

Affordable Housing Statement for
DEVELOPMENT OF UP TO 321 HOMES AT LEADON
WAY, LEDBURY,
HEREFORDSHIRE

By Levvel Ltd
On Behalf of
Gladman Developments Ltd

March 2015





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1.0 Executive Summary

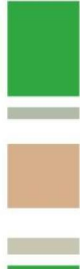
- 1.1 Levvel is instructed by Gladman Developments Ltd to produce an Affordable Housing Statement in respect of the proposed development of up to 321 homes on Land South of Leadon Way, Ledbury, Herefordshire. This report will outline the approach taken to delivery of affordable housing; taking into account recently adopted policy and the evidence which underpins it.
- 1.2 Gladman Developments Ltd recognise the importance ascribed to affordable housing both nationally and locally. Its business model is based upon the delivery of policy compliant offers of affordable housing which make significant contributions towards meeting an important pre-existing local need and foster a mixed and sustainable community where households of different backgrounds and circumstances live alongside one another. In the present case, and consistent with the previous application on this site, the applicant proposes to deliver a policy compliant offer of affordable homes, in the form of 35% affordable housing (112 units, based on the maximum delivery of 321 units). This is consistent with the policy set out as H9 of the adopted UDP. In the event that the new Core Strategy (and with it the new affordable housing policy H1 is adopted prior to the determination of this scheme then this may be subject to review.
- 1.3 Where we diverge from the Council's position is in respect of tenure. The Council's position is that 55% of affordable Homes should be for Social Rent, with the remaining 45% Intermediate although it would accept a split of 55% Social rent, 18% Affordable Rent and 27% Intermediate housing.
- 1.4 The Council's asserts that its view is supported by an analysis of local incomes set out in section 10 of the Herefordshire Strategic Housing Market Assessment but it should be noted that it is not explicitly stated in either policy or guidance – emerging or adopted.
- 1.5 The Adopted UDP 2007 provides no breakdown at all of the range of tenures required and neither does the emerging Core Strategy, although the latter does include Affordable Rent in a list of tenures that should be considered to constitute affordable housing, as well as making explicit reference to the Local Housing Market Assessment 2013.
- 1.6 We have seen nothing to suggest that the Local Plan Inspector considers any particular mix of tenures to be implicit in the overall policy under consideration.
- 1.7 As far as guidance is concerned, we are not aware of anything as formal as an SPD. However, we have seen a Tenancy Strategy which suggests that the Council will accept Affordable Rent where it is provided by Registered Providers backed by HCA grant or where Social Rented homes are converted to Affordable Rented homes as part of the Affordable Homes Programme but it will not accept Affordable Rented units as part of the package of homes delivered by means of planning obligations.
- 1.8 The status of this 2012 document is unclear - it does not appear to have been the subject of consultation, let alone examination and Council officers do not assert that it has the status of SPD.

- 1.9 Therefore, the only document which is helpful in assessing the mix of tenures required is the Local Housing Market Assessment. We acknowledge that this analysis, did indeed find that that 55% of net need was for Social Rent, 18% for Affordable Rent and 27% for Intermediate housing but the analysis upon which this is based is flawed because it excludes the role played in affordability by Housing Benefit.
- 1.10 In the Affordable Homes Programme Prospectus 2015-18, we find the following clearly stated view.
- 1.11 "In general, Government policy does not support the argument that only rents at or close to social rent levels are capable of meeting local needs – particularly when support for housing costs through Housing Benefit and Universal Credit is taken into account."
- 1.12 Since Housing Benefit and Universal Credit will be available to household who need them to meet the cost of Affordable Rents, it follows that any analysis which excludes the impact of these benefits is flawed. In excluding Social Rent from the Affordable Homes Prospectus in all but the rarest cases, and in exhorting Registered Providers to convert their existing Social Rented Homes into Affordable Rented homes where they fall vacant, the Government has made its view entirely clear. It wishes to see new rented homes provided as Affordable Rent – not Social Rent.
- 1.13 We recognise that, when the Council carried out viability testing of its emerging plan, it did test a tenure balance of 55% Social Rent and 45% Intermediate with no Affordable Rent. However, this is beside the point. Government policy expresses a clear preference for Affordable Rent and Hereford has neither adopted, nor sought to adopt any policy or guidance which overturns that national presumption.
- 1.14 We therefore propose that an appropriate mix of affordable homes for the present site would be along the lines of the following – although we are open to discussion with officers as to the precise mix of units. Note that this mix has been based upon 112 units, based upon 35% of the maximum capacity of the site (321 homes).
- 1.15 We welcome discussion with the Council on the precise mix but consider the following indicative mix an appropriate starting point for negotiations (112 affordable homes based on the maximum delivery of 321 homes).

	Affordable Rent	Intermediate
1 bed	16	*
2 bed	27	23
3 bed	20	27
Total	63	50

Table 1.2 – Proposed tenure mix offered by Gladman

- 1.16 We should make clear that our objection to the provision of Social Rented housing is not absolute. If the Council is able to present evidence that Social Rented housing is required in order to fulfil the terms of the policy then we would consider it – however, at present, and in our view, there is insufficient support for the Council's approach.

