



MAY 2020

Updated Housing Needs Evidence

Final Report

Iceni Projects Limited on behalf of
West Berkshire Council

May 2020

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ON BEHALF OF WEST
BERKSHIRE COUNCIL

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1. INTRODUCTION

- 1.1 West Berkshire Council is in the process of preparing a Local Plan Review to guide development in the District over the period to 2036. When adopted, this will replace the existing 2012 Core Strategy, the Housing Site Allocations DPD and the remaining saved policies of the West Berkshire District Local Plan 1991-2006.
- 1.2 National planning policy¹ requires that councils assess the size, type and tenure of housing needed for different groups in the community, including people of different ages and those who require affordable housing. These are then expected to be reflected in planning policies. The Local Plan Review will set out housing targets for the District as well as policies regarding what types of homes need to be built.
- 1.3 The Council has worked with other authorities to prepare a number of evidence base documents addressing housing need. The *Berkshire Strategic Housing Market Assessment* (SHMA) was published in February 2016² and provided an assessment of housing market dynamics, the need for affordable housing, overall housing needs (using the prescribed approach at the time of its preparation), the need for different sizes of homes, and the housing needs of different groups within the population including younger people, families, older people as well as households with disabilities and those seeking to build their own homes. A review of the SHMA's findings on the overall housing need in the Western Berkshire Housing Market Area (HMA) was undertaken in early 2018 in an "OAN *Sensitivity Testing Report*"³ which (as with the SHMA) was prepared by consultancy GL Hearn.
- 1.4 Since the preparation of these previous studies, the Government has released an updated National Planning Policy Framework (NPPF), initially in July 2018 with subsequent minor revisions in February 2019.⁴ Alongside this it has also revised Planning Practice Guidance on *Housing and Economic Development Needs Assessments*. The revised national policy framework sets out a new approach to calculating overall housing need which uses the 'standard method' set out in Government's Practice Guidance to define a minimum level of housing need. This essentially supersedes the analysis of the objectively assessed housing need (OAN) in the previous GL Hearn assessments.

¹ National Planning Policy Framework (NPPF) Para 60

² <https://info.westberks.gov.uk/CHttpHandler.ashx?id=40949&p=0>

³ <https://info.westberks.gov.uk/CHttpHandler.ashx?id=45375&p=0>

⁴ <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

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- 1.5 The revised NPPF also introduces a revised definition of what constitutes affordable housing and the Government has set out an expanded definition of those who are considered to be in affordable housing need in Planning Practice Guidance , which now captures households who might be able to rent a market home, but who aspire to own a home and require support to be able to do so. The Council has therefore commissioned Icen Projects (“Icen”) and Justin Gardner Consulting (JGC) to prepare an updated assessment of affordable housing need.
- 1.6 The report also provides an updated assessment of older persons housing needs and the housing needs of those with disabilities, recognising that these are particularly sensitive to demographic assumptions and that since the preparation of the 2016 SHMA, the Office for National Statistics has released Sub-National Population Projections (SNPP) which adopted more conservative assumptions on expected improvements in life expectancy, taking account of more recent evidence. It addresses the need for accessible and adaptable homes and wheelchair-accessible homes, which the Council needs to have done if it wants to put policies in place to deliver these types of housing.
- 1.7 The report also addresses the Build-to-Rent sector in West Berkshire. This is growing as a distinct housing market sector, and it is therefore sensible that the Council has an up-to-date assessment of need and considers how planning policies in the Local Plan Review will address this market sector.

Report Structure

- 1.8 The remainder of the report is structured as follows:
- Section 2: Policy framework for affordable housing;
 - Section 3: Housing costs and affordability issues in West Berkshire;
 - Section 4: Affordable housing need;
 - Section 5: Demographic Implications of the Standard Method;
 - Section 6: Need for different sizes of affordable homes;
 - Section 7: Need for adaptable and specialist accommodation;
 - Section 8: Build-to-Rent Sector;
 - Section 9: Conclusions and Recommendations.

2. POLICY FRAMEWORK FOR AFFORDABLE HOUSING

2.1 This section of the report addresses the current policy framework for affordable housing provision in West Berkshire.

National Planning Policy Framework (NPPF)

2.2 The National Planning Policy Framework (NPPF) sets out Government's planning policies for England and how these could be applied. It is a material consideration in the determination of planning applications; and new local plans need to meet the 'soundness' tests set out within it.

2.3 The NPPF is clear that the purpose of the planning system is to contribute to the achievement of sustainable development.

2.4 Policies for housing are set out in Section 5. This states that to support the Government's objective of significantly boosting the supply of homes, it is important that a sufficient amount and variety of land can come forward where it is needed, that the needs of groups with specific housing requirements are addressed and that land with permission is developed without unnecessary delay (Para 59).

