



GL Hearn

Assessment of Affordable Housing Need

Brighton & Hove City Council

Final Report

December 2012

Prepared by

GL Hearn Limited
20 Soho Square
London W1D 3QW

T +44 (0)20 7851 4900
F +44 (0)20 7851 4910
glhearn.com

Contents

Section	Page
1 KEY FINDINGS	5
2 INTRODUCTION	8
3 KEY DEFINITIONS	9
4 SUB-AREA ANALYSIS	11
5 SURVEY OF LOCAL PRICES & RENTS	12
6 COST OF AFFORDABLE HOUSING	16
7 GAPS IN THE HOUSING MARKET	17
8 INCOME LEVELS & AFFORDABILITY	19
9 HOUSING NEEDS ASSESSMENT	23
10 ROLE OF THE PRIVATE RENTED SECTOR IN MEETING HOUSING NEED	32
11 UNDERSTANDING THE CONTEXT TO THE HOUSING NEEDS ASSESSMENT	34
12 NEED FOR DIFFERENT TYPES OF AFFORDABLE HOUSING	35
13 IMPACT OF WELFARE REFORMS	38

List of Figures

FIGURE 1: SUB-AREAS IN BRIGHTON & HOVE	11
FIGURE 2: ENTRY-LEVEL PURCHASE PRICE BY SUB-AREA	12
FIGURE 3: VOLUME OF PROPERTIES ADVERTISED FOR SALE	13
FIGURE 4: ENTRY-LEVEL PRIVATE RENTS BY SUB-AREA	14
FIGURE 5: VOLUME OF PROPERTIES ADVERTISED FOR RENT	15
FIGURE 6: MAXIMUM LHA PAYMENTS BY SIZE	16
FIGURE 7: MONTHLY AVERAGE SOCIAL RENT LEVELS IN BRIGHTON & HOVE	16
FIGURE 8: COST OF AFFORDABLE RENTED HOUSING	17
FIGURE 9: INDICATIVE INCOME REQUIRED TO PURCHASE/RENT (2 BEDROOM)	18

FIGURE 10:	DIFFERENCES IN INCOME REQUIRED TO BUY/RENT (2 BEDROOM)	19
FIGURE 11:	DISTRIBUTION OF HOUSEHOLD INCOME IN BRIGHTON & HOVE	20
FIGURE 12:	DISTRIBUTE OF HOUSEHOLD INCREASES BY SUB-AREA	20
FIGURE 13:	LOWER QUARTILE PRICE INCOME RATIOS BY SUB-AREA	21
FIGURE 14:	ESTIMATED HOUSEHOLDS UNABLE TO AFFORD MARKET HOUSING	22
FIGURE 15:	OVERVIEW OF BASIC NEEDS ASSESSMENT MODEL	23
FIGURE 16:	HOUSING REGISTER APPLICANTS BY SUB-AREA	24
FIGURE 17:	ESTIMATED BACKLOG NEED BY SUB-AREA	25
FIGURE 18:	HOUSING NEED FROM NEWLY FORMING HOUSEHOLDS (2012-17)	26
FIGURE 19:	HOUSING NEED FROM EXISTING HOUSEHOLDS (2012-17)	27
FIGURE 20:	ESTIMATED FUTURE HOUSING NEED (2012-17)	27
FIGURE 21:	ANALYSIS OF PAST SOCIAL RENTED HOUSING SUPPLY (PAST 5 YEARS)	28
FIGURE 22:	SUPPLY OF AFFORDABLE HOUSING BY SUB-AREA	29
FIGURE 23:	HOUSING NEED (2012-17) EXCLUDING PIPELINE	30
FIGURE 24:	HOUSING NEED (2012-17) INCLUDING DEVELOPMENT PIPELINE	31
FIGURE 25:	SENSITIVITY ANALYSIS WITH 35% INCOME THRESHOLD: HOUSING NEED	32
FIGURE 26:	PEOPLE CLAIMING LHA IN PRIVATE RENTED SECTOR	33
FIGURE 27:	CATEGORIES OF AFFORDABLE HOUSING USED FOR ANALYSIS	36
FIGURE 28:	INCOME RANGE FOR ACCESS TO INTERMEDIATE HOUSING	36
FIGURE 29:	HOUSING NEED (2012-17) BY TYPE OF AFFORDABLE HOUSING (NUMBERS)	37
FIGURE 30:	HOUSING NEED (2012-17) BY TYPE OF AFFORDABLE HOUSING (%)	37
FIGURE 31:	LHA LEVELS AT MEDIAN AND 30TH CENTILE (JUNE 2010)	39

Quality Standards Control

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

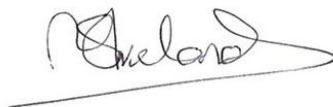
This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.

DATE

Dec 2012


ORIGINATORS

Nick Ireland, Associate Director
Justin Gardner, Director, JGC



APPROVED

Graeme Tulley
Planning Director



Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

1 KEY FINDINGS

- 1.1 This report provides an assessment of housing need in the City of Brighton and Hove. Housing need describes the number of households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market without financial support such as through benefits.
- 1.2 Local authorities are required to undertake periodic reviews of the housing needs in their areas in accordance with Section 8 of the 1985 Housing Act. Robust evidence of housing need is thus a statutory requirement, which is needed to underpin policies seeking affordable housing through new development schemes. However it should be recognised that policies for affordable housing need should be informed by both evidence of housing need – as presented in this report – as well as evidence relating to the viability of residential development. Brighton and Hove City Council has separately prepared an Affordable Housing Viability Study¹.
- 1.3 This report considers housing needs using the Basic Needs Assessment Model as recommended in Government Guidance on undertaking *Strategic Housing Market Assessments (SHMAs)*². It is a prescribed approach which focuses on considering the need for – and supply of – affordable housing to identify a shortfall or surplus of provision.
- 1.4 If households in the City were to spend no more than 25% of their gross income on housing costs and all housing need was going to be met by provision of affordable housing, the housing needs analysis indicates that 17,403 affordable homes would need to be provided in the City over the 2012-17 period in addition to affordable housing which already has planning consent. The needs evidence thus suggests a significant shortfall of affordable housing in Brighton and Hove.
- 1.5 This level of housing need is very significant and needs to be considered in context. The core modelling assumes that households spend no more than 25% of gross income on housing costs as recommended in the Guidance. However this sets out that there may be local circumstances which could justify using a higher threshold for assessing whether households can afford market housing.
- 1.6 Rental costs in the City are particularly high, with a relatively limited difference between the income required to rent privately as against buying a home (albeit that to buy households require the necessary deposit). Against this context it seems reasonable to assume that many households may spend more than 25% of their gross income on housing costs. A sensitivity analysis has been run

¹ Dixon Searle LLP (April 2012) *Brighton and Hove Affordable Housing Viability Study Update, Final Report, April 2012*

² CLG (August 2007) *Strategic Housing Market Assessments: Practice Guidance – Version 2*

assuming that households are able to afford market housing if they do not spend more than 35% of their gross income on housing costs. In this scenario, the analysis indicates that 12,550 affordable homes would be need to be provided in the City over the 2012-17 period in addition to affordable housing which already has planning consent.

- 1.7 It is not likely that even this lower level of affordable housing can be delivered over the period to 2017. The supply of land for residential development within the City's boundaries is finite. Furthermore affordable housing is largely funded through Section 106 negotiations on mixed-tenure development schemes or by grant funding from the Homes and Communities Agency. Grant funding is restricted, in accordance with the Government's austerity programme. The level of affordable housing which mixed-tenure development schemes can support is influenced by development viability.
- 1.8 There are however other solutions to meeting housing need. The Basic Needs Assessment Model considers affordable housing in isolation from other tenures – it assumes that all households in housing need will be housed in affordable housing. Affordable housing is defined in the NPPF as a home which meets the needs of eligible households (with regard to local incomes and house prices) but includes provision for the home to remain at an affordable price for future eligible households.
- 1.9 In reality many households in housing need in Brighton and Hove are able to find suitable housing within the private rented sector, supported by Local Housing Allowance. This source of supply is not considered within the Basic Needs Assessment Model, but it is important to understand the role which the private rented sector plays in meeting housing need in interpreting the findings of the housing needs assessment. The analysis undertaken indicates that there are currently 13,910 people who fall within housing need, but live within the Private Rented Sector and claim Local Housing Allowance. The modelling indicates that based on current circumstances, the Private Rented Sector could meet the needs of 9,222 households over the 2012-17 period.
- 1.10 While private rented housing does not fall under the definition of affordable housing, in practice the Private Rented Sector is likely to continue to be used to some degree to make up for a shortfall of genuine affordable housing in the City. A significant proportion of the net housing need of 17,403 homes over the 2012-7 period is likely to be met by the private rented sector either by households spending more than 25% of their gross income on rent; or by having their income supplemented by Local Housing Allowance. However it should be recognised that reforms to Local Housing Allowance, together with any future growth in private rents, may restrict the potential for an increasing numbers of households in housing need to be accommodated in the Private Rented Sector.

- 1.11 The very high level of housing need in the City does provides a strong justification for provision of new affordable housing.
- 1.12 In setting affordable housing targets in the Brighton and Hove City Plan (Part I), the Council needs to consider policies within the National Planning Policy Framework (NPPF)³. This sets out that to ensure a plan is deliverable, the sites and the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened and should support development throughout the economic cycle. The costs of requirements likely to be applied to development, including affordable housing requirements, contributions to infrastructure and other policies in the Plan, should not compromise the viability of development schemes. If affordable housing targets are set too high, this could result in development schemes not coming forward.
- 1.13 The Council has undertaken an Affordable Housing Viability Study to examine the financial viability of residential development in the City. This recommended a policy approach seeking 40% affordable housing on development schemes of 15 or more dwellings. It recommended a sliding scale of affordable housing requirements on smaller schemes, with either 30% or 40% affordable housing on schemes of 10-14 dwellings, 20% on-site provision or an equivalent financial contribution for schemes of 5-9 units, and the potential for a financial contribution equivalent to no more than 10% on schemes of less than 5 units. The Council has taken this forward and proposed a policy in the Draft City Plan (Part I) seeking 40% on-site affordable housing provision on sites of 15 or more dwellings, 30% on-site provision or an equivalent financial contribution on sites of 10-14 dwellings, and an equivalent financial contribution to 20% on sites of 5-9 dwellings. This report provides the housing needs evidence to support this policy.