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- 1.17 In order to promote the formation of a single, cohesive community where distinctions of tenure are minimised, the affordable housing will be distributed across the site in small clusters. External standards of fit and finish will be similar to those of the private homes except where small variations are required in order to conform to the employers' requirements of the managing Registered Provider. Affordable homes will also conform to all other relevant standards where practicable – including those set by the HCA as conditions of funding.
- 1.18 Affordable housing will be secured by means of a suitable condition. Although this approach is less common than the use of a S106, it has repeatedly been shown to be acceptable to the Planning Inspectorate – which has gone as far as to provide model conditions. The advantages of a condition to the applicant are the reduced complexity and delay associated with this more streamlined process but the principal advantage falls to the Council. Where a developer is unable to deliver the full burden of affordable housing secured by a S106 obligation, the Infrastructure and Growth Act provides him the scope to return to the negotiating table and to reduce the level of affordable housing offered with respect to viability. This process does not appear to permit any scope for a re-evaluation of the balance of planning merits. Where permission was granted in part because of the benefit that the affordable housing would bring, this benefit could be lost and there would be no re-evaluation of whether the overall balance remained favourable. Where affordable housing is secured by a condition, a failure to fulfil that condition would invalidate the permission and, where a variation was sought, it would be open to decision takers to re-assess the overall planning balance.
- 1.19 We conclude that there is a considerable need for affordable housing in Herefordshire and that the council has an acute need for affordable housing in this area, a need which long pre-dates this application. In other words, unlike certain other forms of planning obligation, this scheme does not create the need for the affordable housing which policy requires it to provide. This means that any affordable housing provided is a benefit of development which should be weighed positively in the planning balance. A scheme such as that proposed at Ledbury, which meets the Council's affordable housing policy in full should therefore be given considerable positive weight particularly where the need is considered to be acute and where the Council's track record of delivery is lower than anticipated.
- 1.20 This view has been tested at a number of recent inquiries and successive decisions from Inspectors and the Secretary of State at Tarporley¹ and Bloxham² have confirmed it.

¹ Appeal by Gladman Developments Ltd; Site at Land off Nantwich Road, Tarporley, Cheshire; APP/A0665/A/11/2167430: (August 2013)

² Appeal by Gladman Developments Ltd; Site at Land off Barford Road; Bloxham; APP/C3105/A/13/2189896 (Sept 2013)

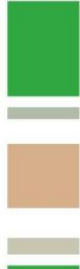
2.0 The Need for Affordable Homes

Herefordshire Local Housing Market Assessment (2012 Update: Draft Report)

- 2.1 Initial research and work on the Local Housing Market Assessment (LHMA) was undertaken by Herefordshire Council. GL Hearn and Justin Gardner Consulting were contracted to complete the assessment, which was first published in June 2011. This report updates the original assessment to take account of changes of housing market conditions, as of autumn 2012, to take account of the level and distribution of housing provision proposed in the Herefordshire Core Strategy Revised Preferred Options. It also considers and takes account of recent policy at both the national and local levels.
- 2.2 A Strategic Housing Market Assessment (SHMA) for the West Housing Market Area, covering Shropshire and Herefordshire, was completed in 2008. This LHMA draws on and develops this to provide a more local assessment of housing requirements for the seven identified local housing markets across Herefordshire. Its broad objectives are similar to those of SHMA.
- 2.3 Section 4 of the LHMA includes an overview of housing market dynamics. Wages are relatively low in the County, when compared to the regional average. Gross weekly pay in 2011 was £385 for full-time workers and this was 18% below the average for the region (£471) and 24% below the national average (£504). Between 2008 and 2011 gross weekly wages have fallen -1% in the County whilst they have grown by 5% at both regional and national levels³.
- 2.4 A higher proportion of housing in Herefordshire, when compared to regional and national levels, is owner occupied. In 2011, 68.7% of households were owner-occupiers compared to 65.6% across the West Midlands and 64.2% across England⁴. The Social rented sector in the County is also relatively low and accounted for 15.2% (falling to 13.9% in 2011) of households in 2001, compared to 20.6% regionally and 19.3% nationally. Private rented households account for 15.2% of all households, compared to 14% regionally. Between 2001 and 2011 there has been a 20% growth in the number of households living in shared ownership affordable housing dwellings.

³ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Para 4.12

⁴ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Para 4.24

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- 2.5 Housing affordability is an issue in Herefordshire. There is high proportion of detached units (42% in 2011)⁵ and properties in Council Tax Bands E-G (26%)⁶. The supply of properties which younger households might be able to afford is also limited. Many young households are limited to the private rent sector and don't have the savings to provide a sufficient deposit to purchase a home.
- 2.6 Section 5 of the LHMA deals with defining the Local Housing Markets within the County. The LHMA has then been prepared to provide the evidence base regarding housing need and demand (for market and affordable housing) within Herefordshire and seven local housing market areas (HMAs) within the county, which are focused on the areas of Hereford, Bromyard, Kington, Ledbury, Leominster and Ross on Wye and the Golden Valley HMA⁷.
- 2.7 Section 6 of the LHMA presents the approach to analysing the housing market. The approach to housing needs undertaken by GL Hearn is based upon an update to the 2011 LHMA which itself is derived from revised data from the Home Point Housing Register, new demographic projections and an updated survey of housing costs in each of the 7 local housing market areas. There has also been an update of future housing requirements. This includes updated modelling of housing mix taking into account of data from the 2011 Census.
- 2.8 GL Hearn undertook an online estate and letting agents survey as part of the Study in October 2012. An entry level price assessment has been undertaken and Figure 19 shows that entry level prices in the Ledbury HMA are as follows:
- 1 Bed Homes: £101,000
 - 2 Beds Homes: £129,000
 - 3 Beds Homes: £184,000
 - 4 Beds Homes: £274,000
- 2.9 GL Hearn also examined how current prices and rents in each of the seven Housing Market Areas equate to income levels required to afford such housing. The figures are based on a two bedroom home and indicate a gap between the costs of 'entry-level' market housing and the social/ affordable rented sector. It is noted then that there may be a role for intermediate affordable housing. Calculations are based on 3.5 times household income for purchase and 25% of income spent on housing for rented properties. The entry level prices for both private rent and purchase price in the Ledbury HMA are among the highest of all the market areas examined and are set out in the following table (2.1):

