



Basingstoke
and Deane



Basingstoke and Deane Borough Council Local Plan (2011-2029)

Affordable Housing Needs Assessment

October 2015

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Summary

- This updated affordable housing needs assessment has been carried out in close accordance with the methodology in the National Planning Practice Guidance (NPPG).
- It estimates the current (backlog) level of need for affordable housing as 2,073 households. The current affordable housing supply is 1,932 homes. The net current need is therefore 141 households, which if met over the remaining 14 years of the Local Plan requires delivery of 10 affordable homes per annum.
- It forecasts the likely level of future need for affordable housing as 811 homes per annum. It makes a deduction for the future annual supply of affordable housing through re-lets and re-sales (525 homes per annum) to identify an annual net figure for newly arising need of 286 affordable homes per annum.
- The total affordable housing need for the borough is therefore 296 homes per annum.

1. Introduction

- 1.1. The council has produced a number of previous housing needs assessments which were published in the Strategic Housing Market Assessment (March 2014) and the update report (May 2015). These housing needs assessments were produced following the approach set out in the 2007 SHMA Practice Guidance.
- 1.2. In response to comments made as part of the mid-examination consultation in May/June 2015, the council updated its affordable housing needs assessment to more closely accord with the methodology set out in the Planning Practice Guidance. This evidence was published in the Housing Needs Statement (August 2015).
- 1.3. During the Local Plan Examination, the Inspector requested that the council revise its housing needs assessment to take account of issues raised in the hearings and the new Housing Allocations policy that was adopted and with effect from 1st October 2015. The main changes to the policy mean that housing register applicants must have both a housing need and a local connection in order to be eligible for inclusion on the housing register. As a result of the new policy, the number of households on the housing register dropped from 7,010 in August 2015 to 1,733 in October 2015. Although it is expected that some households will re-apply over the coming months and the number of applicants on the housing register will rise, it is not anticipated to reach similar levels to before due to the new eligibility criteria.
- 1.4. This report presents the calculations and results of each stage of the housing need assessment, in accordance with the NPPG. The methodology employed includes an estimation of the number of current households who are in need of affordable housing and the projected number of households who will be in need of affordable housing in the future. The current and projected supply of affordable housing to meet housing need is then deducted, resulting in an overall level of affordable housing need (expressed as an annual figure).

- 1.5. This housing needs assessment draws from the data sources set out in the NPPG (and wider data) including the census, the council's housing register, and national publications such as the English Housing Survey.

2. Affordability

- 2.1. The SHMA Update May 2015 presents information on house prices (see chapter 5) and provides an analysis of the affordability of housing within the borough (see chapter 7). It includes detailed affordability modelling of the different housing tenures including owner occupation, private rent and intermediate housing. Paragraph 7.13 of the SHMA Update sets out that housing costs are considered to be affordable as long as they comprise no more than 33% of gross income. The NPPG sets out that affordability should be tested against cost of entry level market housing, which is lower quartile housing and that the process '*...should identify the minimum household income required to access lower quartile (entry level) market housing ...*' (NPPG ID: 2a-025).
- 2.2. The May 2015 study identified the minimum household income required to access lower quartile market housing in both market tenures – home ownership and private rent. As the income required for private rent is lower than for owner-occupation in Basingstoke and Deane, it becomes the market boundary.

Owner occupation

- 2.3. Lower quartile house prices in Basingstoke and Deane were £170,000 in 2014. A number of scenarios with different deposits and mortgage multipliers were modelled in Chapter 7 of the SHMA Update 2015 to test the ability of different income levels to afford a lower quartile property. This modelling was based on differing levels of deposit (5%, 10% and 25%) and different income multipliers for the mortgage (3.5 times, 4 times and 4.5 times). In general terms, higher deposits and lower income multipliers are preferred because the mortgage repayments, relative to household incomes are less and therefore are more affordable to the household, carrying lower levels of risk to the mortgage lender. The government's 'help to buy' scheme is assisting some households to access the owner-occupied sector as it has made mortgages available for people with only a 5% deposit, however its impact is limited.
- 2.4. Market research indicates that a 10% deposit would be representative of the level of deposit required by young households to access owner occupation. A 10% deposit for a lower quartile property equates to £17,000 leaving a mortgage requirement of £153,000. Based on a mortgage of 4 times income, the level of required income to access owner occupation is £38,250. This means that access to owner occupation is unaffordable to 49.4% of households in Basingstoke and Deane (table 2.2).