³ CLG (March 2012) *National Planning Policy Framework*

1.14

2 INTRODUCTION

- 2.1 This report considers need for affordable housing within the City of Brighton and Hove over the period between 2012-2017. It has been prepared by Justin Gardner Consulting (JGC) and GL Hearn. It forms part of the evidence base required to support policies seeking affordable housing provision in new development schemes within the city Plan (part1).
- 2.2 Housing need is defined in SHMA guidance⁴ as the quantity of housing required for households who are unable to access suitable housing without financial assistance. These households will be eligible for affordable housing. Affordable housing is defined in the National Planning Policy Framework⁵ as social rented, affordable rented and intermediate housing provided to eligible households whose needs are not met by the market.
- 2.3 Government guidance on Strategic Housing Market Assessments⁶ sets out a model for assessing housing need (known as the Basic Needs Assessment Model). This model has been used herein.
- 2.4 Analysis of affordable housing need begins with a study of income levels and housing costs, both to buy and rent in the market sector, in each of the sub-areas before moving on to look at estimated levels of need for affordable housing and the extent to which this need might be able to be met through intermediate housing products (including Affordable Rented Housing).
- 2.5 The analysis is based on secondary data sources. It draws on a number of sources of information including the Council's Housing Register, demographic projections and income information.
- 2.6 The housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing (and that within the development pipeline) which can be used to meet housing need. On this basis, estimates of housing need are provided in this section for the five year period between 2012 and 2017.

⁴ CLG (2007) *Strategic Housing Market Assessments – Practice Guidance (V2)*

⁵ CLG (March 2012) National Planning Policy Framework

⁶ CLG (2007) *Strategic Housing Market Assessments – Practice Guidance (V2)*

3 KEY DEFINITIONS

3.1 We begin by setting out key definitions relating to housing need, affordability and affordable housing.

Housing Need

3.2 Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market. In this assessment we have based this measure on information from the Housing Register.

Newly-Arising Need

3.3 Newly-arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future (measured annually). In this assessment we have used trend data from the Housing Register and continuous recording (CORE) along with demographic projections about the number of new households forming (along with affordability) to estimate future needs.

Supply of Affordable Housing

3.4 An estimate of the likely future supply of affordable housing is also made (drawing on data about past lettings). The future supply of affordable housing is subtracted from the newly-arising need to make an assessment of the net future need for affordable housing.

Affordability

3.5 Affordability is assessed by comparing the distribution of household incomes, modelled using a number of sources including the Annual Survey of Hours and Earnings (ASHE) and the English Housing Survey (EHS), against the cost of suitable market housing (to either buy or rent). Separate tests are applied for home ownership and private renting (in line with the SHMA Guidance) as follows:

- a. Assessing whether a household can afford home ownership: A household is considered able to afford to buy a home if it costs 3.5 times the gross household income;
- b. Assessing whether a household can afford market renting: A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than

25% of gross income. We have also provided a sensitivity test to look at the level of need of increasing this threshold to 35%.

- 3.6 It should be recognised that a key challenge in assessing housing need using secondary sources is the lack of information available regarding households' existing savings. This is a key factor in affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is required for the more attractive mortgage deals. However in many cases households who do not have sufficient savings to purchase a home, have sufficient income to rent housing privately without support, and thus the impact on the overall assessment of affordable housing need is limited.

Affordable Housing

- 3.7 The National Planning Policy Framework (NPPF) defines affordable housing as follows⁷.

"Affordable housing includes social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices;*
- *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision."*

- 3.8 Within the definition of affordable housing there is also the distinction between social rented affordable rented, and intermediate housing. Social rented housing is defined as⁸:

Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant.

- 3.9 Affordable rented housing is defined as⁹:

"Rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime but is

⁷ CLG (March 2012) National Planning Policy Framework, Annex 2

⁸ CLG (March 2012) National Planning Policy Framework, Annex 2

⁹ CLG (March 2012) National Planning Policy Framework, Annex 2

subject to other rent controls that require a rent of no more than 80 per cent of the local market rent¹⁰."

3.10 The definition of intermediate housing is shown below¹¹:

"Intermediate affordable housing is 'Housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing."

3.11 As part of our analysis in this report we have therefore studied the extent to which both social rented, intermediate housing and affordable rented housing can meet housing need in Brighton & Hove.

4 SUB-AREA ANALYSIS

4.1 The analysis looks at housing need across the whole of the Council area and also for seven sub-areas in the City. The sub-areas have been based on those used in the 2005 Housing Needs Survey with the exception of Sub-area 3 which has been split into two for the purposes of this study. The sub-areas are made up from groups of wards and the table below lists the wards in each area.

Figure 1: Sub-Areas in Brighton & Hove

Area	Wards
Sub-area 1	North Portslade, South Portslade, Hangleton & Knoll
Sub-area 2	Stanford (Hove Park), Withdean, Preston Park, Patcham
Sub-area 3a	Wish, Westbourne, Goldsmid
Sub-area 3b	Central Hove, Brunswick & Adelaide, Regency
Sub-area 4	St Peters & North Laine, Hanover & Elm Grove, Queen's Park
Sub-area 5	Hollingbury (Hollingdean) & Stanmer, East Brighton, Moulescoomb & Bevendean
Sub-area 6	Woodingdean, Rottingdean Coastal

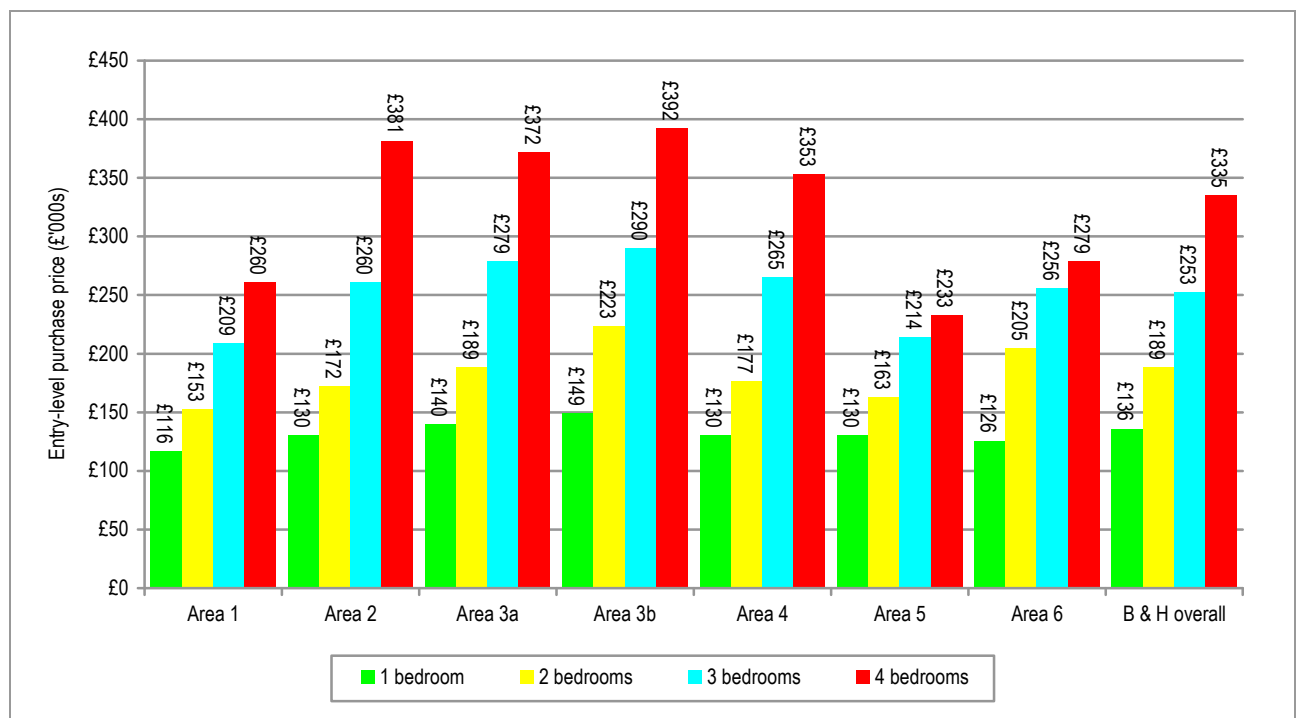
¹⁰ Including service charges where applicable

¹¹ CLG (March 2012) National Planning Policy Framework

5 SURVEY OF LOCAL PRICES & RENTS

- 5.1 An important part of the assessment of housing need is to establish the entry-level costs of housing to buy and rent. This housing needs assessment then compares this with the incomes of households within the City to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having a ‘housing need.’
- 5.2 In this section we establish the entry-level costs of housing to both buy and rent in each of the sub-areas used in analysis. This is based on a desktop survey using internet sources. For each the analysis considers prices and rents for different sizes of property from one to four bedrooms.
- 5.3 Figure 2 below shows estimated lower quartile property prices obtained from this search. The prices have been reduced slightly (on average by about 7%) to take account of the difference between asking prices and prices paid based on information from the Hometrack website.
- 5.4 The data shows some differences between areas with prices in sub-areas 2, 3a, 3b and 4 being notably higher than for other areas for most sizes of accommodation. Prices are lowest in sub-area 1 and sub-area 5. Overall, entry level house prices in the city start at about £120,000-150,000 for a one-bedroom home rising to approaching £400,000 depending on location.

