

Affordable Housing Needs
Assessment
Technical Paper for Tandridge District
Council

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1. Introduction

- 1.1 Affordability has become a well-recognised challenge to the operation of the national housing market, and the ability of households to access housing that they are able to afford is fundamental to meeting policy objectives.
- 1.2 The National Planning Policy Framework (NPPF) requires local authorities to assess the number of affordable homes that are evidenced as being required. Affordable housing is defined within the NPPF:

“Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative housing provision”¹
- 1.3 Delivery of housing is recognised as a core strand of the NPPF, with a number of expectations of local authorities, including:

“Where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time”²
- 1.4 Planning Practice Guidance (PPG) provides detail on the approach to be adopted in the calculation of affordable housing needs, highlighting that this assessment is separate to the objective assessment of need (OAN) and noting that:

“Plan makers working with relevant colleagues within their local authority (e.g. housing, health and social care departments) will need to estimate the number of households and projected households who lack their own housing and who cannot afford to meet their housing needs in the market

“This calculation involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock”³
- 1.5 The PPG also provides guidance on how affordable housing need should be taken into account in policy development:

“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

¹ DCLG (2012) National Planning Policy Framework (p50, Annex 2)

² DCLG (2012) National Planning Policy Framework (para 50)

³ http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_022

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”⁴

- 1.6 This suggests that any uplift to the housing figure through the development of Local Plan policy to assist in the delivery of identified affordable housing need should be viewed as separate and distinct from any uplift to the OAN applied to reflect market signals. This recognises that the PPG calculation methodology for deriving an OAN and the stepped calculation to estimate affordable housing need follow two separate and distinct methodologies and cannot be directly compared⁵.
- 1.7 This paper has been prepared to calculate the need for affordable housing in Tandridge, following the methodology in the PPG. The report is structured as follows:
 - **Section 2 – Calculating Affordable Housing Needs** – the need for affordable housing is calculated, following the stepped methodology in the PPG and broken down by the size of housing required;
 - **Section 3 – Role of Other Housing Tenures** – although not defined as affordable housing, the private rented sector also plays a considerable role in meeting affordable housing needs. The extent of this role is considered in this section, alongside an assessment of the contribution that intermediate tenures can make to addressing affordable housing needs alongside traditional social housing;
 - **Section 4 – Impact of Welfare Reforms** – this section outlines recent and anticipated welfare reforms, and considers the extent to which this may impact on the calculated need for affordable housing; and
 - **Section 5 – Conclusions** – the evidence presented in the report is drawn together to establish a PPG compliant calculation of the need for affordable housing in Tandridge and other factors which should be considered in developing housing policies within the Local Plan.

⁴ http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_029

⁵ The PAS Guidance document titled ‘Objectively Assessed Need and Housing Targets: Technical advice note’ (July 2015, second edition) highlights this issue at paragraphs 2.13 – 2.15 and in section 9.

2. Calculating Affordable Housing Needs

- 2.1 The PPG includes clear guidance on the methodology for calculating affordable housing need, with a requirement to identify current unmet housing need, estimate future projected housing need and subtract this from the current supply of affordable housing stock⁶. This methodology is well established, with a comparable stepped approach advocated in the now superseded 2007 SHMA Guidance⁷.
- 2.2 The calculation provides an estimate of the volume of affordable housing required on an annual basis to meet need. This is based on data supplied by the Council and secondary datasets identified throughout.
- 2.3 Each stage of the calculation is summarised and explained sequentially in this section, with the calculation broken down by the size of property required.

Current Unmet Gross Need

- 2.4 At the current point in time, as a result of sustained affordability issues across the country over a number of years, the majority of areas have an existing unmet need for affordable housing, with a backlog of households classified as in need. This backlog can be considered to be made up of a range of types of household in need, from those in urgent need of housing – without a current permanent home – to those who are living in overcrowded and substandard homes, but are already housed. This component of the calculation consists of three stages, introduced and presented below.

Stage 1 – Current Housing Need (Gross Backlog)

- 2.5 This stage outlines the number of households currently classified as in need of affordable housing, drawing upon analysis of the current Housing Register for Tandridge.
- 2.6 The Housing Allocation Scheme⁸ confirms that applicants have their priority assessed according to their eligibility for the register, their entitlement to housing need or reasonable preference, their local connection and a financial assessment. Priority is awarded to applicants entitled to reasonable preference, in accordance with section 167(2) of the Housing Act 1996. Applicants are further assessed based on their local connection to Tandridge, and the financial resources available to them.
- 2.7 Preference bands are briefly summarised below, with further detail available in the Council's Allocation Scheme document⁹:
 - **Band A** – households needing to move because of an emergency – usually on health or welfare grounds – or because the Council needs to move them urgently to create vacancies for others in housing need;

⁶ <http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/>

⁷ DCLG (2007) Strategic housing market assessments: practice guidance

⁸ Tandridge District Council (2015) Housing Allocation Scheme

⁹ Ibid

- **Band B** – priority homeless households, those with accommodation in severe disrepair or lacking basic facilities or sufficient bedrooms, or those with an urgent need on medical or welfare grounds are placed within this band, unless they do not have a local connection with Tandridge or have a high or moderate income;
- **Band C** – households with limited security of tenure, other homeless households – or those living in unsuitable accommodation which may be in disrepair – key workers and those with a need for alternative accommodation on medical or welfare grounds are placed within this band, again unless they lack a local connection to Tandridge or have a high or moderate income;
- **Band D** – applicants with any of the housing needs detailed above but either have a high or moderate income or do not have a local connection to Tandridge are placed within this band, receiving a lower preference; and
- **Band E** – applicants who have none of the housing needs detailed above.

2.8 In order to inform the assessment in this section, the waiting list has been filtered to identify those in priority need of housing, and not those considered to have little or no need. Bands A – C are therefore considered appropriate to estimate current need with these forming the definition of reasonable preference category used by the Council. Households in other bands are allocated a lower preference – due to moderate or high income, or a lack of a local connection – or no preference.

2.9 On this basis, the assessment of current need assumes that all households in need – including homeless, overcrowded and concealed households – are currently registered on the waiting list. This is considered appropriate given that the waiting list contains a range of households in need, including homeless and overcrowded households. As stated above, in order for households to be classified in Bands A – C, consideration is given to their ability to afford market housing, with households with moderate or high incomes placed in a lower priority band given that it is assumed that they may be able to meet their needs through market housing¹⁰. All households within Bands A – C are therefore considered to be in need of affordable housing, and unable to afford the housing they need in the market.

¹⁰ A detailed explanation of the financial resources test is included in the 'Housing Allocation Scheme' published by Tandridge District Council Housing Services (July 2015). This includes a table establishing minimum income levels for low cost home ownership which are used as a threshold with households identified as having incomes higher than these levels considered to be able to access market housing suitable to their needs.

