. HDH stated that this is correct, however the model is meant to be a snap shot in time. It was commented that half of the annual re-lets in Dover may need to be disposed of, which would impact supply.

It was asserted that the current delivery of affordable housing is very low and there is no evidence that Dover would be able to deliver the 167 units identified. HDH stated that this is a very specific way of calculating affordable need that is not without its weaknesses and that Inspectors take various views on whether housing targets should be uplifted or not. The



purpose of this work is to inform the housing target and you need to have a good reason not to include it. However this is a decision for the LA. Here, things like viability of past developments might be a consideration.

### *LTBHM results*

HDH stated that it was important to map the housing profile against the population profile. This shows what tenures are required in the future. In Shepway this shows that there will be an increase in single person households and a fall in households with children. It was questioned as to whether it was reasonable to have a more aspirational policy to bring about changes in social mix, by encouraging more 3/4 bed houses rather than 1/2 bed houses. HDH stated that it was as long as you can justify it.

### *Specialist groups*

With regards to the needs of specialist groups, HDH stated that it was necessary to consider whether to plan for need for older people in institutions separately. KCC stated that with regards to older people, there was less reliance on people going into care homes and that the policy is to encourage people to stay in houses for longer with care packages. This doesn't necessarily have to be their own home and could be sheltered housing. HDH asked KCC to provide further details on this for consideration in the study.

### *Written consultation*

A copy of the draft reports were sent to all of the attendees, as well as those originally invited that were unable to attend. All recipients were encouraged to feedback their views. The deadline for the consultation responses was 8<sup>th</sup> July (just over a two week period).

## **A.4 Consultation responses**

In total one organisation submitted a formal response to the consultation draft of the report. A summary of the points raised and how they have been addressed is set out in Table A1.2.

**Table A1.2 Comments received through formal consultation and a how they have been addressed**

<b>Respondent</b>	<b>Summary of comment</b>	<b>Response to comment</b>
Kent County Council	There is possibly a difficulty using the term 'sheltered housing' as it conjures up an image of a particular type of supported housing which may no longer be as relevant as it was. I'm sure there is a need for housing which meets the property size/type/design requirements of older people, however the term 'sheltered housing' tends to suggest the provision of support services alongside the housing provision. The on-going development of telecare services means that support to older people can be delivered in a much more flexible way and shouldn't necessarily require them to live in designated 'sheltered housing'. Choices around housing and support shouldn't only be available to older people as a single package	Clarification of what is meant by sheltered housing has been added to the report.



## APPENDIX B FURTHER JUSTIFICATION OF ASSUMPTIONS USED

### B.1 Under 35s

Paragraph 3.12 of the report indicates that shared accommodation is considered as appropriate accommodation for single person household 35 or under. This reflects the market reality in Shepway currently. The Census (Table LC1109EW - Household composition by age by sex) indicates that 7.2% of adults aged 34 or under in Shepway in 2011 lived as a single person household – 92.8% form part of a larger household with other people. Therefore, the assumption that it is reasonable to expect those under 35 that can afford to share a home to actually do this corresponds with the current behaviour of this group and that the appropriate market boundary for under 35s is shared accommodation rather than a one-bedroom home.

In the SHMA we have in effect presumed that 27.4% of single people under 35 can form part of a shared household. The overwhelming majority of these people are newly forming households. The English Housing Survey (EHS) (table FA211) indicates that of all single person newly forming households (including those aged over 35) 34.0% form part of a shared household. Were it possible to interrogate those just under 35 it is very likely that this proportion would be even higher as older single person households are more likely to live alone. The data from the EHS indicates that the assumptions are in line with national occupational behaviours.

Lastly, the vast majority of single persons under 35 in the model are newly forming households. CORE data indicates that over the last three years an average of 53 newly forming households have been housed within affordable accommodation annually. Our model indicates that there are 242 newly forming households that will need affordable housing each year (once those suitable for shared accommodation have been deducted). It is clear therefore that the need arising from this group has not been artificially reduced.