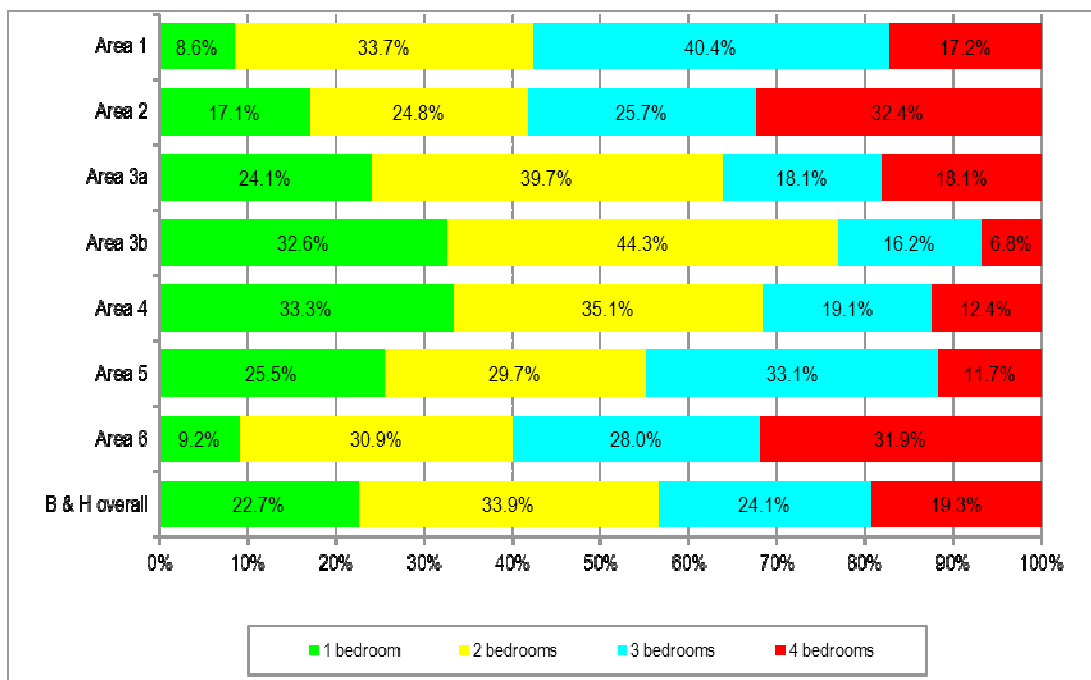
Figure 2: Entry-level Purchase Price by Sub-Area



Source: Online Estate and Letting Agents Survey (November 2012)

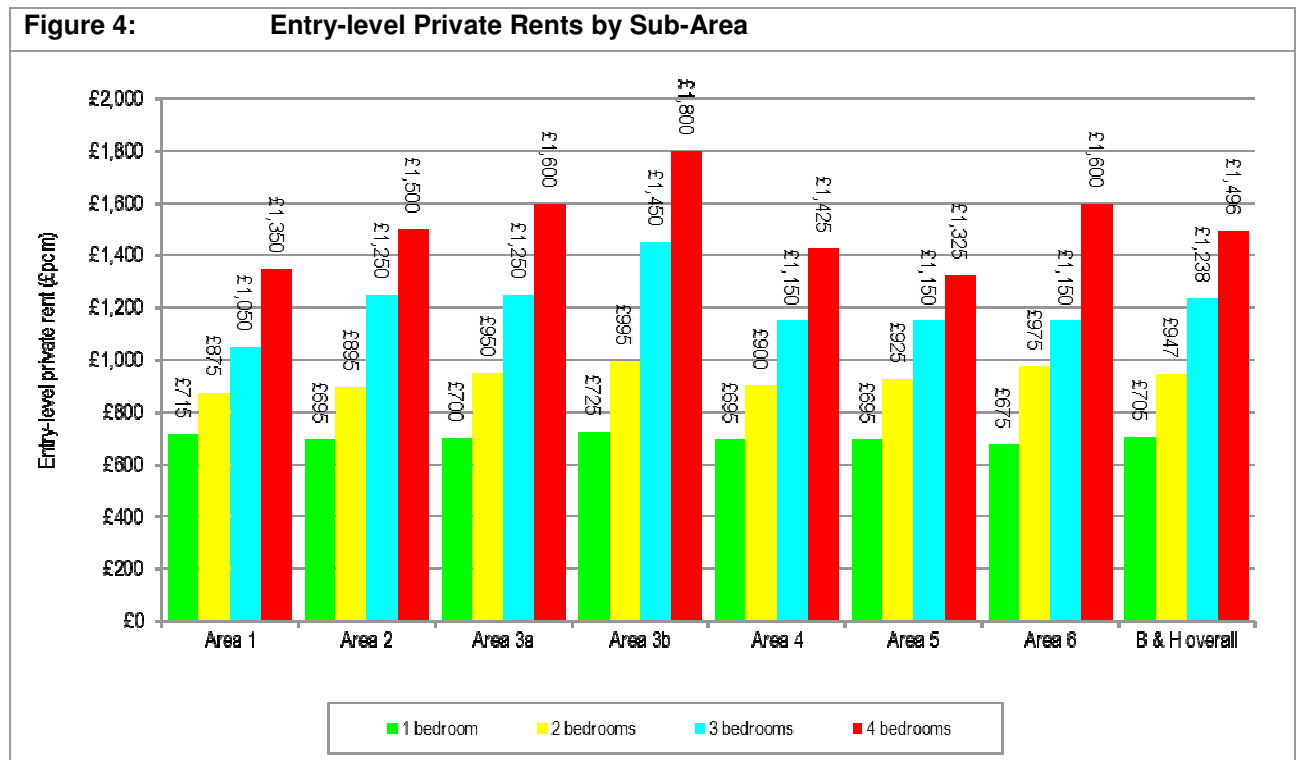
5.5 Figure 3 shows the volume of properties for sale in each of the seven sub-areas advertised for sale in Brighton & Hove overall). The data shows that across the City about 57% of homes have one- or two-bedrooms but that this varies quite notably by location. In sub-area 3b (central Hove) some 77% of homes for sale were smaller (one- or two-bedroom accommodation) compared with about 40% in sub-areas 1, 2 and 6. Looking at larger homes the data shows that only 7% of homes in sub-area 3b have four or more bedrooms compared with 32% in sub-areas 2 and 6.

Figure 3: Volume of Properties Advertised for Sale



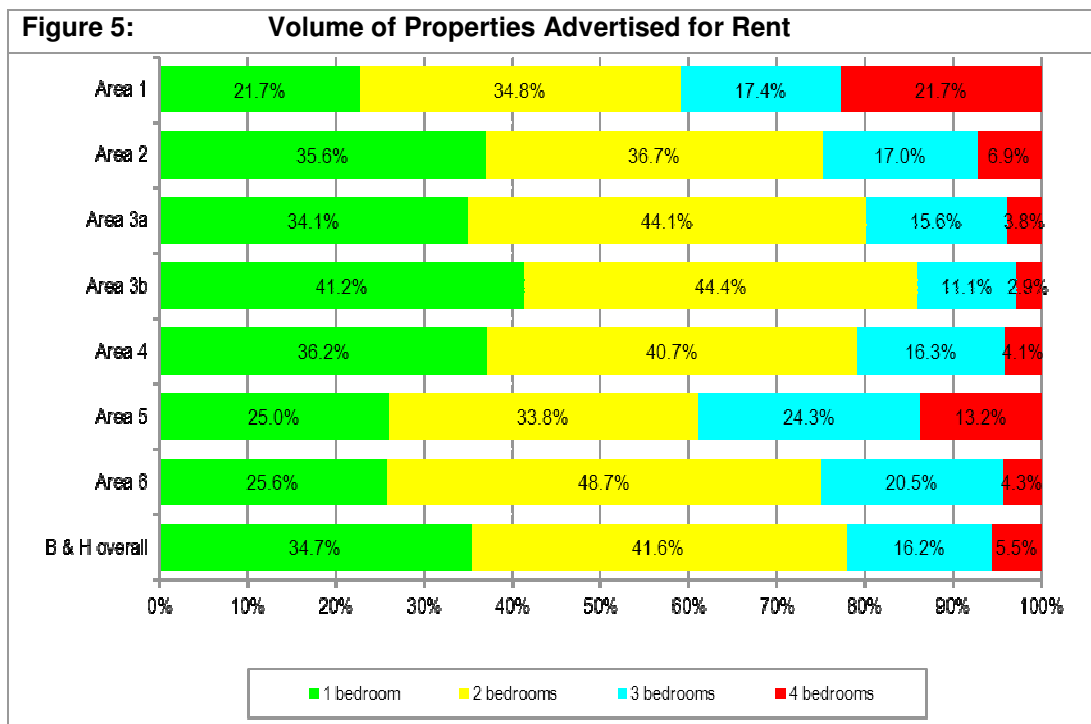
Source: Online Estate and Letting Agents Survey (November 2012)

5.6 The entry-level cost for private rented accommodation is presented in Figure 4 below. Entry-level rents in the city in 2012 range from about £700 per month for a one bedroom home up to around £1,800 per month for a four bedroom property depending on location. The data suggests that there is less variation in rent levels across the city than was seen when comparing house prices, although those areas with higher prices did also tend to have higher rent levels.



Source: Online Estate and Letting Agents Survey (November 2012)

5.7 Figure 5 below shows the volumes of properties available for rent in each of the sub-areas by size of property. Compared with properties for sale the data clearly indicates a higher proportion of smaller homes being available in most areas. Looking at the City as a whole we see that 76% of homes to rent were either one- or two-bedroom accommodation with all areas showing well in excess of half of homes to rent being smaller accommodation. There is a very limited supply of four bedroom homes to rent in the City.