⁵ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Para 3.72

⁶ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Page 13

⁷ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Para 5.3

Location	Entry-Level Purchase Price	Entry-Level private rent	Affordable Rent (80% at Market Rent Level)	Average Social Rent
Ledbury	£36,860	£26,400	£21,120	£18,670

Table 2.1 - Indicative Income required to buy or rent (2 bedroom dwelling)⁸

- 2.10 Paragraph 6.35 indicates that the housing needs figures presented in the report have been based on secondary data, including analysis of the Home Point Housing Register. The housing needs modelling undertaken provides an assessment of housing needs for a five year period (which is then annualised) with longer estimates of likely requirements assessed through the GL Hearn housing market model. This model looks at the demographic change on requirements in both the affordable and market sectors.
- 2.11 The backlog of housing need in the County has been based on the number of households registered for housing with Home Point. At the time of the assessment (October 2012) there were 4,664 households registered for housing, however GL Hearn recognise that this figure does not represent fully the estimate of backlog need. The Housing Register includes an assessment of the level of priority of housing of each household; this is split into four bands: Gold (with priority) Gold, Silver and Bronze. The following table (2.2) shows the number of households on the Housing Register across the county, along with those in the Ledbury HMA.

	Gold with Priority	Gold	Silver	Bronze	Total	Total Gold/Silver	% Gold/Silver
Ledbury HMA	3	49	111	95	258	163	63.2%
Herefordshire County	233	731	1,971	1,729	4,664	2,935	62.90%

Table 2.2 - Housing Register Priority Band by HMA (October 2012)⁹

- 2.12 GL Hearn consider that based on the higher priority bands, there are 2,935 households who are considered to be in housing need (excluding the bronze category). They have then discounted this figure to take account of households already living in social rented or other housing. This is because such households (although in need) will release an affordable home when they move. The net backlog of housing needs take transfers into account. Based on an estimated transfer supply of 972 homes, this leaves 1,963 homes in a priority group across the county who are not currently resident in affordable housing. The overall backlog of need for the County, taking into account households who are not able to afford lower quartile housing costs without the need to claim housing benefit is calculated at 1,708 households.

⁸ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Page 81

⁹ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Page 87

2.13 An assessment of housing needs has been undertaken, which considers the levels of need for and supply of affordable housing over the next five years (2012-2017). Information on costs and earnings, as well as number of households on the Home Point Housing register has been used to inform the results¹⁰.

2.14 The estimated level of net housing need stands at 3,457 across the County of Herefordshire (691 dwellings per annum), higher than estimated by the original 2011 LHMA (2,837). The reason for the increase is mainly attributable to a higher estimate of new household formation rates and is due to the analysis in the report considering new household forming up to the age of 45 rather than a figure of 35 previously used. The estimated level of housing need for the period 2012-2017 is presented in the following table for both the Ledbury HMA and the County (2.3):

HMA	Backlog Need	Newly- Forming Households	Existing Households falling into Need	Total Need	Supply	Net Need
Ledbury HMA	87	440	101	628	339	289
Total	1,708	4,525	1,359	7,592	4,135	3,457

Table 2.3 - Estimated Level of Housing Need (2012-2017)¹¹

2.15 Paragraph 10.33 indicates the estimated level of housing need over the next five years in terms of social rented/ affordable rented and intermediate housing in the Ledbury HMA. In relation to affordable housing tenure mix it found that 27% of households in need will be able to afford intermediate rented housing, with 55% requiring social rent and 18% affordable rent for the Ledbury HMA. For the County as a whole, 'a recommended strategic target of 25% intermediate, 25% affordable rented and 50% social rented housing county-wide would assist in balancing the housing market'¹².

2.16 However, this analysis is predicated upon the incomes of households before taking into account of Housing Benefit and Universal Credit which is not the Government's preferred approach.