Figure 2.1: Stage 1 – Current Housing Need

Step	Source	Bedrooms				Total
		1	2	3	4+	
1.1 Number of homeless households and those in temporary accommodation	Extracted directly from the Housing Register	26	24	9	0	59
1.2 Number of overcrowded and concealed households not in affordable housing	Housing Register (Bands A – C), excluding those identified at Step 1.1	415	294	95	7	811
1.3 Other groups on Housing Register including households from other tenures in need						
1.4 Existing affordable housing tenants in need	Number of households on Housing Register who are currently Council or housing association tenants	95	43	39	3	180
1.5 Total current housing need (gross)	1.1 + 1.2 + 1.3 + 1.4	536	361	143	10	1,050

2.10 The evidence suggests that there is a sizeable current gross need for affordable housing in Tandridge, with 1,050 households currently in need of an affordable property. This includes households who currently occupy affordable stock, while there are also a relatively small number in temporary accommodation or homeless. The greatest backlog need relates to smaller property with one or two bedrooms.

2.11 The assessed current need is based solely on households identifying themselves as in need by registering for affordable housing via the waiting list. A range of other data sources can also be considered to understand the extent to which households' needs are not being met, such as the 2011 Census.

2.12 As shown in the separate analysis of market signals¹¹, according to the 2011 there were around 1,000 households in Tandridge with at least one fewer bedroom than required – based on the bedroom standard – with higher levels of overcrowding in the social and private rented sectors¹². Indeed, there were around 700 households in market housing

¹¹ Turley (2015) Analysis of Market Signals – Technical Paper for Tandridge District Council

¹² 2011 Census – 8.5% of social rented households contain at least one fewer bedroom than required; 6.8% of private rented households and 1.7% of owned or shared ownership households

who are overcrowded, suggesting that these households were as of 2011 not adequately meeting their needs in the private housing market. It is, however, likely that some of these households may be able to afford to continue to meet their needs through the private market, and there may be other non-financial factors behind their overcrowded status.

- 2.13 The 2011 Census also suggested that there were also approximately 300 concealed families who may be constrained from forming and could therefore be considered as being in need. Again, a proportion of these may not necessarily be eligible for affordable housing, based upon the income they have available.
- 2.14 Collectively – though these indicators are not mutually exclusive – there are a number of households in Tandridge who are overcrowded in the private housing market, and there are also concealed families in the district. There is a relatively strong alignment with the total current need suggested by the Housing Register, which evidently represents a more up-to-date position which takes account of the financial capacity of households.

- 2.15 As the PPG identifies, it is important to avoid double-counting:

“Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market”¹³

- 2.16 The Census 2011 data analysis therefore provides a useful validation of the analysis of the Housing Register. On this basis – and recognising the need to avoid double-counting – the analysis therefore bases the estimate of current need on the Housing Register exclusively in this calculation.

Stage 2 – Affordable Housing Supply

- 2.17 Analysis has been undertaken of the current amount of affordable housing available to address this backlog. This considers known stock which could be brought back into use and stock currently occupied by tenants which would become available if their current needs are met (identified as part of the current need in Stage 1). These supply factors are offset by a known amount of stock which will be taken out of management and therefore no longer form part of the affordable housing supply.
- 2.18 As per the PPG¹⁴, consideration also needs to be given to the scale of committed supply of new affordable housing over the next five years with this providing additional capacity to address the backlog identified in Stage 1.
- 2.19 Collectively, this provides an indicator of the total affordable stock which will be available to meet identified backlog needs, again broken down by the size of property required.

¹³ http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_024

¹⁴ http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_029

Figure 2.2: Stage 2 – Affordable Housing Supply

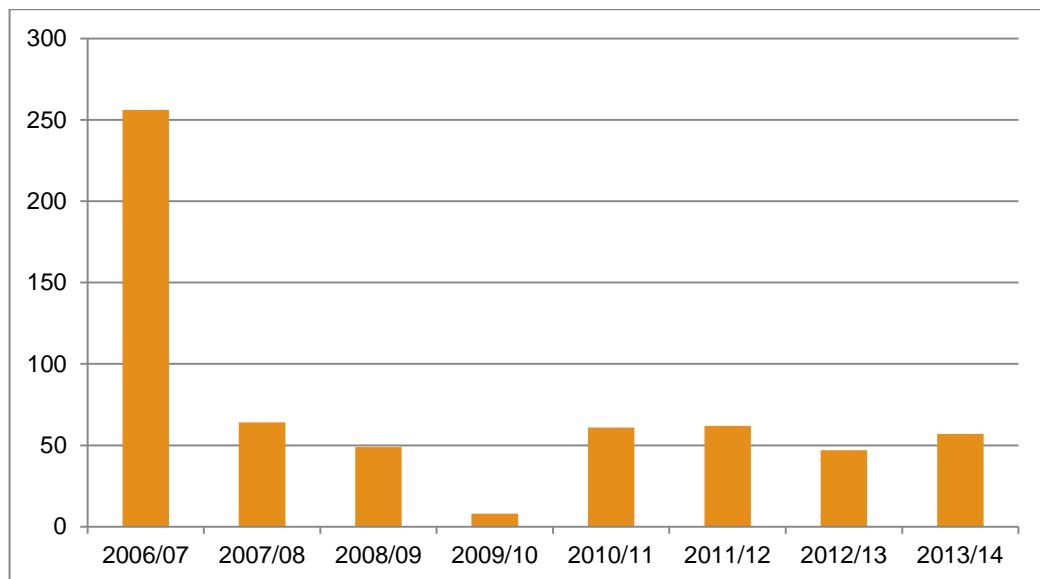
Step	Source	Bedrooms				Total
		1	2	3	4+	
2.1 Affordable dwellings occupied by households in need	Households identified at Step 1.4 which are transfers	95	43	39	3	180
2.2 Surplus stock	Long-term vacant (over 6 months)	0	0	0	0	0
2.3 Committed supply of new affordable housing	Commitments for next five years	6	5	5	1	17
2.4 Units to be taken out of management	Committed demolitions and replacements	1	8	0	0	9
2.5 Total affordable housing stock available	2.1 + 2.2 + 2.3 – 2.4	100	40	44	4	188

2.20 It is evident that the majority of the identified supply of affordable housing stock is made up of property which is currently occupied by households identified as in need through Stage 1. There is only a comparatively limited supply of additional new affordable housing in Tandridge which will become available early in the plan period to meet the identified backlog need. While there is a committed supply of new affordable housing, a number of temporary properties are planned to be removed from the supply in early 2016 due to their poor condition.

2.21 The committed supply of affordable homes appears to be relatively low in the context of recent completions, which are shown in the following graph based on Council monitoring¹⁵. This suggests that an average of 47 new affordable homes have been completed annually over the past five years. It is understood that factors such as the viability of development sites have impacted on overall levels of completions of affordable housing. Whilst the identified committed supply is relatively low it is evident that the delivery of affordable housing in the authority, subject to viability, would be expected to continue. This will need to be monitored by the Council in the future.