Private rented sector

- 2.5. Private rented properties are more affordable and therefore easier to access than owner occupation. In many cases, households who do not have sufficient savings to purchase, do not have sufficient income to rent housing privately without support. Thus the availability of capital for a house purchase deposit does not impact on the overall assessment of affordable housing need as private rent is the boundary between the market and affordable sectors (it

is recognised that a deposit is required to rent, albeit much smaller, and so not a significant barrier to entry to the private rented sector). This means the affordability test used for the affordable housing needs model is based only on the income required to access market housing.

- 2.6. Table 7.6 of the SHMA Update May 2015 sets out the costs of entry level private rented properties as well as the incomes that are required to afford them. Based on the assumption that a household spends no more than 33%¹ of its gross income on housing, approximately 30% of households would not be able to afford entry level private rents within the borough (table 2.2).
- 2.7. The income required for entry level intermediate housing (shared ownership) is similar to that of private rent, resulting in a similar level of households (28.3%) not being able to afford intermediate housing and would require social or affordable rented housing (table 2.2).

Overall affordability thresholds

- 2.8. Based on the testing the affordability of the access point to different tenures, table 2.2 sets out the percentage of households who require each tenure. This assumes that households access the highest cost tenure that they can afford. Overall 29.8% of households will be in need of affordable housing, while 70.2% will be able to afford to meet their housing needs in the market sector through either purchasing a property or the private rented sector (table 2.2).

Table 2.2 - Tenure of housing required based on affordability

	Tenure	Percentage of households who cannot afford to access this tenure	Percentage of households requiring this tenure	
Market	Owner occupation	49.4%	50.6%	70.2%
	Private rent	29.8%	19.6%	
Affordable	Intermediate	28.3%	1.5%	29.8%
	Social housing	-	28.3%	
TOTAL			100%	100%

3. Affordable Housing Need

- 3.1. NPPG paragraphs ID: 02a-022-029 explain the methodology for calculating affordable housing need. Affordable housing need is defined as the “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”.
- 3.2. The NPPG goes on to set out the types of households to be considered in housing need:

¹ Market research indicates that typically tenants spend a third of their income on housing in Basingstoke and Deane.

- 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.

Stage 1: Current unmet gross need for affordable housing (NPPG ID: 02a-024)

3.3. In order to calculate the gross level of current unmet need for affordable housing, the number of households who are currently in unsuitable housing is first calculated, and then an affordability test is applied to establish how many of these households are unable to afford suitable market housing. Table 3.1 below sets out the number of households in each of the categories defined in paragraph ID: 02a-024 of the NPPG. The census and the council's housing register are the primary sources of this data and care has been taken to avoid the double counting of households who are in more than one category of housing need.

Table 3.1 - Current Housing Need

Element of housing need (Ref. Paragraph ID: 02a-024 of NPPG)	Source	Number of households from original data source	Double counting adjustment	Revised number of households after double counting removed
Homeless households	Housing Register. ("Accepted homeless" indicator).	41	Double counting should be deducted from the Housing Register number below.	41
Those in priority need who are currently housed in temporary accommodation	The Council's P(1)E return. This includes B&B, hostels, those placed in the private rented sector (rent bond, PSL etc). Snapshot figure at the end of the quarter (Q4: 2014/15 - March 2015).	62	All those who are homeless are placed in temporary accommodation so reduction of 36 homeless. Assumed that all households in temporary accommodation are on the HR, so deduct from Housing Register number below.	21