2.17 Indeed, such an approach makes very little sense in the context of affordable housing. Because Housing Benefit is routinely used to support households living in both the Private Rented and Social Rented sector. According to this analysis, the significant minority of households who live in the Social Rented Sector supported by Housing Benefit or Universal Credit are unable to afford their homes – clearly, this is not the case. The correct analysis would be to determine what proportion of households in need of affordable housing are able to afford Intermediate housing (for which Benefits typically cannot be used to support housing costs) and to provide the remainder in the form of Affordable Rented housing).s

¹⁰ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Page 17

¹¹ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Table 26

¹² Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Para 1.30

2.18 GL Hearn looked at the longer-term implications of demographic change on the whole housing market. A demographic model which shows how the profile of the population is expected to change across Herefordshire over the 20 year period from 2011 to 2031. The model was developed to inform the 2011 LHMA and has been updated to take account of new information from the 2011 Census about the population profile and the number of households in the County. The number of households is expected to increase from 78,380 in 2011 to 94,478 in 2031 – an increase of 16,098 or 20.5%¹³.

2.19 Analysis has been undertaken for the affordable housing across the County of Herefordshire. The data suggests that there is a fairly even split in requirements between one, two and three bedroom houses with only a small requirement for four bedroom accommodation.

Size of Accommodation	Households 2011	Households 2031	Additional Homes 2011 – 2031
1 Bedroom	2726	4312	1626 (28.6%)
2 Bedrooms	4083	6024	1989 (34.98%)
3 Bedrooms	4643	6460	1863 (32.76%)
4+ bedrooms	598	801	208 (3.66%)
Total	12050	17597	5,686
Houses	7942	11647	3797
Flats	4108	5950	1889

Table 2.5 - Size and Type of Affordable Housing Required 2011 to 2031

2.20 The study also undertook comparable analysis of the need for market housing of different sizes. However, because of the very limited correspondence between the sizes of homes *required* by households in the private sector and the sizes of homes to which those households aspire (and may be able to afford), we give this analysis lesser weight.

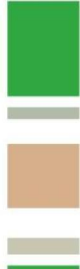
2.21 Table 84 of the LHMA indicates that for the Ledbury HMA, the affordable housing mix is slightly different with the largest requirement being for 2 bedroom affordable housing units (38.3%) followed by 3 bedroom units (30%). The following table (2.6) sets out the estimated size of additional affordable dwellings required during the period 2011 to 2031 for both the Ledbury HMA and the County of Herefordshire as a whole.

HMA	1 Bed	2 Bed	3 Bed	4/ + Bed
Hereford	27.8%	38.3%	30%	4%
County Total	28.60%	34.98%	32.76%	3.66%

Table 2.6 - Estimated Affordable Housing Size Requirements¹⁴

¹³ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Page 101

¹⁴ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Page 105 and Page 13

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- 2.22 Within the Ledbury HMA area, it is estimated that 101 households will fall into need over the next 5 years¹⁵. It is estimated that there is an annual need for 58 units of affordable housing in the Ledbury HMA in order to address the backlog need and newly arising need. The level of need represents 85% of the projected supply.
- 2.23 The SHMA made the recommendation that; “based on housing needs analysis undertaken, a recommended strategic target of 25% intermediate housing, 25% affordable rented and 50% social rented housing county-wide would assist in balancing the housing market”.
- 2.24 As part of the earlier draft LHMA (January 2012) we noticed each HMA had separate housing tenure splits and that social/affordable rent tenures were not seen as separate, with a 75:25 (social/ affordable rented: intermediate) affordable housing tenure split. We believe that this is a more reasonable recommendation in light of national government intention for providing affordable rented units over social rented units.
- 2.25 It is also important to note there has been a more recent study into housing needs in Herefordshire; the Local Housing Requirement Study (September 2014) also makes the same points as the LHMA such as the identified net affordable housing need for 3,457 households over the 2012-17 period.

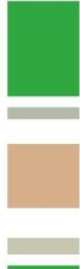
¹⁵ Herefordshire Local Housing Market Assessment 2012 Update: Draft Report, GL Hearn, January 2013, Para 10.26

3.0 The Viability of Affordable Housing

Herefordshire Council Whole Plan Viability Assessment 2014 – Three Dragons

- 3.1 Three Dragons published the Herefordshire Council Whole Plan Viability Assessment in May 2014. They were commissioned to assess the viability of the Pre-submission Core Strategy. This study, according to the authors, was not designed to provide evidence to support a CIL charging schedule and particular rates of CIL for different uses. However, an earlier draft study (2013) contained recommendations for CIL rates and this earlier study has also been referenced in this section.
- 3.2 This whole plan viability assessment indicates the viability of development, before contributions are made through s106 agreements and/or CIL payment (other than an allowance of £2,000 per dwelling s106 cost to meet open space maintenance payments). The assessment also gives a broad indication of the overall scale of the contributions from development (through s106 and/or CIL) that can be anticipated.
- 3.3 New developments may be required to make additional s106 contributions as well as CIL payments. The assessment does not distinguish between the two. It seeks to address the question as to whether developments in the Pre-submission Core Strategy, as a whole, can contribute towards funding the infrastructure needed by the Pre-submission Core Strategy.
- 3.4 In assessing the viability of the Pre-submission Core Strategy, the viability assessment modelled the requirements for affordable housing as set out in policy. Strikingly, in light of its overall finding that high percentages of affordable housing were viable across the county, it notes that the Council is currently achieving an average of just 15-16% affordable housing.¹⁶ This low output is, itself a proportion of an overall housing output which falls well short of the identified requirement..
- 3.5 To assess viability, the residual value generated by a scheme is compared with a benchmark value, which reflects a competitive return for a landowner.
- 3.6 The 2014 update used the same land value benchmarks as in the previous (2013) study and were not updated or inflated. For (large-scale) greenfield developments, a benchmark of about £300,000 per gross hectare for greenfield sites was deemed to be realistic in higher value areas but a lower benchmark would apply in lower value areas at £250,000 per hectare.
- 3.7 Seven market value areas have been identified across the county (the site at Ledbury is contained in the Ledbury, Ross and Rural Hinterlands) and the Economic Viability assessment analyses viability in each, considering:
- The analysis of a notional 1 hectare site (at a density of 25dph to 50dph);
 - A series of 16 case study sites ranging in size from 1 to 1,500 dwellings.