¹⁵ Tandridge District Council (2014) Authority Monitoring Report 2013/14

Figure 2.3: Affordable Housing Delivery 2006/07 – 2013/14



Source: Tandridge District Council, 2014

Stage 3 – Shortfall in Affordable Housing to Meet Current ‘Backlog’ Housing Need

2.22 The output from Stage 1 is subtracted from Stage 2 to provide a total backlog need, which is divided by five to translate into an annual figure that would address backlog early in the plan period. The PPG does not explicitly identify the use of a five year period within the methodology for calculating affordable housing need, however, there is an emphasis within the PPG in relation to the provision of housing to meet existing needs within a 5 year timeframe:

“Local authorities should aim to deal with any undersupply within the first 5 years of the plan period where possible. Where this cannot be met in the first 5 years, local planning authorities will need to work with neighbouring authorities under the Duty to Co-operate”¹⁶

2.23 As the calculation assumes that the backlog of need is addressed in full early in the plan period, this will need to be carefully monitored and considered in the context of the likely potential to deliver this level of stock. This reflects delivery mechanisms and the availability of finance and funding.

2.24 It is also important to recognise that this backlog cannot be directly factored in to the objective assessment of need, given the relationship between market and affordable housing. With some households on the waiting list currently occupying market housing, the provision of new affordable housing to clear the identified backlog would free up market stock for other households addressing the overall ‘net’ need.

¹⁶ http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-land-availability-assessment/stage-5-final-evidence-base/#paragraph_035

Figure 2.4: Stage 3 – Historically Accumulated ‘Backlog’ Need (Net Annual)

Step	Source	Bedrooms				Total
		1	2	3	4+	
3.1 Shortfall in affordable housing to meet current ‘backlog’ housing need (annual)	(1.4 – 2.5) / 5	87	64	20	1	172

2.25 Overall, the calculation indicates that there is a need to provide an additional 172 affordable homes annually in Tandridge for the first five years of the plan period, in order to clear the existing backlog. Around half of this need relates to one bedroom properties, with a relatively sizeable need also identified for two bedroom stock.

Calculating Annual Net New Need

2.26 As with market housing, there is an underlying level of demand as new households form and require a property. In the context of the current economy and the housing market, a significant proportion of these newly forming households are likely to face challenges in gaining entry to market housing, subsequently driving need for affordable housing. In addition to new households, existing households also fall into affordable housing need as household circumstances change, resulting in their current housing situation no longer being appropriate and a requirement for affordable housing arising. This needs to be balanced against the supply of affordable housing available in an area to meet these needs. Again, a stepped approach to the calculation is required, as set out below.

Stage 4 – Future Housing Need

2.27 The PPG provides guidance on how the future need for affordable housing should be estimated:

“Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need. This process should identify the minimum household income required to access lower quartile (entry level) market housing (plan makers should use current cost in this process, but may wish to factor in changes in house prices and wages). It should then assess what proportion of newly forming households will be unable to access market housing”¹⁷

2.28 A gross household formation rate has been calculated, based on the demographic modelling and concluded objectively assessed need (OAN) for Tandridge, established by NMSS. This is calculated by considering changes in the number of households in specific five year age bands relative to the numbers in the age band five years previously. In order to provide a more representative assessment of newly forming

¹⁷ http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/methodology-assessing-housing-need/#paragraph_025

households, these estimates are limited to households where the head of household is aged 15 to 44.

- 2.29 The proportion of newly forming households who are unable to afford market housing can be estimated based on the application of affordability benchmarks. This compares the income profile of Tandridge residents with the cost of different tenures of property in the district.
- 2.30 The Allocations Scheme¹⁸ published by the Council explains that applicants are assessed based on their income, with less priority given to households with moderate or high incomes that may be able to afford market housing. The methodology adopted by the Council in undertaking this financial assessment assumes that households can reasonably spend up to 30% of their gross income on the cost of housing.
- 2.31 This implies that in appraising the need for affordable housing the Council considers that a household can affordably spend up to 30% of their income on the cost of home ownership – i.e. mortgage repayments – or private rent. This position also accords with research published by the Resolution Foundation – cited by both Shelter and the Joseph Rowntree Foundation – which suggests that households spending more than a third of their income on rent could experience material hardship or struggle to make housing repayments¹⁹. On this basis, it is considered reasonable to assume that those newly forming households who would have to spend over 30% of their income on the cost of market housing would generate a need for affordable housing.
- 2.32 Based on this assumption, an assessment can be undertaken to determine the cost of privately renting or purchasing a home in Tandridge. VOA data has been used to determine the lower quartile rent over the year to March 2015, broken down by different sizes of property. The cost of purchasing a home can be estimated based on Land Registry data for the calendar year of 2014, although this cannot be broken down by the size of property. This is broken down by type, however, and in order to reflect different products in the housing market, it is considered appropriate that the cost of purchasing a one bedroom property can be estimated based on the lower quartile price for a flat in Tandridge. The lower quartile price for all other types of property is used as a benchmark for all other sizes of property. Annual mortgage repayments are estimated, based on an assumed 5% deposit with repayment over a 25 year period at a fixed interest rate of 3%. These assumptions are made based on standard mortgage terms in the UK, although it is noted that longer term mortgages – such as 35 year repayments – are offered by some providers. These mortgage products would serve to reduce the income required to purchase housing with a mortgage in Tandridge. With regards to assessing the capacity of households to access market housing it is considered appropriate, however, to use the standard mortgage terms rather than longer repayment periods recognising that the availability of different mortgage products varies and is dependent upon individual household's financial circumstances.

¹⁸ Tandridge District Council (2015) Housing Allocation Scheme (p13)

¹⁹ Resolution Foundation (2014) Housing pinched: understanding which households spend the most on housing costs

2.33 With the benchmarks for accessing different tenures established, this can be compared against the income profile of Tandridge. This draws upon CACI data – sourced in 2015 – which shows the proportion of households in the district in each income band²⁰.

Figure 2.5: Income Required to Access Market Housing

	Lower quartile	Annual cost	Income required	% of households unable to afford
Market purchase	£249,950	£19,308	£64,359	71%
Flat	£170,000	£13,132	£43,773	52%
Other	£306,000	£23,637	£78,791	81%
Privately rent	£10,500	£10,500	£35,000	39%
1 bed property	£8,400	£8,400	£28,000	32%
2 bed property	£10,800	£10,800	£36,000	39%
3 bed property	£14,700	£14,700	£49,000	57%
4+ bed property	£19,800	£19,800	£66,000	71%

Source: Turley, 2015; CACI, 2015

2.34 The table suggests that the private rented sector represents a more affordable tenure of property for households in Tandridge, with a lower income required to access property in this tenure. 32% of households, however, are unable to afford the cost of privately renting a one bedroom property, suggesting that they will either require affordable housing or spend a greater proportion of their income on rent. Both factors could, however, be influenced by the operation of the housing market, with some households choosing to spend a higher proportion of their income in preference to seeking affordable housing. As noted earlier, however, in order to assess needs assuming that households spend higher proportions of income on housing costs is not considered to be sustainable in the context of wider national policy objectives.