Element of housing need (Ref. Paragraph ID: 02a-024 of NPPG)	Source	Number of households from original data source	Double counting adjustment	Revised number of households after double counting removed
Overcrowded households	2011 Census 1,592 households x 2.28% (assumes that the increase in the number of overcrowded households in the borough from 2011 – 2015 is equivalent to that shown in the English Housing Survey to 2013/14 (2.28%).	1,628	Double counting deductions: 323 concealed households ² . 290 households on the housing or transfer register ³ .	1,015
Concealed households	2011 Census 744 concealed families (1.07% of all households): assume this proportion is held constant to 2015 and applied to the number of households forecast by Edge ⁴ (73,004) in 2015.	781	Of the 781 concealed families in the Borough in 2015, need to remove double counting with Housing Register – 170 households.	611
Other households in housing need (including existing affordable housing tenants in need currently housed in unsuitable dwellings)	General Needs Housing Register. Those households with housing need as defined by NPPG and local connection.	1,733	LESS homeless as above (36), less the net of those in temporary accommodation (26).	1,671
TOTAL				3,359

3.4. It is estimated that there are 3,708 households currently in unsuitable housing or lacking their own housing in the borough.

3.5. A number of these households may be able to afford suitable alternative accommodation within the market sector, so an affordability test has been applied. The income that is required to purchase lower quartile priced properties is £38,250 per year and the minimum annual income that is required to afford lower quartile market rent in the borough is £24,336. If any of these households have an annual income greater than £24,336, then it is considered that they can afford to meet their own needs in the market housing sector.

3.6. For those households that are on the council's housing register, the household income is known and their ability to afford has been tested. For overcrowded and concealed

² 43% of concealed households have children so are more likely to be overcrowded.

³ Defined as overcrowded on the housing register – excluding concealed.

⁴ Based upon Edge PG-10yr-5yr demographic scenario

households⁵ not on the housing register their affordability has been tested using the methodology set out in chapter 2 adjusted to reflect that according to the English Housing Survey, the average income of overcrowded households is 70% that of the average income for all households⁶. Using this approach it is estimated that 42.3% of overcrowded and concealed households (not on the register) are unable to afford entry level market housing. Overall, 67.2% of unsuitably housed households or households lacking their own housing would be unable to afford market housing,

Table 3.2 - Affordability of households in unsuitable housing in Basingstoke and Deane

Unsuitable housed households	3708
% unable to afford entry-level market housing (all unsuitably housed households)	61.7%
Households in current need	2,073

3.7. Taking the affordability test into account, the estimate of the total current need is 2,493 households. It should be noted that 455 of these 2,493 households in current need currently reside in affordable accommodation⁷.

Stage 2: Newly arising affordable housing need (NPPG ID: 02a-025)

Newly forming households

3.8. Newly-arising need is a measure of the number of households who are expected to have an affordable housing need at some point in the future. The number of newly-forming households has been calculated (based on demographic projections) and then an affordability test has been applied.

3.9. The gross number of new households likely to form in Basingstoke and Deane was calculated using the Edge model. It is based on the gross number of households projected to form in the age range 15 to 44 because after the age 45, household formation rates are very low. The level of household formation has been obtained from Edge’s ‘PG-10yr-5yr (HH-12)’ scenario which has informed the council’s objectively assessed need. The annual gross level of household formation for the period 2016-2021 is 1,484 households per annum, and for the period 2021-2026 is 1,476 per year. For the purposes of the housing needs assessment, the higher and more immediate figure is used.

3.10. Data from the English Housing Survey indicates that the income of newly forming households is around 84% of the figure for all households⁸. Applying this ratio to the

⁵ As there is a large overlap between overcrowded and concealed households (see table 3.1), it is presumed that their income profiles are similar.

⁶ Obtained from requested bespoke analysis of the EHS.

⁷ Sourced from BDBC’s housing register

⁸ Using the data in the table FA4211, the median income of newly forming households can be modelled, presuming that the distribution within each income band is evenly spread. This results in a median weekly income of £401.19 for the HRP (and partner) of newly forming households. This can be compared to the median weekly income for the HRP (and partner) of all moving households as set out in table FA4145, which results in the figure of 84%.

affordability modelling, it is estimated that 38.7% of newly forming households will be unable to afford lower quartile market housing.