¹⁶ Hereford Council Whole Plan Viability Assessment 2014, Three Dragons, paragraph 1.20, page 11

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- 3.8 In relation to the base testing of a notional 1 hectare scheme in the Ledbury, Ross and Rural Hinterland, the assessment's base test is at 40% affordable housing, with £2K per dwelling S106 and shared ownership as the intermediate tenure. Results showed policy compliant affordable housing provision produced a residual land value above benchmark and that development at 30 dph and 40 dph produces slightly stronger results than at 25 dph.¹⁷
- 3.9 Care must be taken when assessing the notional 1 hectare sites. Often, these developments will not take into account factors such as site assembly issues, infrastructure requirements and timing of development which can all have a significant effect on the development economics of larger development sites. It is not a case of extrapolating the results of a small site (notional 1 hectare site) and using these to assess the viability of larger scale sites.
- 3.10 The analysis of the strategic sites illustrates the variation in development viability across Herefordshire. Nevertheless, all the large case studies generate a residual value above the land value benchmark. This is lowest for the Leominster strategic site and greatest with the scheme in Ross producing an additional value of upwards of £900,000 per hectare.¹⁸ However, all of these surpluses are before the impact of any planning obligations at all apart from the £2,000/unit charge discussed above. If the obligations set out in the old SPD were to be continued or a CIL were to be introduced, the "buffer" would be significantly reduced.
- 3.11 In terms of tenure, the assessment states that; "On advice from the Council, the affordable housing was modelled as 53% social rent and 47% intermediate housing for all areas except Bromyard, where 24% social rent and 76% intermediate housing was assumed. Intermediate housing was assumed to be provided as shared ownership (at a share size of 40%)"¹⁹. National government's preferred tenure of choice, affordable rented has only been briefly referenced in an appendix and it appears it has not been tested here.
- 3.12 While we have not conducted an extensive analysis of the calculations carried out by the consultants, we do question whether it is legitimate for the Council to take this approach. Moreover, we also have concerns about the levels of rents assumed in the study.
- 3.13 In the following table, we compare the assumed social rents to rent levels for two other county level sources – the Tenancy Strategy (2012) and the National Register of Social Housing (NROSH+ 2014)

¹⁷ Hereford Council Whole Plan Viability Assessment 2014, Three Dragons, paragraph 3.6, page 20

¹⁸ Hereford Council Whole Plan Viability Assessment 2014, Three Dragons, paragraph 4.32, page 36

¹⁹ Hereford Council Whole Plan Viability Assessment 2014, Three Dragons, paragraph 2.15, page 18

	Tenancy Strategy (2011 data)	NROSH + Average rents for all properties	Viability Assessment Rents		Affordable Rent Levels (NROSH+ 2014)
1 bed	£62	£71.04	£72		£74.09
2 bed	£72	£82.58	£93		£92.91
3 bed	£79	£93.18	£100		£114.07
4 bed		£104.67	£106		£128.25

3.14

3.15 The overall impression is that the Social Rents assumed by the viability study look rather high by comparison to the other two available sources. With the exception of 4 bedroom units, which we would anticipate making up a very low proportion of the affordable housing package, the rents assumed by the viability study look closer to Affordable Rent levels than to Social Rent levels.

3.16 Clearly, a County-wide viability assessment is a broad-brush document and the discrepancy is not vast – but the matter goes right to the heart of the question of tenure which is precisely where we diverge from the Council’s position. We would very much appreciate further dialogue with the Council upon this important issue.

4.0 Output and Secondary Data

4.1 The following graph (figure 4.1) combines data from the Draft Core Strategy (2014), Annual Monitoring Reports and the Local Development Framework Viability Study (2010) in order to plot the Council’s historic and past completions in relation to recommended targets and policy targets.