2.35 While the assessment has considered the varying costs associated with property of different sizes, the 2012 SNHP does not currently include sufficient detail to understand the size of households forming, creating a challenge in understanding the size of housing required. For this reason, an overall assumption has been made at Step 4.2 that households unable to require the cost of privately renting a two bedroom property at the lower quartile require affordable housing. This is considered a valid proxy in the context of the assumption that the majority of newly forming households will not need properties with greater numbers of bedrooms²¹. The size profile of these households is assumed to reflect the size of current households in Tandridge – excluding those who are owner occupiers – based on the 2011 Census.

²⁰ CACI income bands are based on £5,000 intervals, and therefore costs have been rounded to the nearest £5,000

²¹ The release of additional detailed household type data underpinning the 2012 SNHP by the DCLG should be monitored with the analysis updated if the data suggests this is appropriate.

2.36 In addition to these newly forming households, a number of households fall into need from other tenures, and require affordable housing on an annual basis. These are labelled as 'existing household falling into need'. In order to estimate the total number of such households annually, this incorporates the number of lettings from other tenures during one year – i.e. those who have had their affordable housing need met during this period – and the number of households who remain on the Housing Register having registered as being in priority need (Bands A – C) during the same period. This indicates that they did not receive a letting and their need was not met during this time. Consideration of these components in composite results in an annual flow of households who have fallen into affordable housing need from other tenures, irrespective of their receiving a letting or not. This is based on annual averages between 2012/13 and 2014/15.

2.37 The inputs of this stage of the calculation are presented in the following table.

Figure 2.6: Stage 4 – Future Housing Need (Annual)

Step	Source	Bedrooms				Total
		1	2	3	4+	
4.1 New household formation (annual)	Gross annual household formation (SNHP 2012)	–	–	–	–	711
4.2 Newly forming households in need	Proportion of households unable to purchase or privately rent in the open market (assuming LQ rent for 2 bed property)	–	–	–	–	39%
	Number of households unable to afford to purchase or privately rent in the open market (assuming LQ rent for 2 bed property)	78	103	74	20	275
4.3 Existing households falling into need	Households registering from other tenures and either receiving a letting or joining the Housing Register (2012/13 – 2014/15)	84	81	33	3	201
4.4 Total newly arising need (gross per year)	(4.1 x 4.2) + 4.3	162	184	107	23	475

2.38 The assessment suggests that 711 gross households will form annually in Tandridge, of which 275 would need to spend more than 30% of their income on the cost of privately renting a two bedroom property at the lower quartile. With the earlier analysis showing that a lower income is required to rent a one bedroom property, some of these households will be able to affordably meet their needs in property of this size, although there will evidently also be households who will require a larger property. Assuming that the size of these households follows the current profile of renting households in Tandridge implies a need for property of all sizes from newly forming households, particularly for two and three bedroom stock.

2.39 In addition, around 200 households can be expected to fall into need from other tenures. This generally results in a need for smaller properties, potentially implying a need to downsize due to changing household circumstances and affordability issues. It is important to note, however, that these households are currently housed through other tenures, and as such – whilst this figure is based on allocations to Bands A – C – they are more likely to receive lower priority relative to those who are not currently housed, based on the Council's Allocations Scheme. This has not been directly taken into account in the calculation above, however.

Sensitivity Testing

2.40 As recognised in the separate paper on market signals²², Tandridge has historically faced significant affordability issues, with a relative imbalance between earnings and house prices compared to the national profile. While this has worsened over recent years, even in the late 1990s households were required to spend around 6 years' income on the cost of purchasing a lower quartile home. This exceeded the national average of approximately 3.6 times, and – as noted in the market signals paper – this is likely to reflect the demographic of the area, with older households more likely to have access to capital which can offset the impacts of this balance to an extent.

2.41 Where households do not have access to this capital, they have increasingly sought to access alternative housing tenures, resulting in substantial growth in the private rented sector. As shown in the market signals paper, however, this has increased demand pressures on private rented stock in Tandridge, resulting in price increases and notably high average rental values. Assuming that households spend no more than 30% of their income on the cost of renting results in a high income requirement to access this tenure of housing, implying that 32% of households are unable to rent even a one bedroom flat in the district.

2.42 While there is a sizeable backlog on the Housing Register – as summarised earlier in this section – the 1,050 households in current need of affordable housing represents only around 3% of all households in Tandridge²³. This suggests that rather than registering on the waiting list, many households in Tandridge are likely to be spending a higher proportion of their income on renting to enable them to access market housing. This is a recurring issue apparent in authorities within and neighbouring London²⁴.

²² Turley (2015) Analysis of Market Signals – Technical Paper for Tandridge District Council

²³ Based on 33,342 households recorded in 2011 Census

²⁴ ONS (2015) Housing Summary Measures (Table 6 – Median monthly private sector rent as a proportion of median gross monthly salary by local authority district, 2014)

2.43 Whilst – in the interests of improving the accessibility of housing in Tandridge – a transition towards a situation where households spend a smaller proportion of their incomes on housing would be desirable, this would require a significant departure from the long-term trend. Such a substantial shift may be unlikely in the short-term, and therefore a process of sensitivity testing can be undertaken to establish the impacts of assuming a greater proportion of income is spent on rent.

2.44 The following table therefore shows the income required to access lower quartile rents in Tandridge for property of different sizes, based on assumptions that a household will spend between 30% and 40% of their income on rent. This illustrates the sensitivity of this component of the calculation to this assumption.

Figure 2.7: Income Required to Access Private Rented Sector – Sensitivity

	Lower quartile	Income required		
		30%	35%	40%
Privately rent 1 bed property	£8,400	£28,000	£24,000	£21,000
Privately rent 2 bed property	£10,800	£36,000	£30,857	£27,000
Privately rent 3 bed property	£14,700	£49,000	£42,000	£36,750
Privately rent 4+ bed property	£19,800	£66,000	£56,571	£49,500

Source: Turley, 2015

2.45 The earlier analysis can be replicated by comparing these benchmarks with the income profile of Tandridge – drawn from CACI data – in order to illustrate the proportion of newly forming households who can afford to access property of different sizes.