Source: Online Estate and Letting Agents Survey (November 2012)

5.8 In addition to rental costs from our internet survey we have looked at the maximum amount of Local Housing Allowance (LHA) payable on different sized properties. Maximum LHA payments are based on estimates of rents at the 30th percentile and should therefore be roughly comparable with our estimates of lower quartile costs. However, it is not possible to make a direct comparison because of Rental Market Areas (BRMA) used by the Valuation Office Agency (VOA) it is not possible to make direct comparison.

5.9 All of the City is within the Brighton & Hove BRMA although the BRMA does extend beyond the City boundary – most notably to include Lewes to the east and part of Adur to the west. Figure 6 below compares the LHA payment limits with our estimates of rental costs from the market survey. It is notable that for all sizes of accommodation our market survey suggests higher rents than the VOA figures. This is likely to reflect the availability of properties at lower rents in parts of the BRMA which lie outside the City boundary. This may make it difficult for households claiming housing benefit in the private rented sector in the city to afford their accommodation.

5.10 To the table below we have also added LHA rates for room only accommodation. The amount able to be claimed for a room is 51% of the figure for a self-contained one bedroom property.

Figure 6: Maximum LHA payments by Size

Size	Monthly LHA limit	Market survey estimate
Room only	£334	-
1 bedroom	£650	£705
2 bedrooms	£800	£947
3 bedrooms	£950	£1,238
4 bedrooms	£1,400	£1,496

Source: VOA data (November 2012)

6 COST OF AFFORDABLE HOUSING

6.1 Traditionally the main type of affordable housing available in an area is social rented housing. The cost of social rented accommodation by dwelling size can be obtained from Continuous Recording (CORE) - a national information source on social rented lettings. Figure 7 below illustrates the rental cost of lettings of social rented properties by size in 2011/12. The costs are significantly below those for private rented housing indicating a gap between the social rented and market sectors. This gap increases for larger properties.

Figure 7: Monthly Average Social Rent Levels in Brighton & Hove

Size	Monthly rent (including service charges)
1 bedroom	£338
2 bedrooms	£371
3+ bedrooms	£393

Source: CORE (2012)

6.2 Changes in affordable housing provision has seen the introduction of a new tenure of affordable housing (Affordable Rented). Affordable rented housing is defined in the NPPF as being '*let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)*'

6.3 Affordable Rented housing can therefore be considered to be similar to social rented housing but at a potentially higher rent. The 80% (maximum) rent is to be based on the open market rental value of the individual property and so it is not possible to say what this will exactly mean in terms of cost (for example the rent for a two-bedroom flat is likely to be significantly different to a two-bedroom

detached bungalow). However, for the purposes of analysis we have assumed that the 80% figure can be applied to the lower quartile private rented cost data derived from our market survey.

- 6.4 Figure 8 shows potential affordable rents at 80% of market cost by size of property (including service charge). The data shows that affordable rents are generally likely to be higher than current social rents with the gap widening as property sizes get bigger. This information may provide some support for providing affordable rent at below the 80% maximum (particularly for larger properties), but noting that this needs to be balanced against viability considerations.

Figure 8: Cost of Affordable Rented Housing by Size and Sub-Area (per month)

Sub-area	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms
Sub-area 1	£572	£700	£840	£1,080
Sub-area 2	£556	£716	£1,000	£1,200
Sub-area 3a	£560	£760	£1,000	£1,280
Sub-area 3b	£580	£796	£1,160	£1,440
Sub-area 4	£556	£720	£920	£1,140
Sub-area 5	£556	£740	£920	£1,060
Sub-area 6	£540	£780	£920	£1,280
Brighton & Hove	£564	£758	£990	£1,197

Source: Online Estate and Letting Agents Survey (November 2012)

7 GAPS IN THE HOUSING MARKET

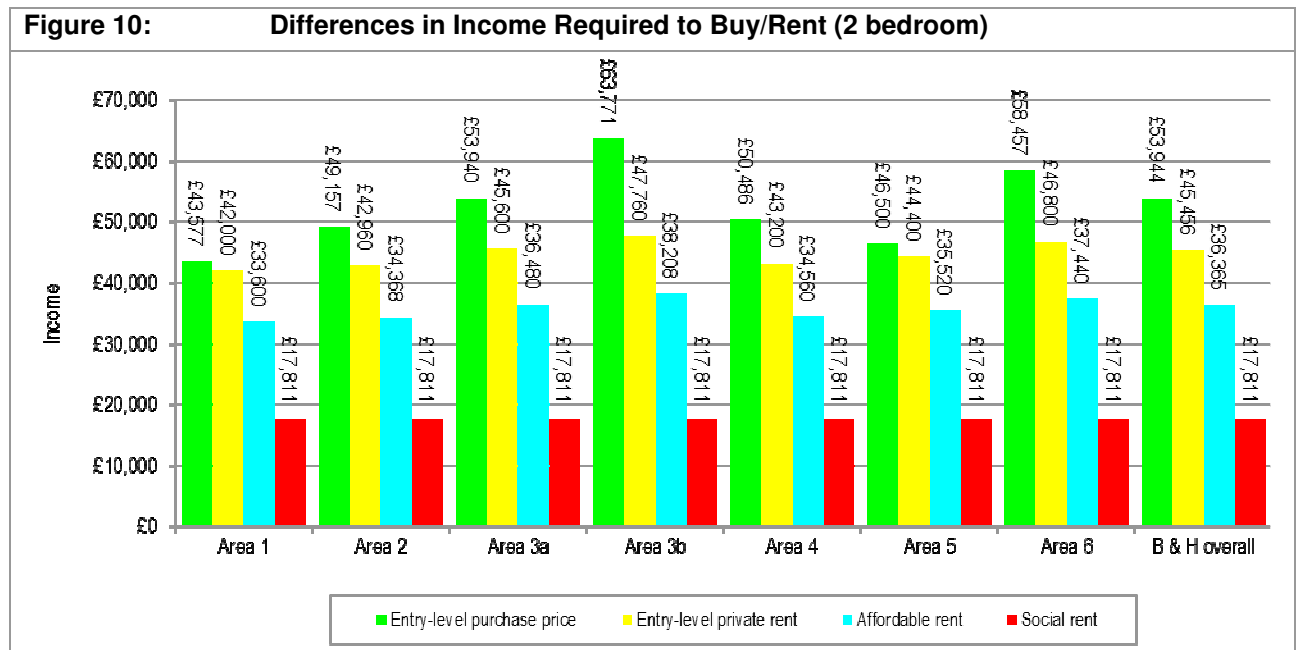
- 7.1 Figure 9 below draws together the above analysis to estimate how current prices and rents in each of the seven sub-areas might equate to income levels required to afford such housing. The figures are all based on a two bedroom home and clearly indicate a gap between the costs of 'entry-level' market housing and the social rented sector – demonstrating the potential for intermediate housing to meet some of the affordable housing need.

Figure 9: Indicative Income Required to Purchase/Rent without Additional Subsidy (2 bedroom)

Sub-area	Entry-level purchase price	Entry-level private rent	Affordable rent	Average RP rent
Sub-area 1	£43,577	£42,000	£33,600	£17,811
Sub-area 2	£49,157	£42,960	£34,368	£17,811
Sub-area 3a	£53,940	£45,600	£36,480	£17,811
Sub-area 3b	£63,771	£47,760	£38,208	£17,811
Sub-area 4	£50,486	£43,200	£34,560	£17,811
Sub-area 5	£46,500	£44,400	£35,520	£17,811
Sub-area 6	£58,457	£46,800	£37,440	£17,811
Brighton & Hove	£53,944	£45,456	£36,365	£17,811

Source: Online Estate and Letting Agents Survey (November 2012) and CORE

- 7.2 The calculations are based on 3.5 times household income for house purchase and 25% of income to be spent on housing for rented properties. The figures for house purchase are based on a 100% mortgage for the purposes of comparing the different types of housing.
- 7.3 We have sought to replicate this data in Figure 10. The analysis indicates that in all areas of the city the income required to rent privately is lower than that required to purchase an equivalent property. The data also indicates a notable gap between private sector rents and social sector rents, with the likelihood that many young households will have an income whereby they can afford more than existing social rents but cannot afford to rent privately without support. For two bed properties households with an income between about £18,000 and £45,000 are likely to fall within this band although this varies by location.