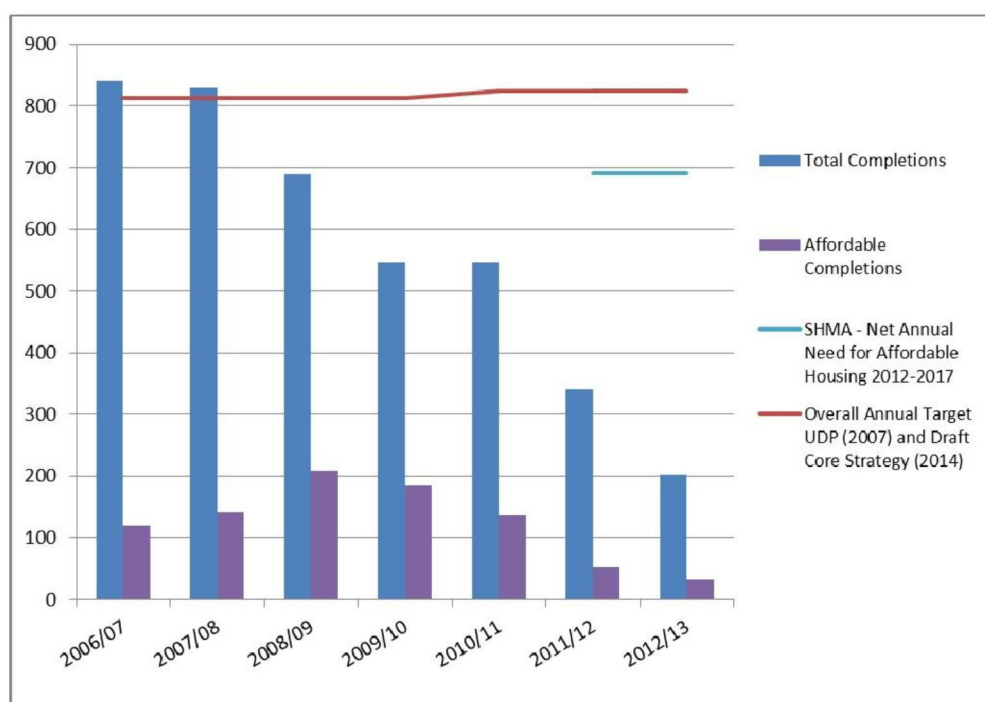


Figure 4.1 – Total completions and affordable completions in comparison to adopted and emerging targets.

- 4.2 In figure 4.1 we can see that the level of overall completions has seen a steady decline since the high level of provision in 2006/07 and has failed to reach the overall target since 2007/08. This is further illustrated by the fact that in 2012/13 (the most recent monitoring year) less than a quarter (24.4%) of the total required annual housing target (825pa) was delivered. The chart also shows that in the past two years the delivery of affordable units has been extremely poor with just 84 affordable units delivered in 2 years.
- 4.3 In the following table (4.2), we can see the extent of the effect that under delivery in terms of overall housing is having on the housing target contained within the draft Core Strategy. It shows that since the start of the new plan period (2011-2031) there is already a shortfall of 1,385 units.

	Completions	Emerging Target (2014) - Draft Core Strategy Update	Cumulative Surplus/Deficit (2014 figures)
2010/11	547	825	-278
2011/12	341	825	-762
2012/13	202	825	-1,385
Total	1,090	2,475	-1,385

Table 4.2 – Completion rates in relation to Draft Core Strategy Target (2014) and UDP target (2010) (Source: Draft Core Strategy 2014 and UDP 2010)

Census Data

- 4.4 It is well understood, housing supply and household formation are, to some extent linked. In a free market, prices will rise in relation to wages on the basis of the ability to pay for housing – in effect, some people will be priced out and will be unable to form an independent household when, under different conditions, they might have expected to be able to do so.
- 4.5 Such households would include older children unable to leave the parental home because they cannot afford to do so and people sharing accommodation – either a group of people sharing a property or a home buyer renting out a spare room to help with the mortgage. Housing Needs Surveys would count such households as “concealed”. They have a need for an independent home and a reasonable expectation of being able to move into one but they are unable to do so on cost grounds. At an anecdotal level, much has been made in the press and elsewhere about “boomerang kids” returning to the parental home after university and the rising average age of home buyers but it has been difficult to quantify the scale of the issue.
- 4.6 Part of the reason that it has been difficult is the nature of the census which treats all of those living in a property with shared facilities as a single household – even if they would like to live independently. In effect, the census does not recognise concealed households and neither do the household projections based upon it.
- 4.7 With that in mind, census data on household composition has been compared in Herefordshire in 2001 and 2011 and the categories of household which might

contain one or more concealed households have been examined. That is to say, households in which all children are non-dependent and, the unhelpfully named “other, other” households – which would be largely composed of flat or house sharers.

Herefordshire Potential Household Increase		
Census Year	All Households	Increase in Potential Concealed Households
2001	74,282	8,735
2011	78319	10,255
Overall Increase	4,037	1,520
Annual Average Increase	404	152

Table 4.3 – Rise in potentially concealed households 2001 – 2011

- 4.8 This is, of course, an inexact measure. Not all non-dependent children would move out if they had the means, not all flat sharers would live independently if they could, however, not all such households have been counted, merely the increase in their number over this period. The likeliest reason for an increase in such households at a time of steeply rising housing costs must surely be concealment.
- 4.9 Moreover, the figure may just as well be an under-as an over-estimate. Only those households where all children are non-dependent are counted. Where there are both dependent and non-dependent children in a household, that household is classed as having dependent children – there is no way of knowing either the number of non-dependent children nor the rate of any increase in that number. The figure of 1,520, also assumes that each such household contains only one concealed household – in practice, it is not impossible for a home to house more than one grown up child or for a flat share to be shared among more than two tenants. In terms of annual growth in potentially concealed households, the rise in potentially concealed households represents over 37.6% of the increase in total households. In comparison, the national increase in potentially concealed households as proportion of overall increase was just 27.79%.
- 4.10 In addition to the level of potentially concealed households, the 2011 Census also records concealed families as a definitive group. In Herefordshire (2011) there were found to be a total of 836 concealed families.
- 4.11 A concealed family can be a couple (with or without children) or a lone parent; an adult child living without a partner or child is not a family. While ONS recognises that the occurrence of concealed households may be due to cultural traditions, including multi-generational households, it also occurs due to economic reasons including rising house prices in relation to earnings which would indicate affordability problems.