Figure 2.8: Proportion of Households Unable to Afford Private Rent – Sensitivity

	Lower quartile	Income required		
		30%	35%	40%
Privately rent 1 bed property	£8,400	32%	25%	19%
Privately rent 2 bed property	£10,800	39%	32%	25%
Privately rent 3 bed property	£14,700	57%	45%	39%
Privately rent 4+ bed property	£19,800	71%	63%	57%

Source: Turley, 2015

2.46 Assuming that a household spends a greater proportion of their income on rent subsequent increases their ability to access private rented property of all sizes. The assessment assumes that 275 newly forming households per annum would need to spend more than 30% of their income on renting a two bedroom property (Figure 2.6), implying that their needs will need to be met through affordable housing.

2.47 If the assumption is made that newly forming households spend up to 40% of income on rent this reduces this figure by 94 households to 180 newly forming households per annum requiring affordable housing²⁵. This could lower the overall level of calculated newly arising affordable housing need in Tandridge, although the 30% assumption is retained in the main assessment to align with the Council's Allocations Policy and to reflect research by the Resolution Foundation²⁶.

Stage 5 – Affordable Housing Supply

2.48 The annual amount of affordable housing anticipated to be made available each year can be estimated, based on the number of lettings which have become available for non-transfer tenants in the past. This is drawn from lettings data provided by the Council, which covers a three year period from 2012/13 to 2014/15 and therefore allows an annual average to be calculated.

2.49 In addition, an estimate has also been made of the number of intermediate units likely to become available each year. This has been drawn from CORE data published by DCLG, which shows the number of shared ownership sales in 2012/13 and 2013/14. An annual average has been calculated and input to the calculation.

Figure 2.9: Stage 5 – Affordable Housing Supply (Annual)

Step	Source	Bedrooms				Total
		1	2	3	4+	
5.1 Annual supply of social re-lets (annual net)	Lettings excluding transfers (annual average from 2012/13 – 2014/15)	104	59	15	2	179
5.2 Annual supply of intermediate affordable housing available for re-let or resale at sub-market levels	Sales data from CORE (average 2012/13 – 2013/14)	0	3	5	4	12
5.3 Annual supply of affordable housing	5.1 + 5.2	104	59	20	6	191

2.50 The evidence suggests that there is only a limited supply of new affordable housing in Tandridge likely to become available on an annual basis, and it is notable that this largely aligns with the number of existing households falling into need each year in the district. This suggests that supply is currently meeting only a subset of newly arising demand, and this is likely to explain why a sizeable backlog has developed over recent years in Tandridge. Again, there is an evident skewing towards smaller properties, with over 85% of annual supply containing fewer than two bedrooms.

²⁵ 14% of households unable to afford based on 30% threshold (39%) but able to afford based on 40% threshold (25%), applied to gross household formation rate at Step 4.1 (669) (figures may not sum due to rounding)

²⁶ Resolution Foundation (2014) Housing pinched: understanding which households spend the most on housing costs

Stage 6 – Annual Net New Need

2.51 The output from Stage 5 can be subtracted from Stage 4 to provide an estimate of the number of households likely to have unmet needs for affordable housing, which – unless sufficient new stock is available to meet annual calculated needs in full – will add to the backlog position annually. This does, however, assume that only 30% of income is spent on rent, with a continuation of households spending a higher proportion of income on rent likely to reduce the newly arising need for affordable housing in Tandridge.

Figure 2.10: Stage 6 – Annual Net New Need

Step	Source	Bedrooms				Total
		1	2	3	4+	
6.1 Net new need (annual)	4.4 – 5.3	57	123	87	17	284

2.52 The assessment suggests that newly arising needs will not be met by the existing supply of affordable housing in Tandridge, with a shortfall of 284 affordable homes annually. This relates to property of all sizes, particularly those with two or three bedrooms.

Total Affordable Housing Need

2.53 The final element of the calculation is the identification of the total affordable housing need on a net annual basis, which is calculated by adding the two components introduced above to derive the net annual need.

2.54 Recognising the importance of seeking to address the backlog within a reasonable timeframe²⁷ the analysis in this section assumes that the backlog is cleared within a five year time horizon. On this basis, a five year affordable need figure is presented, alongside a longer term net affordable figure.

2.55 This shows an estimated extrapolation of projected need once the backlog has been cleared, although it is important to note that this is based on information at a fixed point in time and does not take account of future changes to the housing market. The longer term net need over the plan period therefore assumes that future need is simply associated with the annual net new need for the remainder of the plan period.

²⁷ As noted earlier in this section the PPG identifies that the undersupply of housing should be addressed within a 5 year period. Whilst this element of the calculation of need does not directly relate to an undersupply position given that it is existing need it is also considered appropriate to address this within the same timeframe.

Figure 2.11: Stage 7 – Total Affordable Housing Need (Net Annual)

Step	Source	Bedrooms				Total
		1	2	3	4+	
7.1 Shortfall in affordable housing to meet current 'backlog' housing need (annual)	3.1	87	64	20	1	172
7.2 Newly arising future need (net annual)	6.1	57	123	87	17	284
7.1 Net annual affordable housing need	3.1 + 6.1	144	187	107	18	456

2.56 The assessment suggests that there is a net need for **456 affordable homes per annum over the next five years**, in order to clear the existing backlog whilst meeting newly arising need over this period. Much of this relates to smaller properties, with around three quarters of need over the next five years relating to property with two bedrooms or fewer.

2.57 Once the backlog is cleared, only newly arising need will need to be met, requiring **284 affordable homes annually for the remainder of the plan period**. This will generate a need for property of all sizes – particularly those with two and three bedrooms – although there is uncertainty about the size of households forming due to the absence of detail in the official 2012-based household projections.

3. Role of Other Housing Tenures

- 3.1 Section 2 has calculated the need for affordable housing in Tandridge, through an identification of the number of households in current need of housing and a projection of households who will be unable to afford market housing in the future. This assumes that households who cannot afford market housing will require affordable housing.
- 3.2 There are, however, other options available to households who cannot afford market housing. The private rented sector – in tandem with local housing allowance – can play a role in meeting affordable housing needs, although this is not formally recognised in the definition of affordable housing. Intermediate products can also provide housing at sub-market levels. The contributions of these products are therefore considered in further detail in this section.

Intermediate Products

- 3.3 Intermediate housing products can play an important role in bridging the gap between social renting and owner occupation, allowing households to move towards owner occupation by renting whilst acquiring equity in their property. As a result, this type of housing tenure can provide an important step on the housing ladder, which particularly appeals to first-time buyers and households with lower incomes. There were 313 households in shared ownership tenures in Tandridge at the 2011 Census, which shows that the tenure plays a small but important role in meeting identified housing needs.
- 3.4 The NPPF includes a definition of intermediate housing:

“Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing”²⁸
- 3.5 It is important to note, therefore, that intermediate products do not include affordable rent, nor homes provided by private sector bodies or provided without grant funding.