Table 3.3 - Newly arising need from new household formation

Number of newly forming households per year	1484
Proportion requiring affordable accommodation	38.7%
Number of newly forming households requiring affordable accommodation per year	574

Existing households

- 3.11. The number of existing households falling into need is based on the recent trends of the number of households who have been accepted on the council’s housing register and the number of applicants who have obtained intermediate housing.
- 3.12. Over the last four years 1,781 households have been accepted onto the housing register (an average of 445 households per year) in bands 1-4 reasonable preference (excluding households transferring within the affordable sector). This means that they have a housing need and a local connection.
- 3.13. It is recognised that some of the households who have been added to the register will be newly forming households, so will be included in the 574 identified in table 3.3. In order to avoid double counting those newly forming households who have applied to be on the housing register, a proportion of the newly arising need has been deducted from the total households added to the register, leaving only existing households who have fallen into need as set out below.

Table 3.4 - Current Tenure of Housing Register Applications

Type of household	Current Tenure of Housing Register Applicants	Percentage of all Housing Register Applications
Existing households falling into housing need		56.5%
Newly forming households in housing need		43.5%
TOTAL		100%

- 3.14. Of the 445 households added to the register each year, 56.5% of applicants are from existing households falling into need, which equates to 251 per year.
- 3.15. Likewise, some of the households who have obtained intermediate housing will have been newly forming households, so will be included in the 574 identified in table 3.3. In order to avoid double counting those newly forming households in need of intermediate housing, a proportion of the newly arising need has been deducted, leaving only existing households who have fallen into need.

Table 3.5 - Current Tenure of Intermediate Housing Applications

Type of household	Current Tenure of Intermediate Housing Applicants	Percentage of all Intermediate Housing Applications
Existing households falling into housing need		55.7%
Newly forming households in housing need		44.3%
TOTAL		100%

Source: SHMA update 2015 p.139

3.16. Analysis of intermediate housing applicants (table 3.5) illustrates that 55.7% of applicants are existing households and the remaining 44.3% of applications are considered to come from newly forming households, which have already been accounted for.

3.17. Over the last five years 403 households have successfully applied for intermediate housing, which equates to an average of 81 households per year. 55.7% of these are from existing households falling into need, which equates to 45 per year.

Table 3.6 - Newly arising need from existing households

	Number of applicants per year	Percentage of applicants who are existing households	Existing households falling into need
Existing households falling into need (from the housing register) per year	445	56.5%	251
Existing households falling into need (for intermediate housing) per year	81	55.7%	45
Total number of existing households falling into need per year			296

3.18. Using the income information held on these households on the housing register, each are tested for their ability to afford market housing locally. This indicates that of these 296 households in housing need each year 79.9% could not afford market accommodation. The total annual newly arising need from existing households is therefore 237 as set out below

Table 3.7 - Affordability of newly arising need from existing households

Number of existing households potentially in need per year	296
Proportion requiring affordable accommodation	79.9%
Number of existing requiring affordable accommodation per year	237

3.19. It is therefore concluded that there will be the following level of newly arising need.

Table 3.8 - Newly arising need (NPPG ID: 02a-025)

Number of newly forming households requiring affordable accommodation per year	574
Existing households falling into need per year	237
Total newly arising housing need (gross per year)	811

Stage 3: Current affordable housing supply (NPPG ID: 02a-026)

3.20. Some of the households identified in stages 1 and 2 will have their needs met by affordable housing stock that is available now or in the pipeline as future supply.

3.21. The NPPG sets out in paragraph 026 that the affordable housing supply can be identified by:

- identifying the number of affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in need;
- identifying surplus stock (vacant properties);
- identifying the committed supply of new affordable units (social rented and intermediate housing) at the point of the assessment (number and size);
- identifying units to be taken out of management (demolition or replacement schemes that lead to net losses of stock).

Table 3.9 - Current affordable housing supply

Affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in need	353
Surplus stock (vacant properties)	0
Committed supply of new affordable units (social rented and intermediate housing)	1,579
Units to be taken out of management (demolition or replacement schemes that lead to net losses of stock)	0
Total supply	1,932

3.22. The number of affordable dwellings that are going to be vacated by current occupiers is derived from the number of transfer applicants on the housing register. These properties will become available when their current occupiers are re-housed hence they are included as part of the current supply as set out in table 3.9 above. The figure of 455 is derived in para 3.7.