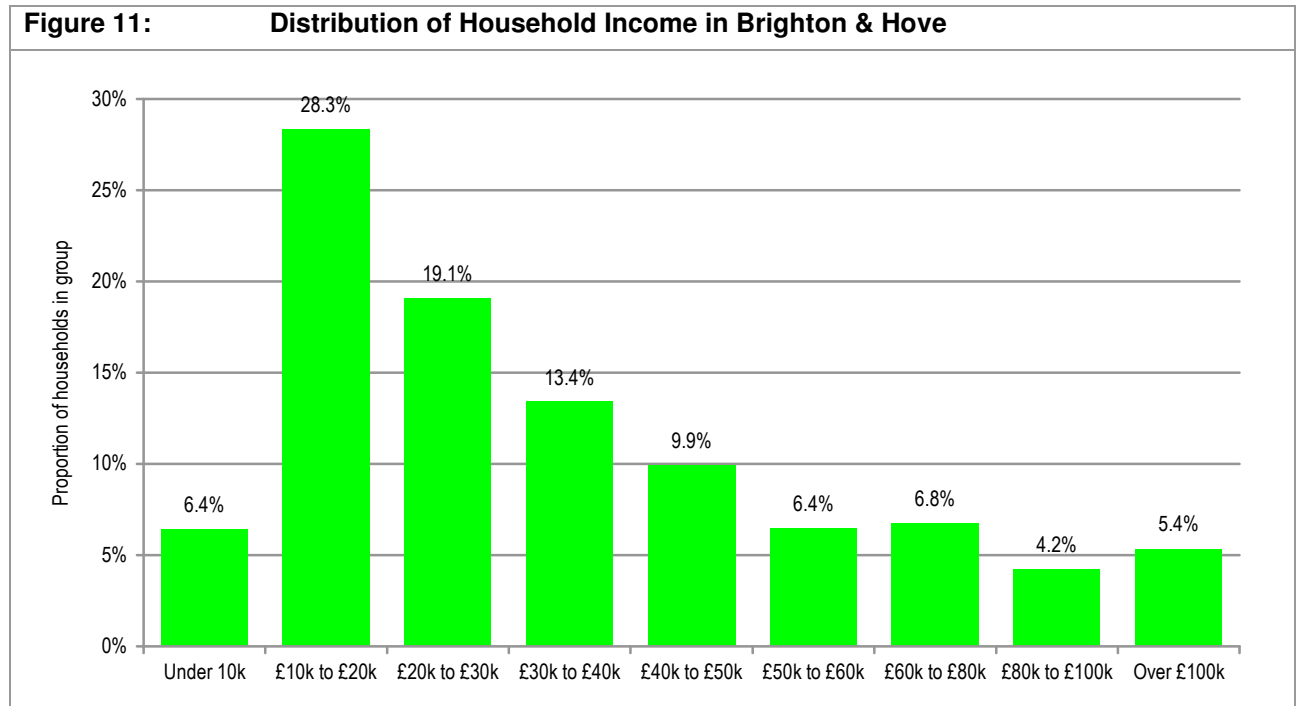
Source: Online Estate and Letting Agents Survey (November 2012) and CORE

7.4 The analysis also highlights that the difference between the income necessary to be able to rent privately without support against the costs of maintaining mortgage payments for a similar property are relatively moderate in a number of areas within the city, areas 1 and 5 particular. However the reality of the situation currently is that households' savings or equity will significantly influence their ability to purchase a home.

8 INCOME LEVELS & AFFORDABILITY

8.1 Following on from our assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability and also provide an indication of the potential for intermediate housing to meet needs. Data about income levels has been modelled from a range of sources including the English Housing Survey (EHS), the Annual Survey of Hours and Earning (ASHE), CACI Paycheck information and ONS income estimates.

8.2 Figure 11 below shows the distribution of income for households across the city of Brighton & Hove. The data shows that around a third (34.7%) of households have an income below £20,000 with a further 32.5% in the range of £20,000 to £40,000. The overall average (median) income of all households in the City is estimated to be £28,240 with a mean income of around £37,000. This latter figure is slightly above the national estimate from CACI of £35,900 in 2012.



Source: Income data modelling

8.3 The table below, Figure 12, shows how the distribution of income varies for each of the seven sub-areas. Incomes are lowest in sub-area 5 (median of £22,600) and highest in sub-area 2 (median of £33,900).

Figure 12: Distribution of Household Incomes by Sub-Area

Income band	Sub-area 1	Sub-area 2	Sub-area 3a	Sub-area 3b	Sub-area 4	Sub-area 5	Sub-area 6	B & H total
Under 10k	6.1%	1.9%	3.6%	6.1%	9.5%	13.1%	3.6%	6.4%
£10k to £20k	30.3%	24.3%	28.1%	28.0%	29.1%	31.7%	28.1%	28.3%
£20k to £30k	19.9%	18.6%	19.2%	20.5%	19.2%	18.6%	17.2%	19.1%
£30k to £40k	13.7%	13.0%	12.6%	12.8%	13.5%	14.2%	14.6%	13.4%
£40k to £50k	10.0%	11.0%	11.3%	10.2%	9.4%	7.1%	11.3%	9.9%
£50k to £60k	5.6%	8.9%	7.3%	6.6%	5.3%	4.5%	6.6%	6.4%
£60k to £80k	5.9%	8.8%	7.2%	6.3%	5.9%	5.4%	7.8%	6.8%
£80k to £100k	4.2%	4.8%	4.1%	4.2%	4.1%	3.9%	4.1%	4.2%
Over £100k	4.3%	8.8%	6.7%	5.3%	4.0%	1.6%	6.7%	5.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Median	£26,443	£33,890	£30,004	£27,915	£26,072	£22,614	£30,204	£28,240
Mean	£34,710	£44,485	£39,384	£36,642	£34,222	£29,684	£39,647	£37,039

Source: Income Data Modelling

Price-Income Ratios and Affordability

- 8.4 By combining the income data above and our estimates of property prices it is possible to construct price:income ratios and also look at the proportion of current households who are unable to afford housing.
- 8.5 Figure 13 below shows the lower quartile property prices (for a two bedroom home) along with the lower quartile income (calculated from the above distributions). This is used to calculate a price:income ratio. Whilst this measure does not imply anything directly about levels of housing need it does provide a good measure of relative affordability levels in different parts of the City and is also a measure that can fairly easily be monitored in future (as recommended in the CLG's Strategic Housing Market Assessment Guidance).
- 8.6 Figure 13 shows that the lower quartile price:income ratio varies from 8.8 in sub-area 2 up to 13.8 in sub-area 3b. In sub-area 2 the relatively low figure is driven by a higher income estimate whilst in sub-area 3b the high figure largely arises due to a high estimated lower quartile house price. Across the whole of Brighton & Hove the price to income ratio is 11.5 – one of the highest figures we have seen when developing this measure in other local authority areas.

Figure 13: Lower Quartile Price Income Ratios by Sub-Area (Prices based on 2 bedroom Home)

Sub-area	Entry-level Purchase Price	Lower Quartile Income	LQ Price:Income Ratio
Sub-area 1	£153,000	£15,295	10.0
Sub-area 2	£172,000	£19,602	8.8
Sub-area 3a	£189,000	£17,355	10.9
Sub-area 3b	£223,000	£16,146	13.8
Sub-area 4	£177,000	£15,080	11.7
Sub-area 5	£163,000	£13,080	12.5
Sub-area 6	£205,000	£17,470	11.7
Brighton & Hove	£189,000	£16,394	11.5

Source: Online Estate and Letting Agents Survey (November 2012) and Income modelling

- 8.7 We have used this data to make an estimate of the number of households able to afford market housing based on their income. This measure does not in itself provide a direct indication of levels of housing need but will provide an indication of which areas may be more or less likely to be able to access market housing without some form of subsidy (e.g. Local Housing Allowance/Housing Benefit).

8.8 To assess affordability we have looked at households ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support. The distribution of household incomes, within each sub- area, is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of their existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing. Figure 14 below shows the income estimated to be required to afford market housing, the number of households unable to afford and the proportion of total households.

8.9 Across the City it is estimated that around 72% of households are unable to access market housing on the basis of income levels. The area with the highest proportion unable to afford is sub-area 5 (at 81.4%) with the lowest proportion unable to afford being estimated to be sub-area 2 (62.1%).

Figure 14: Estimated Proportion of Household Unable to Afford Market Housing without Subsidy

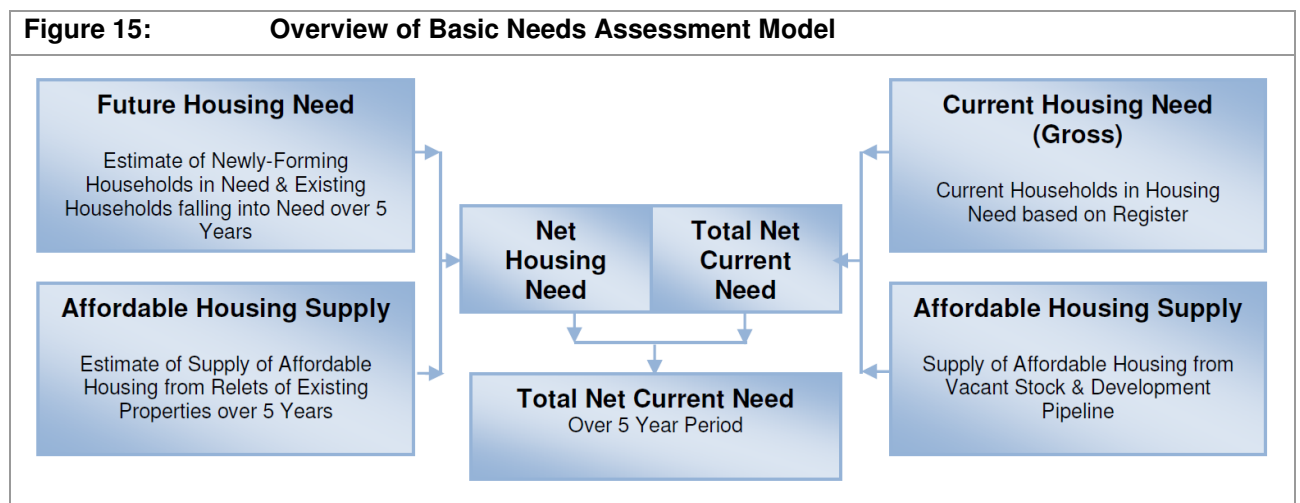
Area	Income required to access market	Number unable to afford	Estimated households (2012)	% of households unable to afford
Sub-area 1	£42,000	10,211	14,084	72.5%
Sub-area 2	£42,960	14,114	22,728	62.1%
Sub-area 3a	£45,600	11,692	16,703	70.0%
Sub-area 3b	£47,760	12,840	16,939	75.8%
Sub-area 4	£43,200	17,248	23,090	74.7%
Sub-area 5	£44,400	14,474	17,781	81.4%
Sub-area 6	£46,800	7,366	10,331	71.3%
Brighton & Hove	-	87,945	121,656	72.3%

Source: Online Estate and Letting Agents Survey (November 2012) and Income modelling

8.10 Drawing on data from the English Housing Survey we can estimate that newly-forming households have an income of around 78% of all household averages with social housing tenants having an average income of about 48% of the overall figure. We have used these proportions to model the profile of incomes of newly-forming households and those of the Housing Register in the housing needs analysis.