Affordability of Intermediate Dwellings

- 3.6 This section considers the potential role of intermediate housing in meeting affordable housing need, through analysis of demand for intermediate products and the relative affordability of such products in Tandridge. It is recognised that wider factors can constrain the ability of households in need to access intermediate products, including the viability of this tenure in low value locations and the requirements for obtaining a mortgage and deposit.
- 3.7 The shared ownership and shared equity market is now largely split between two separate products that deal with different markets. The traditional shared ownership model allows purchasers who meet low income criteria to typically buy between 25 – 40% of the equity, paying rent on the rest. A second product relates to Help to Buy shared equity, where purchasers with higher incomes pay 75% of the purchase price

²⁸ DCLG (2012) National Planning Policy Framework (p50, Annex 2)

and pay no rent. This product allows people to buy a property that is bigger, better or newer than what they could already afford, stimulating the new build construction market but remaining unaffordable to those on low incomes. The Government's promotion of starter homes also looks to provide homes available for young first time buyers at a minimum 20% discount²⁹.

- 3.8 This analysis draws upon the income tests utilised within section 2 to establish the proportion of households in need of affordable housing that are likely to be able to afford an intermediate housing product. This represents a subset of those who are unable to afford the cost of market housing, with social rented housing the only affordable option for remaining households based on standard affordability benchmarks.
- 3.9 For consistency with the assessment in section 2, the assumption that a household spends no more than 30% of their income on housing costs is retained. The lower quartile house price is utilised as a threshold, although it is important to note that this is based on new build sales only. This recognises that current shared ownership models are only available for new build homes, with the assumed cost therefore differing from the cost of open market housing, which also includes resale properties.
- 3.10 To reflect the traditional shared ownership model, the proportion of households unable to afford a 40% equity share in a new house at the lower quartile – plus the cost of annual rent – is established. This assumes an ongoing annual rent equivalent to 2.5% of the value of the unsold equity, allowing for a 40% equity purchase.
- 3.11 Secondly, to reflect the shared equity model, an additional scenario was tested to examine the impact of setting the income required to purchase at 75% of the purchase price of a new-build house at the lower quartile price in Tandridge.
- 3.12 The following table demonstrates the upper and lower income thresholds within which it is assumed households can afford intermediate housing in Tandridge, for both models, and this is broken down between flats and other types of property to illustrate the different income required to access different sizes and types of property in the district. The cost of market purchase – for flats and other types of property – and private rent is also presented for context. The table is sorted by the income required, with intermediate products highlighted in grey.

²⁹ These are understood to not represent an 'affordable' tenure on the basis of the NPPF definition.

Figure 3.1: Income Thresholds for Accessing Intermediate Housing

	Cost of purchase	Annual payment ³⁰	Annual rent	Income required
Market purchase – other ³¹	£306,000	£23,637	–	£78,791
75% shared equity – other	£305,063	£23,565	–	£78,550
Private rent – 4 bedroom	–	–	£19,800	£66,000
40% equity purchase plus rent – other	£162,700	£12,568	£6,101	£62,231
75% shared equity – flat	£234,375	£18,105	–	£60,349
Private rent – 3 bedroom	–	–	£14,700	£49,000
40% equity purchase plus rent – flat	£125,000	£9,656	£4,688	£47,811
Market purchase – flat ³²	£170,000	£13,132	–	£43,773
Private rent – 2 bedroom	–	–	£10,800	£36,000
Private rent – 1 bedroom	–	–	£8,400	£28,000

Source: *Turley, 2015; Land Registry, 2014*

3.13 An income of around £48,000 is required to afford a 40% shared equity purchase of a flat – with annual rent – with this notably exceeding the income required to purchase a flat outright. This is also more expensive than privately renting a smaller one or two bedroom property in Tandridge. 75% shared equity purchase continues to require a relatively high income, due to the higher upfront cost associated with this product.

3.14 Shared ownership is most likely to have an impact at the upper end of the market, with households who are unable to afford to purchase a non-flatted property or privately rent a home with four bedrooms or more likely to be able to afford the cost of a 40% equity purchase with annual rent. A flat can also be purchased through a 75% shared equity scheme for a lower cost, while a similar income would be likely to be required to afford a starter home depending upon the discount applied.

3.15 When considering the impact on the assessment presented in section 2, it is important to note that those households who are unable to afford the cost of privately renting a two bedroom property would require affordable housing. This identified those newly forming households who were likely to have a household income of £36,000 or less. This exercise suggests that a higher income would be required to access intermediate products in Tandridge, implying that those households who cannot afford to privately rent will also be unable to access intermediate products in the district. This tenure will therefore play only a limited role in meeting the needs of these households, with a need for new affordable housing to meet these needs therefore arising.

³⁰ Mortgage repayment over 25 years at fixed 3% interest rate, with assumed 5% deposit

³¹ New build and resale

³² New build and resale

Private Rented Sector

3.16 The private rented sector is not formally recognised as affordable housing, and therefore the available guidance does not take account of the role of the private rented sector in meeting affordable housing need. Furthermore, the definition of affordable housing presented in section 1 excludes the private rented sector.

3.17 However, the private rented sector has seen significant growth – both nationally and in Tandridge – with many households likely to have met their affordable housing needs through this sector as it has grown in scale. Indeed, 42% of households in priority bands on the Housing Register³³ are currently privately renting, illustrating the important role that this plays in meeting affordable housing needs. Nevertheless, the evidence has highlighted that a higher income is typically required to access the private rented sector, and therefore many of these households may be more suitably housed in social housing, with them expending high proportions of income on housing costs. This reflects their priority banding on the Housing Register.

3.18 The extent to which households with affordable housing needs occupy housing in the private rented sector, including those on the housing register as well as other households, can be estimated utilising the most recent data release (February 2015) from the Department for Work and Pensions (DWP). This shows the number of local housing allowance (LHA) claimants residing in households within the private rented sector in Tandridge, with England also presented for context.

Figure 3.2: Rented Tenure of LHA Claimants

	Tandridge	England
Social rented	62%	66%
Private rented	38%	34%
Total LHA Claimants	3,713	4,168,990

Source: DWP, 2015

3.19 Relative to the national profile, the private rented sector plays a slightly greater role in accommodating LHA claimants in Tandridge, with around 38% of claimants living in this sector. This confirms that the private rented sector plays a role in accommodating around 1,400 claimants.

3.20 It is therefore beneficial to estimate the proportion of private renters who are claiming local housing allowance, to determine the extent to which this drives the local market. This relates the total number of residents privately renting from the 2011 Census with the total number of LHA claimants in the private rented sector, from the DWP data presented above. Again, England is presented as a comparator.