### B.2 The affordability threshold

Paragraph 5.9 of the report indicates that the affordability test in the affordable housing need model is based on the cost of housing constituting no more than 35% of gross household income. The figure of 35% was based on discussions with letting agents and mortgage brokers about the workings of the LOCAL market. Landlords want to let property at a rent that the tenant can afford so to avoid the expense of recovering rent arrears, evictions and re-letting and lenders want to avoid the expensive repossession process. Both go to some length to ensure properties are affordable to the tenants or occupiers. Letting agents use credit reference agencies (such as Experian) and lenders require potential borrowers to fill out very detailed forms on all aspects of a household's expenditure.

The comments from letting agents were varied (some did not wish to engage). It was clear that multi person households (either living as couples or just together) spend a relatively greater proportion of their income on housing and that for larger properties this may be over 50%. The letting agents considered that this to be affordable – because the household afforded it (as evidenced by the fact that they do not fall into arrears). Lower down the



market, at the level we are considering (i.e. the lower quartile point) the general feedback was in the range of 30% to 40% of gross household income - although it was stressed that references are also important.

In order to check this, housing associations were also consulted and their feedback was that, in relation to new tenants of affordable housing (social rent or affordable rent), that they would be concerned if a tenant, not in receipt of Housing Benefit, was spending more than 40% of their gross income on housing and 33% to 35% was the norm.

Although less important for the assessment of Affordable Need (as rental housing is less expensive than buying) we also enquired of estate agents and brokers (particularly in-house financial advisors based in estate agents). Generally, the feedback was that a single person with a good credit record could borrow about 4.5 times their gross income, but somebody with a less good record could borrow up to about 4 times. For couples, as a multiple of joint incomes, the ability to borrow is a little less (but as joint incomes are considered they can borrow more overall). Couples can generally borrow 3.5 times their joint income.

Our findings were (as they have been where we have carried out similar studies) that higher income households tend to spend a greater proportion of their income on housing.

There are a range of secondary sources that support the approach taken. There are two main approaches to measuring housing affordability: a proportional measure and a residual measure. The focus of the proportional measure is on the rent of the dwelling and the income of the household. Residual income is sometimes used by policy makers to quantify government income assistance and is influential in determining the eligibility and levels of housing subsidies. Residual income is the income a household has left over after they have paid housing costs.

At a national level, the most common way of measuring affordability is through the use of housing cost to income ratios and it is widely accepted that the traditional (gross) housing cost to income ratio is the most useful single objective measure.

In the England, there is no official definition of housing affordability. In 1999 the National Housing Federation (NHF) (the representative of over 900 Housing Associations in England) defined affordable rents as those below 25% of household income for new tenant households in work (NHF, 1999). The Department of Communities and Local Government in 2007 adopted the same definition as set out at paragraph 69 above – but accepting that ‘Local circumstances could justify using different proportional figures’.

Despite its use as a ‘rule of thumb’ measure for some years the 25% gross income housing affordability ratio is unrealistic. According to Social Housing (How to assess the affordability of rents, 26 August 2015), 30%-35% of gross income, or 40%-45% of net income, is common.

We have reviewed the Retail Price Index (RPI) Basket – this is the basket of goods that the ONS base the RPI on. The weighting for rent has increased from 47 in 2001 to 83 in 2016. This is a 57% increase, meaning (in broad terms) that people are generally spending more of their income on rent than they used to. Over the same period the cost of nearly everything else has fallen. The rental weight includes all rents – including social, affordable and market rents. The RPI includes all households in all tenures so is averaged across all – so each basket not only contains rent, but also mortgages and recognises some households own their houses outright.





The Government's Money Advice Service suggests that on average families require a minimum income of £18,180 including a housing cost component of £8,028 or 44% of total costs.

According to the English Housing Survey (EHS) 2014/15, on average, those buying their home with a mortgage spend 19% of their income on mortgage payments, whereas rent payments were (on average) 31% of income for social renters, and 43% of income for private renters. Excluding housing benefit, the average proportion of income spent on rent was 42% for social renters and 52% for private renters. Alternatively, comparing gross income with housing costs, the EHS 2014/15 found the proportion of income spent on rent was 43% when considering income from the main householder and partner, or 34% when considering income from all household members. All of these data sources indicate that taking 35% as the threshold for our work is robust.