Waiting List

- 4.12 The number of households on the waiting list for Herefordshire has generally fluctuated since the start of the monitoring period in 1997; however the overall trend is increasing to almost 5,000 households, as shown in the following figure (4.2) below.

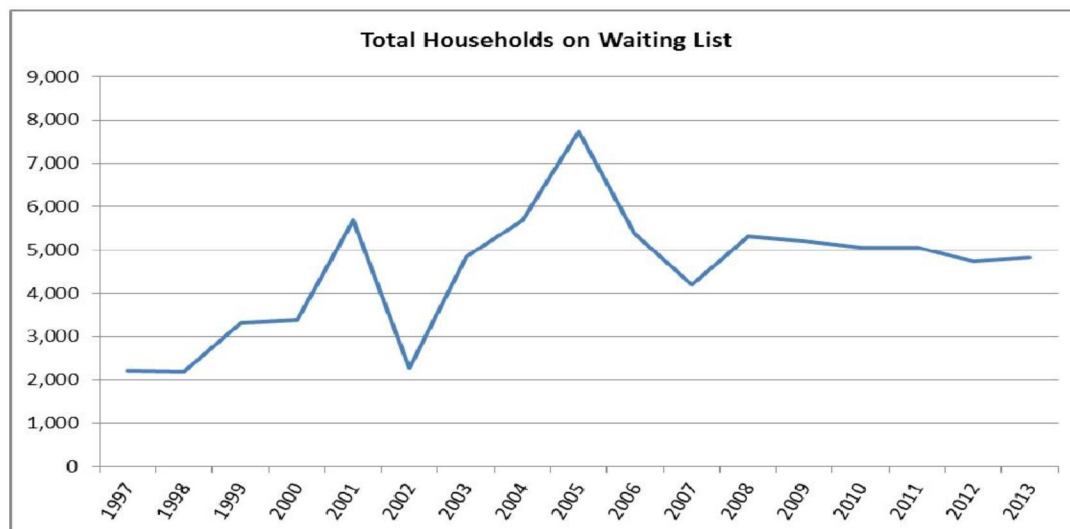


figure 4.2 – Total number of Households on the waiting list from 1997 – 2013

- 4.13 What the above graph shows is that there have dramatic drops in the housing waiting list on a number of occasions over the monitoring period. This is most likely due to the Council changing its criteria of those households on the waiting list on a number of occasions thereby reducing household's eligibility. We know this was done in 2011/12 under the Localism Act 2011 which demonstrates a slight decrease before it increased last year.
- 4.14 The total number of households currently on the waiting list is 4,820. Since 1997 there has been a total increase of 2,600 households on the waiting list which works out as an average increase of 163 households per annum.
- 4.15 Further examination of the waiting list over the past 3 years shows that the need is greatest for smaller units as shown in the following table (4.4).

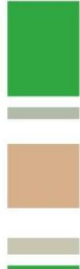
Waiting List as of 1st April over past 3 years showing required mix of housing and reasonable preference						
		1 Bed	2 Bed	3 Bed	3 + Bed	Total
2010/11		2,808	1,407	694	145	5,054
2011/12		2,714	1,254	672	107	4,747
2012/13		2,675	1,363	670	112	4,820

Table 4.4 – Breakdown of the Household Waiting List Data 2010/11 – 2012/13 by bedroom.

- 4.16 From the above table (4.4), it is clear that there have been fluctuations in the total number of households on the waiting list. It is important to note that there has also been a change to the criteria of households on the waiting list in the last 3 years which may have affected the total number of households over this time.

5.0 Affordable Rent and Social Rent

- 5.1 In 2010, the Chancellor of the Exchequer announced the creation of a new affordable housing tenure – Affordable Rent in the statement which accompanied the Comprehensive Spending Review. Registered providers were given greater flexibility to set rents at levels up to 80% of the open market rent inclusive of service charge and to issue shorter tenancies – originally as short as 2 years although 5 years was subsequently made the norm.
- 5.2 The introduction coincided with a shift in the government’s philosophical approach to affordable housing and a radical withdrawal of capital funding for new affordable homes.
- 5.3 The main policy is to allow houses built with Capital funding from the 2015-18 Affordable Homes Programme to be let at Affordable rent. This is to prevent Affordable Housing Delivery from falling dramatically (especially affordable housing delivered by means of planning obligations) due to withdrawal of the majority of funding the intention behind the higher rents associated with affordable housing was to increase the price that Registered Providers could pay for affordable homes and thus to maintain the output of much needed affordable homes at a time when output might otherwise have fallen sharply.
- 5.4 In its options appraisal for the introduction of the new tenure, the Government explicitly considered the question of whether it would be more beneficial to secure a larger number of less subsidised Affordable Rented homes or whether it would be better to continue to deliver a smaller number of more deeply subsidised Social Rented homes. It found in favour of the former. In doing so, it assumed that households moving into rented affordable housing came mostly from the private sector, where they needed to be supported by significantly higher levels of housing benefit. The higher rents associated with affordable housing would blunt the savings to the benefit bill in individual cases but, in aggregate, the higher capital values would deliver more affordable homes and thus spread the benefits further.
- 5.5 Nor did the Government see this as a short terms solution limited to the provision of new homes whilst its top priority of reducing the national deficit precluded significant capital funding for affordable homes. In fact, the Chancellor announced that Registered Providers would be permitted to transfer existing Social Rented homes to the new tenure as they fell vacant and became available for re-letting. This was to allow the RPs to use the higher rents to release capital to be reinvested in the delivery of new affordable homes.
- 5.6 This marks a philosophical shift. There are two ways to support people in need of affordable housing – either through subsidising the individuals concerned through housing benefit or by subsidising the homes themselves. The view of the present Government is that deep subsidies to the homes themselves (through the provision of social rented housing) is inefficient. The theory being that households might be allocated to the home at a uniquely vulnerable moment in their lives perhaps following a redundancy but, once provided with an affordable home, their