³³ Step 1.1 and 1.2 – total of 1,050 households on Housing Register in Bands A – C

Figure 3.3: Proportion of Private Renting Residents Claiming LHA

	Tandridge	England
Total residents privately renting	8,712	8,818,651
Total LHA claimants in private rented sector	1,424	1,405,042
Proportion of privately renting residents claiming LHA	16.3%	15.9%

Source: Census 2011; DWP, 2014

3.21 Based on this estimate, Tandridge closely follows the national average, with LHA claimants accounting for around 16% of all privately renting residents in the district.

3.22 Further information can be gained by estimating the number of lettings made each year to tenants claiming LHA. The turnover of housing stock can be estimated from English Housing Survey returns, which – for 2012/13 – suggests that approximately 11% of private rented households are new lettings which either originate from other tenures or are newly formed³⁴. This benchmark removes transfers between private rented stock, allowing an estimate to be made of the number of new lettings per annum in Tandridge. This can be compared against the number of households privately renting in the district – notably differing from that presented above, which was people-based – to determine the number of new lettings arising from LHA claimants. It is important to note, however, that this figure does not take multiple LHA claimants sharing households into account, and this therefore represents an estimated position.

Figure 3.4: Number of Private Rented Lettings to LHA Claimants – Annual

	Tandridge
Total private rented households	3,666
New lettings per annum (11%)	403
Proportion of private rented sector occupants claiming LHA	16.3%
Number of private rented lettings to households claiming LHA per year	66

Source: Census 2011; DWP, 2014

3.23 This assessment estimates that the private rented sector provides new lettings for around 66 households claiming LHA annually in Tandridge, illustrating that the sector plays a role in meeting affordable housing need in the district. Given the increasing size of this tenure, it is likely that this role has grown over recent years.

3.24 However, as noted above, there are a number of households on the Housing Register who are privately renting, suggesting that their needs are not being adequately met in

³⁴ English Housing Survey Headline Report 2012/13 – Table 5 (Previous tenure by current tenure, 2012-13) indicates that, nationally, 448,000 private rented households were previously in another tenure. Over the same period, there were 3,956,000 private rented households (Table 1 – Demographic and economic characteristics by tenure, 2012-13) . This suggests that approximately 11% of private rented households are new lettings

the sector hence their registered need for social housing. This will need to be taken into account when developing housing policy in Tandridge, with the role of the tenure in meeting need requiring consideration as a potential policy intervention issue, recognising that the private rented sector is not defined as an affordable housing product in the NPPF.

4. Impact of Welfare Reforms

4.1 Over recent years, there has been a sustained programme of welfare reform, with the coalition government aiming to make the benefit system fairer and more affordable, while reducing poverty, worklessness and welfare dependency³⁵. Following the recent General Election, the government have signalled their intentions to introduce further changes to the welfare system. As set out in the Summer Budget 2015, the latest proposed reforms aim to save £12 billion from the working age welfare budget³⁶.

Planned Welfare Reforms

4.2 The latest planned welfare changes are summarised below, based on the Summer Budget 2015³⁷:

- The **benefit cap** will be lowered so that an out of work family can claim no more than £20,000 in benefits – or £23,000 in London – although those who find a job will continue to be exempt from the cap. Pensioners also will not be subject to this limit;
- Social housing tenants with household incomes of £30,000 and above in England – or over £40,000 in London – will be required to pay **market or near market rent** for their accommodation, with this subsidy either repaid to the Exchequer or reinvested in new housing;
- **Lifetime tenancies** in the social housing sector will be reviewed to ensure that the best use is made of the existing stock;
- **Automatic housing support entitlement will be withdrawn** for new Universal Credit claims from 18-21 year olds who are out of work, with a new Youth Obligation support regime introduced to encourage people of this age into sustainable employment;
- Working-age benefits – including local housing allowance (LHA) – will be **frozen for 4 years** from 2016/17, following a period since 2008 when growth in most benefits has outstripped growth in average earnings;
- Social housing rents in England will be **reduced by 1% annually for 4 years**, in response to a three year period since 2010/11 when average social rents have increased by 20%;
- **Universal Credit** will continue to expand to over 500 jobcentres by the end of 2015, and – in consolidating six benefits into one payment, including housing benefit – is described as the most fundamental reform to the welfare system since its inception; and

³⁵ Department for Work and Pensions (2013) Policy paper – 2010 to 2015 government policy: welfare reform

³⁶ HM Treasury (2015) Summer Budget 2015

³⁷ Ibid

- Prior to being replaced by Universal Credit, the **tax credits system will be reformed** to support working families to grow their earnings through the tax system. The income threshold for tax credits – after which awards will begin to be withdrawn – will be reduced from £6,420 to £3,850. Support provided to families through tax credits will also be limited to 2 children, so that any subsequent children born after April 2017 will not be eligible for further support.

4.3 The Queen's Speech at the opening of Parliament in 2015 provided further information on future reforms which may impact the need and supply of affordable housing in England. This set out details on the Housing Bill, which will be introduced to support home ownership and give housing association tenants a right to buy their home, extending the rights received by local authority tenants. Local authorities will also be expected to dispose of high-value vacant council houses, releasing funds to extend the Right to Buy and build new affordable homes³⁸.

Earlier Reforms

4.4 Elements of the latest reforms represent continuations of changes made during the previous government, with the benefit cap introduced from July 2013 at an initial threshold of £26,000. Housing benefit is one of the benefits subject to the cap, and is seen as a mechanism through which it can be implemented. Households lose some of their housing benefit if total benefits received surpass the designated limit, and this is likely to have the greatest impact on larger families, who require larger homes which typically demand higher rents. A lowering of the benefit cap as proposed could further limit the amount of housing benefit received, although the amount of other benefits received could also change in the future.

4.5 A government review of the impact of the benefit cap after its first year of operation highlights that its impact has been limited, with the greatest effect seeing capped claimants moving into or towards employment³⁹. Some households, however, have faced barriers in accessing employment, including childcare issues and a shortage of language skills or qualifications. It is notable that the majority of claimants have not built up rent arrears, with very few moving house due to the benefit cap. Instead, households have adjusted through other means, such as finding employment or adjusting budgets.

4.6 The government also introduced the spare room subsidy from April 2013, where the benefit received would be reduced if a household was deemed to have a spare bedroom in their council or housing association home. The measure restricts housing benefit to a rate that allows for one bedroom for each person or couple living as part of a household, with the following exceptions:

- Two children under 16 of the same gender are expected to share a bedroom, thereby reducing the number of bedrooms that the household is eligible for;
- Two children under 10 are expected to share a bedroom regardless of gender;

³⁸ <https://www.gov.uk/government/publications/queens-speech-2015-what-it-means-for-you/queens-speech-2015-what-it-means-for-you#housing-bill>

³⁹ DWP (2014) The benefit cap: a review of the first year

- Disabled tenants or partners requiring a non-resident overnight carer will be allowed an extra bedroom;
- Approved foster carers will be allowed an additional room if they have fostered a child, or became an approved foster carer in the last 12 months; and
- Adult children in the Armed Forces will be treated as continuing to live at home when deployed on operations.