9 HOUSING NEEDS ASSESSMENT

9.1 Affordable housing need has been assessed using the Basic Needs Assessment Model, in accordance with the CLG Practice Guidance¹². This model is summarised in Figure 15 below.



9.2 The figures presented in this report for affordable housing needs have been based on secondary data sources including analysis of the Housing Register. The housing needs modelling undertaken provides an assessment of housing need for a five year period (which is then annualised). Each of the stages of the housing needs model calculation are discussed in more detail below.

Current Housing Need (Backlog)

9.3 The backlog of affordable housing need has been based on the number of households registered on the Housing Register and who fall into a priority group for rehousing. From the Housing Register we have taken households in Bands A, B and C to reflect those falling in housing need although some households requested in these bands are not included where the reason for banding does not appear to be housing need related. The main example of this is households who are under-occupying properties – such households afford a high priority on a move would potentially free-up a larger home, but may not technically be in housing need.

9.4 At the time of the assessment there were a total of 14,858 households on the Council's Joint Housing Register. The Housing Register is joint with Registered Providers in the City. Of this total

¹² Communities & Local Government (August 2007) *Strategic Housing Market Assessment – Practice Guidance (Version 2)*

quantum of households, 10,165 are defined as being in housing need. However of these households 1,762 currently occupy affordable housing (and are thus seeking transfer to an alternative home).

9.5 At the time of the assessment there were therefore 8,403 households registered for housing in the City (excluding transfer applicants) who are also in need. Figure 16 below shows the current locations of these households. Around a quarter of households in need did not have any locational information attached mainly due to being classified as “out-of-area” or of no fixed abode – these households have been assigned to a sub-area on a pro-rata basis.

9.6 The data shows that the number of households registered and in need represents around 7% of the number of households in the City. This proportion varies from 4.1% in sub-area 2 up to 10.6% for sub-area 5.

Figure 16: Housing Register Applicants by Sub-Area

Area	On Register and in need	Total number of households	% on register and in need
Sub-area 1	948	14,084	6.7%
Sub-area 2	929	22,728	4.1%
Sub-area 3a	1,063	16,703	6.4%
Sub-area 3b	1,188	16,939	7.0%
Sub-area 4	1,931	23,090	8.4%
Sub-area 5	1,886	17,781	10.6%
Sub-area 6	458	10,331	4.4%
Brighton & Hove	8,403	121,656	6.9%

Source: Housing Register

9.7 Our initial estimate of current affordable housing need is therefore 8,403 households. We can however additionally consider the fact that a number of these households might be able to afford market housing without the need for subsidy. For an affordability test we have used the income data and adjusted the distribution to reflect the fact that typically (nationally) households living in the social rented sector have an average income which is around 48% of the figure for all households in an area. Overall, around 6% of households with a current need are estimated to be likely to have sufficient income to afford market housing and so our estimate of the total backlog need is reduced to 7,890 households.

Figure 17: Estimated Backlog Need by Sub-Area

Area	Gross Need (Housing Register)	% Unable to Afford	Revised Gross Need (including Affordability)
Sub-area 1	948	93.3%	884
Sub-area 2	929	88.9%	826
Sub-area 3a	1,063	92.4%	982
Sub-area 3b	1,188	94.7%	1,125
Sub-area 4	1,931	94.1%	1,817
Sub-area 5	1,886	97.0%	1,829
Sub-area 6	458	92.9%	425
Brighton & Hove	8,403	93.9%	7,890

Source: Housing Register/Income analysis

Newly-Arising Need

9.8 To estimate newly-arising (projected future) housing need we have looked at two key groups of households based on the CLGs SHMA Guidance¹³. These are:

- Newly forming households; and
- Existing households falling into need.

Newly-Forming Households

9.9 For newly-forming households we have estimated (through our demographic modelling) the number of new households likely to form over the five year period and then applied an affordability test. This has been undertaken by considering the changes in households in specific 5-year age bands in 2017 relative to numbers in the age band below 5 years previously, to provide an estimate of *gross* household formation. This differs from numbers presented in demographic projections which are formally for net household growth. The number of newly-forming households are limited to households forming who are aged under 45. This methodology is recognised in the guidance¹⁴ as a robust method for assessing the number of newly forming households.

9.10 The estimates of gross new household formation have been based on outputs from our projection linked to zero net-migration (across the whole City) as set out in the Housing Requirements Study 2012 update¹⁵.

¹³ Communities & Local Government (August 2007) Strategic Housing Market Assessment – Practice Guidance (Version 2)

¹⁴ Communities & Local Government (August 2007) Strategic Housing Market Assessment – Practice Guidance (Version 2)

¹⁵ GL Hearn (Dec 2012) Housing Requirements Study – 2012 Update

- 9.11 In looking at the likely affordability of newly-forming households we have drawn on data from the Survey of English Housing and English Housing Survey¹⁶ over a number of years. This establishes that the average income of newly-forming households is around 78% of the figure for all households. This figure is remarkably consistent over time.
- 9.12 We have therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 78% of the all household average. In doing this we are able to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB).
- 9.13 Our assessment suggests that overall around 81.7% of newly-forming households will be unable to afford market housing. There is some variation by sub-area with 74% of new households in sub-area 2 estimated to be unable to afford compared with 88% in sub-area 5.

Figure 18: Estimated Level of Housing Need from Newly Forming Households (Five Year Period)

Area	Number of new households	% unable to afford	Total in need
Sub-area 1	1,484	82.6%	1,226
Sub-area 2	2,627	73.6%	1,933
Sub-area 3a	2,076	80.7%	1,675
Sub-area 3b	1,911	84.7%	1,619
Sub-area 4	2,669	83.7%	2,234
Sub-area 5	1,871	87.9%	1,645
Sub-area 6	981	81.4%	799
Brighton & Hove	13,619	81.7%	11,130

Source: Projection Modelling/Income analysis

Existing Households falling into Housing Need

- 9.14 The second element of newly arising need is existing households falling into need. To assess this we have again used the Housing Register data and also information about supply from CORE. We have looked at households who have been housed over the past five years. This group will represent the flow of households onto the Housing Register over a five year period. From this we have discounted any newly forming households (e.g. those currently living with family) as well as households who have transferred from another social rented property. An affordability test has also been applied, although as was seen for the backlog need, relatively few households have sufficient income to afford market housing.

¹⁶ The English Housing Survey is continuous national survey undertaken by Communities and Local Government

9.15 This method for assessing existing households falling into need is consistent with the SHMA guide which says on page 46 that ‘Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless households applicants)’.

9.16 Figure 19 below therefore shows our estimate of likely new need from existing households over the next five years by sub-area. The projections are based on a period which includes the housing market downturn; and as a result we would expect the figures to be influenced by changes to lending practices and growth in rents in the private rented sector. The data shows an additional need arising from 3,112 households, with 42% of these being in sub-area 5.

Figure 19: Estimated level of Housing Need from Existing Households (2012-17)

Area	Number of Existing Households falling into Need	% of Need
Sub-area 1	388	12.5%
Sub-area 2	198	6.4%
Sub-area 3a	258	8.3%
Sub-area 3b	94	3.0%
Sub-area 4	762	24.5%
Sub-area 5	1,296	41.6%
Sub-area 6	116	3.7%
Brighton & Hove	3,112	100.0%

Source: CORE and affordability analysis

9.17 Estimates of total future housing need which is likely to arise over the next five years (2012-17) are shown below, by combining the estimates of need arising from newly-forming households and from existing households falling into need. Total newly-arising need is estimated at 14,243 households over the 2012-17 period.

Figure 20: Estimated Future Housing Need (2012-17)

Area	Newly-forming Households in Need	Existing Households falling into Need	Total Newly-Arising Need 2012-17
Sub-area 1	1,226	388	1,614
Sub-area 2	1,933	198	2,131
Sub-area 3a	1,675	258	1,933
Sub-area 3b	1,619	94	1,712
Sub-area 4	2,234	762	2,996
Sub-area 5	1,645	1,296	2,941
Sub-area 6	799	116	915
Brighton & Hove	11,130	3,112	14,243

Supply of Affordable Housing

9.18 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social relets and the annual supply of relets/sales within the intermediate sector.

Social Rented Housing

9.19 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CORE) to establish past patterns of social housing availability. Our figures include general needs and supported lettings but exclude lettings of new properties and exclude estimate lettings to households transferring from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

9.20 On the basis of past trend data it has been estimated that 789 units of social rented housing are likely to become available each year moving forward (3,944 over the five-year projection period). Figure 21 below breaks this information down by general needs and supported properties. It is notable that the majority of social rented supply is in supported rather than general needs housing.

Figure 21: Analysis of past Social Rented Housing Supply (Past 5 years)

General needs	Total lettings	2,444
	% as non-newbuild	92.5%
	Lettings in existing stock	2,261
	% non-transfers	52.9%
	Total lettings to new tenants	1,196
Supported	Total lettings	4,074
	% as non-newbuild	97.9%
	Lettings in existing stock	3,988
	% non-transfers	68.9%
	Total lettings to new tenants	2,748
Total lettings to new tenants		3,944

Source: CORE

9.21 The supply figure is for social rented housing only and whilst the stock of intermediate housing in Brighton & Hove is not significant compared to the social rented stock, it is likely that some housing does become available each year (e.g. resales of shared ownership homes). For the purposes of

this assessment we have estimated the likely size and turnover in the intermediate stock on the basis of Regulatory Statistical Return (RSR) data. From this it is estimated that around 30 additional properties might become available per annum (150 over the five year projection period).