3.23. At the time this housing needs assessment is being undertaken, the current number of affordable vacant properties within the borough is 60⁹ representing around 0.5% of the total affordable housing stock. None of these properties are due to be taken out of management and it is anticipated that all will be let. It is considered that such a low level of vacancies is a result of natural turnover in affordable stock, and that there will always be a level of churn. It is only when the vacancy rate in the affordable stock is in excess of 3% that churn is

⁹ According to the HCA's Statistical Data Return, 2014

considered excessive and some of the surplus can be included as potential affordable housing supply. As such, no vacant dwellings have been included in the affordable housing supply.

- 3.24. The committed supply at the point of the assessment is made up of the number of affordable homes with planning permission that have not been started or are under construction. This comprises 1,579 dwellings as recorded through the monitoring of Section 106 agreements.
- 3.25. There are no plans to take any units out of management. A number of regeneration areas have been identified within the Local Plan, but it is anticipated that regeneration would result in a net increase in the provision of affordable homes.

Stage 4: Future housing supply of social and re-lets and intermediate affordable housing (NPPG ID: 02a-027)

- 3.26. Basingstoke and Deane Borough has a relatively high proportion of social housing stock (17.8%) with approximately 13,000 units. Each year a number of social/affordable homes are re-let to new tenants and a number of intermediate homes are either re-let or re-sold in the case of shared-ownership homes. These re-lets and re-sales make up an important element of the affordable housing supply in the borough. The NPPG advises that the average number of re-lets and re-sales over the previous three years should be taken as the predicted future annual supply of re-lets. Table 3.9 demonstrates that the average number of social/affordable re-lets over the last three years is 482 dwellings per year (excluding transfers) and table 3.10 demonstrates that the average number of intermediate re-lets/re-sales is 43 per year (excluding transfers).

Table 3.10 - Number of re-lets (social rented sector)

Year	Number of social/affordable rent re-lets
2011/12	509
2012/13	409
2013/14	528
Average over the past three years	482

Table 3.11 - Estimated intermediate supply

	Number of intermediate re-lets / re-sales
Average intermediate rent re-lets over past three years	6
Average shared ownership re-sales over past three years	37
Total intermediate supply (per year)	43

- 3.27. The total future supply of affordable housing is the sum of the social rented supply and the intermediate supply as set out in table 3.12.

Table 3.12 - Future supply of all affordable housing (per annum)

	Number of affordable re-lets / re-sales
Annual supply of social re-lets	482
Annual supply of intermediate housing	43
Annual supply of all affordable housing	525

Stage 5: Estimate of net annual housing need (NPPG ID: 02a-029)

- 3.28. This stage brings together all of the elements of housing need and affordable housing supply to calculate the overall level of need for the plan period. The following sub-stages are undertaken in accordance with the NPPG paragraph ID: 02a-029.
- 3.29. Stage 5.1: Firstly, the net current need must be calculated by subtracting the current supply from the current unmet gross need for affordable housing. $[2,073 - 1,932 = 141]$
- 3.30. Stage 5.2: Then this figure must be converted into an annual flow. The Local Plan period is 2011-2029, meaning that there are fourteen years remaining in the plan period to meet the need. $[141 \div 14 = 10]$
- 3.31. Stage 5.3: Finally the total annual need for affordable housing is calculated by adding together the annualised current need figure and the annual newly arising need figure. Then the future supply from re-lets is subtracted to leave a total gross figure for annual need for affordable housing. $[811 + 10 - 525 = 296]$

Table 3.13 - Results of the affordable housing needs model

Stage in calculation		Source of figure
Stage 1: Current unmet gross need for affordable housing (Total)	2,073	Table 3.2
Stage 2: Newly arising affordable housing need (Annual)	811	Table 3.8
Stage 3: Current affordable housing supply (Total)	1,932	Table 3.9
Stage 4: Future housing supply (Annual)	525	Table 3.12
Stage 5.1: Net current need (Total)	141	(Stage 1 - Stage 3)
Stage 5.2: Annualise net current need (Annual)	10	(Stage 5.1 / 14)
Total gross annual need (Annual)	959	(Stage 1/14 + Stage 2)
Total gross annual supply (Annual)	663	(Stage 3/14 + Stage 4)
Total gross annual need for affordable housing (Annual)	296	(Stage 2+ Stage 5.2 - Stage 4)

4. Conclusion

- 4.1. The total objectively assessed need for affordable housing in Basingstoke and Deane is **296 dwellings per annum.**