4.7 Where claimants have one or more spare bedrooms in their home, the amount of benefit they receive will be reduced by a fixed percentage of the eligible rent. The government has stated that this is set at 14% for one extra bedroom, and 25% for two or more extra bedrooms. An assessment prepared by the government estimates that 157 households in Tandridge have been affected by these measures, with an average reduction⁴⁰ of £20. This is a relatively large reduction, compared to the average of £15 for Great Britain.

4.8 Data published by the Department for Work and Pensions (DWP) indicates that – in February 2015 – 6.9% of housing benefit claimants had a reduction due to spare bedrooms, with this representing a slight increase relative to the 6.2% recorded in February 2014. This does not suggest that the utilisation of social housing stock is becoming significantly more efficient, with many households simply assuming the additional cost associated. This accords with national research by the BBC, which showed that only a small proportion of affected social housing tenants have moved home⁴¹.

Implications

4.9 The changes introduced to the welfare system over recent years – alongside future planned reforms – could continue to impact upon the calculated need for affordable housing presented in this paper.

4.10 The extension of the Right to Buy to housing association properties could reduce the supply of social housing available to meet needs on an annual basis, whilst the sale of higher value council and housing association properties could also reduce available supply. Whilst the reforms expect this to be replaced, there are established concerns regarding the extent to which stock can be replaced by new housing association properties. The sale of higher value property could also influence the spatial distribution of social housing across Tandridge.

4.11 This could be partially offset by the discontinuation of lifetime tenancies, which would be likely to increase the amount of stock becoming available on an annual basis as properties are vacated. This would, however, be likely to increase the number of transfers and relets and therefore the number of lettings excluding relets – a key component of calculated future housing supply in section 2 – could remain relatively steady, albeit with some losses associated with the Right to Buy and sale of higher value stock if these are not directly replaced.

⁴⁰ DCLG (2015) Housing Benefit caseload statistics: data to February 2015

⁴¹ BBC News (March 2014) Housing benefits: changes 'see 6% of tenants move'

4.12 It is difficult to establish the impact of removing housing benefit for 18 to 21 year olds, particularly given that younger households can expect to retain their benefits if they partake in the Youth Obligation support scheme. Nevertheless, the removal of automatic benefits for people of this age could reduce the assessed level of need associated with this group, although there are likely to remain more vulnerable households in need.

4.13 The reduction in the benefit cap will reduce the benefits received by out of work families, with an aim to encourage work and thereby increase incomes. This could enable households to access market housing, although this could be challenging in unaffordable areas such as Tandridge, where there is a large gap between the cost of social and market housing. Households moving from social to market housing may, therefore, be forced to move elsewhere to more affordable areas.

4.14 The spare room subsidy could also reduce the amount of housing benefit received, with a view to improving the efficiency of stock, although the evidence to date suggests that this is not yet having the desired effect in Tandridge. This means that many households in the district are simply absorbing the additional costs associated with their under-occupied properties, therefore potentially reducing their available income.

4.15 The commitment to reduce social housing rents can potentially offset some of the impacts suggested above, due to a reduction in the cost of housing, but this could also reduce council and housing association revenue and possibly limit their ability to deliver new social housing stock.

4.16 Furthermore, the introduction of market or near-market rents for higher income households in social housing will increase the cost of housing for these households, and assumes that their income can support higher rental levels. While this could act as a bridge between social and market housing – and allow a smoother transition to market housing for households on higher incomes, potentially freeing up social stock for those with lower incomes – challenges could, again, be presented due to the notably high costs associated with market housing in Tandridge.

4.17 Overall, it is clear that the ongoing programme of welfare reforms could significantly impact on the level and size of affordable housing need in Tandridge, and the available supply of social housing in the district. This could have a direct impact, therefore altering the assessed balance between supply and demand and the implied level of backlog and particularly future need. The impacts of these reforms should therefore be monitored by the Council as they develop housing policy, with evidence of a substantial change potentially justifying a new calculation of affordable housing need.

5. Conclusion

- 5.1 This paper has followed the methodology in the PPG to calculate the need for affordable housing in Tandridge. This incorporates both current and future affordable housing need, balanced against supply.
- 5.2 1,050 households are currently in priority need of affordable housing in Tandridge, with this figure including – amongst others – homeless households and those currently occupying affordable stock. The latter will effectively free up stock when their needs are met, forming the main source of known supply over the next five years alongside a number of affordable housing commitments. There does, however, remain a shortfall in supply, and assuming that this need is met within the next five years – following the guidance in the PPG – results in a need for 172 affordable homes per annum over this period. Around half of this need relates to one bedroom properties, with a relatively sizeable need also identified for two bedroom stock.
- 5.3 Future need is also assessed, assuming – for consistency with the Council's Allocations Scheme – that newly forming households that would have to spend over 30% of their income on the cost of market housing would generate a need for affordable housing. In addition, a number of households are expected to fall into need from other tenures over the plan period, and – in composite – this would result in a gross newly arising need for 475 affordable homes per annum. Some households may, however, instead spend a higher proportion of their income on housing costs, although this could be viewed as unsustainable due to research suggesting that these households could risk material hardship or face challenges in making housing repayments.
- 5.4 Again, this can be balanced against supply, suggesting that there could be an annual net new need for 284 affordable homes in Tandridge over the plan period. This largely relates to property with two or three bedrooms. Combined with the provision required to meet the backlog, this suggests that there is a net need for **456 affordable homes per annum over the next five years**, in order to clear the backlog whilst meeting newly arising need over this period. Once the backlog is cleared, only newly arising need will need to be met, requiring **284 affordable homes annually for the remainder of the plan period**.
- 5.5 This paper has also considered the role of intermediate housing, although this has found that those households who are unable to privately rent in the local market will also be unable to access intermediate products, based on calculated income thresholds. Shared ownership products are therefore expected to play only a limited role in meeting the needs of households in Tandridge, although it does lower the income required to access some larger properties in the district.
- 5.6 The role of the private rented sector has also been considered, showing that around 38% of local housing allowance (LHA) claimants are living in the private rented sector. This represents around 16% of privately renting residents in Tandridge, with the sector potentially meeting the needs of around 66 households per year through new lettings.
- 5.7 The assessment presented in this paper is largely based on historic data, interpreted at a point in time, and this is particularly important to consider given the sustained

programme of welfare reform implemented by successive governments over recent years. These changes could impact upon the calculated need for affordable housing, by influencing the available supply of affordable housing – through the extension of Right to Buy, for example – or the eligibility of households to receive specific benefits. The impacts of these reforms should therefore be monitored by the Council as housing policy is developed, with evidence of a substantial change potentially justifying a new calculation of affordable housing need.

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