- 9.22 The total supply of affordable housing is therefore estimated to be 819 per annum (or 4,094 over the next five years). Figure 22 below shows the locations where supply is expected to arise.

Figure 22: Supply of Affordable Housing by Sub-Area

Area	Social rented relets	Intermediate housing 'relets'	Total supply (2012-2017)
Sub-area 1	499	18	517
Sub-area 2	267	21	289
Sub-area 3a	335	21	356
Sub-area 3b	119	24	143
Sub-area 4	971	30	1,001
Sub-area 5	1,603	25	1,628
Sub-area 6	150	10	159
Brighton & Hove	3,944	150	4,094

Net Housing Need

Excluding Development Pipeline

9.23 Figure 23 below shows our initial overall calculation of housing need. This excludes supply arising from sites with planning consent (the 'development pipeline'). The data shows an overall net need for affordable housing of 18,038 units over the next five years. The net need is calculated as follows:

$$\text{Net Need} = \text{Backlog Need} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

9.24 This calculation assumes that the backlog of housing need is met over the next five years (in line with many other housing needs studies). There is a question about how realistic this is (which we will come onto).

Figure 23: Estimated Level of Housing Need (2012-17) excluding Pipeline

Area	Backlog need	Newly forming households	Existing households falling into need	Total Need	Supply	Net Need
Sub-area 1	884	1,226	388	2,499	517	1,981
Sub-area 2	826	1,933	198	2,957	289	2,669
Sub-area 3a	982	1,675	258	2,915	356	2,560
Sub-area 3b	1,125	1,619	94	2,837	143	2,694
Sub-area 4	1,817	2,234	762	4,813	1,001	3,812
Sub-area 5	1,829	1,645	1,296	4,770	1,628	3,142
Sub-area 6	425	799	116	1,340	159	1,181
Brighton & Hove	7,890	11,130	3,112	22,132	4,094	18,038

Source: Housing Register/HSSA/CORE/Projection Modelling and affordability analysis

Taking Account of Planning Consents

9.25 The Government guidance¹⁷ on needs assessment indicates that this should take account of the committed supply of affordable housing is provided. This is considered in the table below, Figure 24. Overall a net need for 17,403 affordable homes over the 2012-17 period is identified once the supply of affordable housing in the development pipeline is included.

Figure 24: Estimated level of Housing Need (2012-17) including Development Pipeline

Area	Total Need	Supply from Existing Properties	Supply from Development Pipeline	Net Need 2012-17
Sub-area 1	2,499	517	4	1,978
Sub-area 2	2,957	289	65	2,603
Sub-area 3a	2,915	356	34	2,525
Sub-area 3b	2,837	143	9	2,685
Sub-area 4	4,813	1,001	375	3,437
Sub-area 5	4,770	1,628	48	3,094
Sub-area 6	1,340	159	100	1,081
Brighton & Hove	22,132	4,094	635	17,403

Sensitivity of the Housing Needs Estimate

9.26 The overall level of housing need derived above has been based on an affordability test where households are assumed not to spend more than 25% of their income on housing. In reality many households (particularly in the private rented sector) may spend a higher proportion that this to secure housing. In an area such as Brighton & Hove where rents are relatively high, it is also reasonable to expect that household might spend a higher proportion of their income on housing.

9.27 We have therefore re-run the analysis on the assumption that households can spend up to 35% of income on housing.

¹⁷ Communities & Local Government (August 2007) Strategic Housing Market Assessment – Practice Guidance (Version 2)

Figure 25: Sensitivity Analysis with 35% Income Threshold - Estimated level of Housing Need (2012-17)

Area	Total Need	Supply from Existing Properties	Supply from Development Pipeline	Net Need 2012-17
Sub-area 1	1,937	517	4	1,416
Sub-area 2	2,166	289	65	1,813
Sub-area 3a	2,239	356	34	1,849
Sub-area 3b	2,219	143	9	2,067
Sub-area 4	3,791	1,001	375	2,415
Sub-area 5	3,893	1,628	48	2,217
Sub-area 6	1,033	159	100	774
Brighton & Hove	17,279	4,094	635	12,550

9.28 This analysis suggests that the level of net housing need would drop to 12,500 for the 2012-17 period.

10 ROLE OF THE PRIVATE RENTED SECTOR IN MEETING HOUSING NEED

10.1 The Strategic Housing Market Assessment Guidance¹⁸ requires consideration of the ability of the private rented sector (through the Local Housing Allowance (LHA) system) to meet housing need. We have therefore used data from the Department of Work and Pensions (DWP) to look at the number of LHA supported private rented homes. As of May 2012 it is estimated that there were 13,910 benefit claimants in the private rented sector in the City.

10.2 The data in Figure 26 below shows that in all areas studied the number of LHA claimants has increased over the two and a half year period although the proportionate increase in Brighton & Hove is very small relative to other locations. This may in part be due to difficulties in households accessing 'affordable' private rented accommodation given the clear difference between local rents and the amount of LHA which can be claimed (as discussed earlier in this document). The time period for analysis which has been used is longest time series publically available from the DWP statistics.

¹⁸ Communities & Local Government (August 2007) Strategic Housing Market Assessment – Practice Guidance (Version 2)

Figure 26: Number of People Claiming LHA in Private Rented Sector (August 2009 and May 2012)

Area	August 2009	May 2012	Absolute change	% change
Brighton & Hove	12,580	13,910	1,330	10.6%
South East	167,410	208,880	41,470	24.8%
Great Britain	1,272,640	1,645,730	373,090	29.3%

Source: Department of Work and Pensions

- 10.3 This information does not tell us how many lettings are made each year to tenants claiming benefit as this will depend on the turnover of stock. Nationally (from the 2010/11 English Housing Survey) it is estimated that the turnover of private rented properties is around 35% (the highest of any tenure category). In addition, comparing EHS data with DWP data suggests that the number of households claiming is around 75% of the number of claimants (this arises due to multiple claimants living in the same dwelling). If these figures are applied to Brighton & Hove then this would equate to around 3,651 lettings per annum.
- 10.4 Over the five year projection period used for analysis we also need to take account of households making multiple moves within the private rented sector. Again assuming a turnover rate of 35% we estimate that this would mean that over five years some 9,222 households will have their needs met through the private rented sector. At the current time the private rented sector has in effect made a significant contribution to addressing the shortfall of genuine affordable housing.
- 10.5 It is not however appropriate to treat this sector as a form of affordable housing and net it from the overall annual housing needs estimate of 18,038 affordable homes (2012-17) or the lower figure of 13,185 based on a 35% affordability threshold. Neither the SHMA Guidance (CLG, 2007) nor the NPPF (CLG, 2012) recognise this sector as affordable housing.
- 10.6 However, it should be recognised that, in practice, the private rented sector does make a significant contribution to filling the gap in relation to meeting housing need and given the levels of affordable housing need shown in this study, the private rented sector is likely to continue to be used to some degree to make up for the shortfall of genuine affordable housing for the foreseeable future.
- 10.7 The extent to which the Council wish to see the private rented sector being used to make up for shortages of affordable housing is a matter for policy intervention and is outside the scope of this report. However it should be recognised that the Private Rented Sector does not provide secure tenancies and that standards within the sector are likely to be lower than for social rented properties.

Furthermore there are households with specific housing needs who may not be able to find suitable accommodation within the Private Rented Sector.

11 UNDERSTANDING THE CONTEXT TO THE HOUSING NEEDS ASSESSMENT

- 11.1 The housing needs analysis concludes that there is a shortfall of 17,403 affordable homes over the period from 2012 to 2017. However there are a number of things that need to be remembered in interpreting the housing needs analysis.
- 11.2 The Basic Needs Assessment Model which has been used was designed specifically to identify whether there is a shortfall or surplus of affordable housing. It is a statutory requirement to underpin affordable housing policies.
- 11.3 The needs assessment therefore does not look at all housing needs, but specifically the needs of those who can't afford market housing (assuming no more than 25% of households' gross income is spent on housing costs). It assumes that all households are adequately housed in a home that they can afford.
- 11.4 The needs assessment is a 'snapshot' assessment at a point in time, which is affected by the differential between housing costs and incomes at that point; as well as the existing supply of affordable housing. In the case of Brighton & Hove, whilst the stock of affordable housing has increased by about 4% over the last decade it has reduced as a proportion of all housing in the area. The turnover of the stock has also decreased over time. This has affected the level of affordable housing need shown. The shortfall of affordable housing identified is therefore to some extent affected by past investment decisions.
- 11.5 Moreover, as the Basic Needs Assessment Model is designed to identify a shortfall of genuine affordable housing, it assumes that all households in 'housing need' are housed in affordable homes (which include provision that the home remains at an affordable price for future eligible households).
- 11.6 In reality, there are two key factors which need to be considered:
- Some households defined as in housing need may choose to spend more than 25% of their gross income on housing costs or may not actively seek an affordable home; and
 - Some households defined as in housing need are accommodated in the Private Rented Sector, supported by Local Housing Allowance.
- 11.7 If the income threshold is increased to 35% the shortfall of affordable homes over the 2012-2017

period falls to 12,550 properties (but clearly remain significant).

- 11.8 It is estimated that there are currently 13,910 Local Housing Allowance claimants housed in the Private Rented Sector. The modelling undertaken indicates that based on current circumstances the private rented sector could meet the needs of 9.222 households over the 2012-2017 period.
- 11.9 As the level of housing need is very sensitive to differences between housing costs and incomes, changes in the difference between incomes and housing costs over time will affect the level of housing need identified. Housing provision in the city is also particularly influenced by its constrained land supply
- 11.10 Because of the factors described above, the housing needs analysis per se does not provide a strong basis for considering overall future housing requirements.
- 11.11 Given the current stock of affordable housing in the City, the funding mechanisms for delivery of new affordable housing and policies affecting sales of existing properties, it is also unrealistic to assume that all households in housing need will be provided with an affordable home. It is realistic to assume that the Private Rented Sector will continue to play an important role in meeting housing need in the short-to-medium term.