circumstances should improve. If the household's circumstances subsequently change such that they no longer require the subsidy it is then impossible to make the subsidised home available to a household with a present need because social rented tenancies are granted for life.

5.7 The new tenure is intended to support households at their time of need rather than indefinitely. The intention is that, as households get back on their feet, they either move into the private sector or, alternatively buy a share in the equity of the home, thus releasing a subsidy which can be used to help others.

5.8 It is the aim that Affordable Rent should be the primary form of affordable housing delivery across the country is built into the framework of the Affordable Homes Programme, the government's flagship programme for new affordable homes and is expected to be the main element of bids. The framework to the AHP makes it abundantly clear that the Homes and Communities Agency sees the provision of new social rented housing as making up only the most marginal element of the overall programme.

"Affordable Rent is expected to be the main element of the product offer from providers both for new supply and conversion of re-lets. But we want providers to respond appropriately to a range of local needs and development opportunities. We will therefore consider the inclusion of affordable home ownership in proposals, where it is a local priority and offers value for money.

Funding for social rented housing may be considered in exceptional cases."²⁰

5.9 Just how exceptional those cases would be is set out later in the same document.

"Social rent provision will only be supported in limited circumstances. For example, social rent could be considered in regeneration schemes where decanting existing social tenants into new homes is necessary.

In all cases providers, supported by the relevant local authorities, will have to make a strong case to demonstrate why Affordable Rent would not be a viable alternative. All such cases will be considered on their individual merits.

Alternatively a local authority may wish to support the provision of social rent through the application of its own resources, for example, the provision of free land or its own funding. The HCA will consider such cases where this results in the level of HCA funding requested offering similar value for money to that achieved for Affordable Rent offers."²¹

5.10 The published statistics on the output of new homes under the Affordable Homes Programme up to the end of June 2013 contains not a single instance of social

²⁰ Affordable Homes Programme Framework para 4.1-2 HCA 2010

²¹ Affordable Homes Programme Framework para 4.20-22 HCA 2010

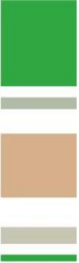
rented housing²². This data contains the funding details of some 38,000 new homes, including those which did not receive any public funding.

- 5.11 However, we recognise that not all elements of the Government's programme have been implemented. In particular, conversions of existing social rented homes to affordable rent have been relatively rare and, even if the absence of new social rented homes in the AHP turns out to be a reporting error (which is possible) – it is possible to deliver affordable homes outside the Affordable Homes Programme. Frustratingly, despite being the regulator for the entire affordable housing sector, the HCA has no statistics at all on delivery outside the AHP and was unable to confirm or deny whether such delivery was taking place or to what extent.
- 5.12 The affordable rent tenure over social rent continues to be the preferred choice of tenure in the emerging Affordable Homes Programme 2015-18. It states that; "It is expected that homes for rent which are funded with capital grant funding from the 2015-2018 Affordable Homes Programme will be let at Affordable Rent".²³ It goes onto state that Social Rent provision will only be supported in very limited circumstances. For example, social rent could be considered where decanting existing social tenants into new homes is necessary."²⁴
- 5.13 In summary, the government is seeking to maximise the delivery of affordable housing and. In order to ensure this, its view and that of the HCA is that all new rented affordable homes should take the form of Affordable Rent rather than Social Rent. As we have seen, there are a significant number of households who have an affordable housing need and could afford an Affordable Rent.
- 5.14 We conclude that there is room for a discussion with the Council's Registered Provider partners as to what the Affordable Rent should be, however providers should adhere at least to the Governments policy on Affordable Rent and charge at no higher than 80% of the open market rent inclusive of service charge but, in order to give the maximum level of certainty, the Council should accept that Affordable Rented housing is accessible to all and meets the identified housing need in the Borough.

²² http://www.homesandcommunities.co.uk/sites/default/files/our-work/2011-15_ahp_-_schemes_confirmed_by_the_hca_end_of_june_2013.xlsx

²³ Affordable Homes Programme 2015-18 Prospectus - Paragraph 196

²⁴ Affordable Homes Programme 2015-18 Prospectus - Paragraph 204



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