12 NEED FOR DIFFERENT TYPES OF AFFORDABLE HOUSING

- 12.1 Having studied housing costs, incomes and housing need the next step is to make an estimate of the proportion of affordable housing need that should be met through provision of different housing products. We therefore use the income information presented earlier in this section to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social or affordable rented housing will be affordable. The main data sources for establishing housing need are the Housing Register and projections of newly-forming households (along with local income estimates).
- 12.2 We have assessed requirements in the form of three income bands which have been associated with three different tenures of housing – intermediate, affordable rented and social rented. Households are considered able to afford intermediate housing if their income is greater than that required to rent at 80% of market rental costs (a figure which equates with possible affordable rent maximum costs) and the income falls below that required to access the market without subsidy. Although technically an intermediate product could be provided at below this level, the reality is that most intermediate housing is priced closer to market costs than social housing costs.

- 12.3 Households whose income falls in the gap between intermediate housing and social rented housing are allocated to affordable rented housing with lower income households placed in the social rent group.
- 12.4 The categories of affordable housing are described in the Figure 27 below.

Figure 27: Categories of Affordable Housing used for Analysis

Housing type	Description
Intermediate housing	Assigned to households who can afford a housing cost at or above 80% of market rents but cannot afford full market costs
Affordable rent	Assigned to households who could afford a social rent without the need to claim housing benefit but would need to claim benefit to afford an Affordable Rented home (priced at 80% of market rental costs)
Social rent	Households who would need to claim housing benefit regardless of the cost of the property

- 12.5 Figure 28 below shows figures for our assumed market entry income level and the income below which affordable or social rented housing will be required. Any household with an income in the gaps between figures is assumed to be able to afford either intermediate or affordable rented housing.

Figure 28: Income Range for Access to Intermediate Housing

Sub-Area	Income required to access market housing	Income below which affordable rented housing is required	Income below which social rented housing is required
Sub-area 1	£42,000	£33,600	£17,811
Sub-area 2	£42,960	£34,368	£17,811
Sub-area 3a	£45,600	£36,480	£17,811
Sub-area 3b	£47,760	£38,208	£17,811
Sub-area 4	£43,200	£34,560	£17,811
Sub-area 5	£44,400	£35,520	£17,811
Sub-area 6	£46,800	£37,440	£17,811
Brighton & Hove	£45,456	£36,365	£17,811

Source: Online Estate and Letting Agents Survey (November 2012) and CORE

- 12.6 In fact there will be a considerable overlap between these categories – the first would potentially represent households who could afford affordable rented housing without the need to claim housing benefit whilst the latter category (called social rent for analytical purposes) could have their needs met through affordable rented housing (with benefit assistance).
- 12.7 The tables below show our estimate of the number of households in need in each of the above categories and estimated net need levels (for the purposes of analysis the affordable and social

rent figures have been combined). Figure 29 shows actual numbers over the five year period whilst Figure 30 shows these figures in percentage terms.

12.8 The data shows that across the City some 8.5% of the need could be met through products priced at the 80% of market level without the need for benefit assistance. At a sub-area level the data suggests that intermediate requirements vary from 6.7% in sub-area 5 up to 12.8% in sub-area 2.

12.9 Figure 29 separates out affordable rent from social rent – this distinction was not made in the first table as we do not have information about the likely supply of social rent vs. affordable rent in the future. It is possible that some social relets will be at an affordable rather than a social rent. The table suggests that within the social/affordable category there should be roughly a two-thirds to a third split in favour of social renting.

Figure 29: Estimated level of Housing Need (2012-17) by Type of Affordable Housing (Numbers)

Area	Intermediate			Social/Affordable Rented		
	Total need	Supply	Net need	Total need	Supply	Net need
Sub-area 1	190	18	171	2,309	499	1,810
Sub-area 2	362	21	341	2,595	267	2,328
Sub-area 3a	250	21	229	2,665	335	2,330
Sub-area 3b	207	24	183	2,631	119	2,512
Sub-area 4	323	30	293	4,490	971	3,518
Sub-area 5	236	25	211	4,534	1,603	2,931
Sub-area 6	112	10	103	1,228	150	1,078
Brighton & Hove	1,680	150	1,530	20,452	3,944	16,508

Source: Housing Needs Analysis

Figure 30: Estimated level of Housing Need (2012-17) by Type of Affordable Housing (Percentages)

Area	Intermediate	Affordable rent	Social Rent	Total
Sub-area 1	8.6%	30.6%	60.8%	100.0%
Sub-area 2	12.8%	38.2%	49.0%	100.0%
Sub-area 3a	9.0%	37.4%	53.6%	100.0%
Sub-area 3b	6.8%	36.7%	56.5%	100.0%
Sub-area 4	7.7%	30.8%	61.5%	100.0%
Sub-area 5	6.7%	24.9%	68.4%	100.0%
Sub-area 6	8.7%	38.4%	52.9%	100.0%
Brighton & Hove	8.5%	32.5%	59.0%	100.0%

Source: Housing Needs Analysis

13 IMPACT OF WELFARE REFORMS

13.1 The Coalition Government has heralded a period of considerable change by way of welfare reforms which will have an effect on the City's residents. The reforms are set against a backdrop of government spending cuts, which has seen funding levels drop, and an economic recession which has led to changes to the country's housing market and how housing can be accessed. A summary of the proposed welfare reforms and potential impact are shown below:

- Reducing the Local Housing Allowance (LHA) from the median rent in a Broad Rental Market Area (BRMA) to the 30th centile from October 2011 (this is discussed in more detail below).
- Up rating and increasing the non-dependent rate from April 2011 is likely to place pressure on households with adult children still living at home who cannot contribute towards household expenses.
- Capping the Local Housing Allowance is likely to make applicants for private sector lettings less attractive to landlords.
- Capping the total benefits to a household at no more than the national average wage is likely to impact larger families.
- Limiting payments for people under 35 to the shared room rate (up from 25), making it harder to place young single people in private rented accommodation (this is discussed in more detail below).
- Limiting Housing Benefit entitlements for working age people in social housing sector to reflect family size could increase arrears (this is discussed in more detail below).
- Up rating LHA in line with Consumer Price Index (CPI) instead of Retail Price Index (RPI) may impact on the number of private sector homes available for rent.
- The move towards a Universal Credit is likely to end Housing Benefit payments direct to landlords, making benefit claimants potentially less attractive as tenants.

Changes to Maximum LHA Payments

13.2 In looking at the extent to which the private rented sector is being used to meet housing need (through LHA) it is important to consider the likely impact of the changes made as of April 2011. The key change is that calculations of the maximum amount that can be claimed has gone from the median rent in an area to the 30th centile. Figure 29 below shows figures for the Brighton & Hove Broad Rental Market Area for median and 30th centile rents for different property sizes. The figures are taken from the Rent Service website for June 2010 (contained within a set of tables studying the impact of LHA changes).

13.3 Generally the differences are not big although there will be a number of households previously able to claim their full rent back who would no longer be able to do so. Research by the Department of Work and Pensions (DWP) suggests that around 9,230 claimants would have been affected by this

change with an average loss of about £13 per week. It is not clear how many of these claimants were significantly affected (e.g. unable to pay the rent and potentially became homeless) but this change may well have put additional stress of household finances and may at the very least have forced some households to move home to seek cheaper accommodation.

Figure 31: LHA levels at median and 30th centile (June 2010) – Weekly Figures

Property size	Median	30 th centile	% difference
Room only	£83	£78	-6%
1 bedroom	£150	£138	-8%
2 bedrooms	£190	£173	-9%
3 bedrooms	£253	£227	-10%
4 bedrooms	£322	£299	-7%
5 bedrooms	£411	NA	-

Source: Rent Service

Changes to the Shared Accommodation Rate

- 13.4 There may be further issues relating to changes to the single room allowance. From January 2012 benefit claimants aged 35 and under are only able to claim the single room allowance rather than the allowance for a 1 bed property. Previously this only applied to claimants aged 25 or under. Research by DWP indicates that 840 households may have been affected by this change with their LHA reduced by an average of £51 per week.
- 13.5 The difference between the LHA maximum for a one-bedroom property and the single room allowance is significant with the latter typically being around 50%-60% of the figure for self-contained accommodation.

Limiting benefit entitlements in the social rented sector

- 13.6 The final key area of the welfare reforms studied here relates to changes in the amount of Housing Benefit working age households can claim in the social rented sector. Currently the amount of Housing Benefit to which they are entitled, and the eligible rent part of the Housing Benefit calculation, is unrelated to the size of accommodation that claimants actually require – it is based simply on the accommodation that they actually occupy. This is in contrast to the rules that apply in the private rented sector.
- 13.7 From 1st April 2013 it is intended to introduce size criteria for new and existing working-age Housing Benefit claimants living in the social rented sector. The size criteria will replicate the size criteria that apply to Housing Benefit claimants in the private rented sector and whose claims are assessed

using the local housing allowance rules. The applicable maximum rent will be reduced by a national percentage rate depending on how many bedrooms the household is considered not to require.

- 13.8 At present there is no locally specific data for Brighton & Hove about the number of households who might be affected by this change. However, in a DWP Equality Assessment (October 2011) it is estimated that in the East Midlands some 40,000 households will be affected (22% of working-age households in the social rented sector) and that these households will lose an average of £15 per week.
- 13.9 As with the LHA changes discussed above it is not certain how many of these households will be put into significantly financial difficulty as a result of this change but it is quite possible that this change will see an increase in households seeking to move home and potentially requiring smaller accommodation.