2.5 Para 61 then goes on to state that "*the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes.*"

2.6 Para 62 states that planning policies should specify the type of affordable housing required and Government's presumption that it is met on-site. Where major development is proposed, Para 64 states that "for major development planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups." The 10% figure forms part of the overall affordable housing contribution for the site. Exceptions to this requirement are set out for Build-to-Rent homes, specialist accommodation for people with specific needs (such as purpose-build accommodation for the elderly or students); schemes by people who wish to build or commission their own homes; and developments exclusively for affordable housing.

2.7 The NPPF Glossary defines what constitutes affordable housing. This is set out below. It includes housing for rent, where a) the rent is at least 20% below local market rents; and b) there is provision

for the home to remain at an affordable price for future households or for the subsidy to be recycled. It also includes various affordable or low-cost home ownership products, including homes which are sold at a discount to the Open Market Value (OMV) of the property, or where households own a share of the property, and the remainder is typically held by a Registered Provider.

NPPF Definition of Affordable Housing (February 2019)

Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

a) **Affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

b) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low-cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

- 2.8 Government consulted in Spring 2020 on proposals to introduce 'First Homes' which would fall under the definition of discounted market sale housing above. It proposes that First Homes would be sold at a minimum discount of 30% targeted at first-time buyers and key workers with a local connection.
- 2.9 The definition of what constitutes affordable housing need has 'widened' from that in the 2012 NPPF, which focused on the needs of households who could not afford to either buy or rent without some form of financial support or subsidy. The definition in the revised Planning Practice Guidance has

been expanded to include households who might be able to rent without financial support, but who aspire to home ownership, but require support to be able to afford to do so.⁵

West Berkshire's Existing Local Plan

- 2.10 Current planning policies for affordable housing provision in West Berkshire are set out in the West Berkshire Core Strategy 2012. These will be superseded by the adoption of the Local Plan Review in due course.
- 2.11 The Core Strategy sets a Strategic Objective to secure provision of affordable and market housing to meet local needs in both urban and rural areas of the District; and to provide homes in a way that promotes sustainable communities, providing a mix of house sizes, types and tenures to meet identified needs, and respond to the changing demographic profile of the District.
- 2.12 The Spatial Strategy divides the District into four sub-areas with policies relating to each. The four sub-areas are:
- Newbury and Thatcham
 - Eastern Area
 - North Wessex Downs AONB
 - East Kennet Valley
- 2.13 **Policy CS4: Housing Mix and Type** sets out that residential development will be expected to contribute to the delivery of an appropriate mix of dwelling types and sizes to meet the housing needs of all sectors of the community, including those with specialist requirements. It states that the mix on an individual site should have regard to the character of the area; accessibility of the location and existing/proposed services, facilities and infrastructure; and evidence of housing need/demand. It promotes developments which make efficient use of land with the greatest development densities suitable in areas with good public transport infrastructure.
- 2.14 **Policy CS6: Affordable Housing** states that the Council's priority and starting expectation is that affordable housing will be provided on site. On sites of 15 or more dwellings or over 0.5 ha, it seeks 30% affordable housing on previously developed; and 40% on greenfield land. 30% affordable housing provision is expected on sites of 10-14 dwellings; and 20% on sites of 5-9 dwellings. This is subject to the economic viability of this level of provision.

⁵ PPG ID 2a-019-20190220 and ID: 2a-020-20190220

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- 2.15 The Policy states that the Council will seek a tenure split of 70% social rented and 30% intermediate affordable housing units, but will take into consideration the identified local need and site specifics (including funding and economics of provision).

Berkshire Strategic Housing Market Assessment

- 2.16 Existing evidence on affordable housing need is set out within the 2016 Berkshire (and South Bucks) Strategic Housing Market Assessment 2016 and the 2018 OAN Sensitivity Testing Report. Both reports considered need against the 2012 NPPF definition of affordable housing and the approach for assessing need against this definition set out in Planning Practice Guidance (PPG). This is a 'point in time' assessment which is sensitive to a range of factors including the relationship between housing costs and incomes at the point of assessment, and the supply of affordable housing coming forwards through turnover of existing stock.
- 2.17 The Table below summarises the annual need for affordable housing set out within the SHMA and OAN Sensitivity Report. The two studies have shown a very similar level of affordable housing need, with the latest study pointing to a need for 180 affordable homes a year. This however is based on a narrower definition of need than is now within the revised NPPF.

Table 2.1 Affordable Housing Need Identified in Previous Studies – West Berkshire

	2016 SHMA	2018 Sensitivity Analysis
Current Need (pa)	44	43
Newly Arising Need (pa)	393	400
Existing Households falling into Need (pa)	208	210
Total need (pa)	645	654
Supply from existing stock (pa)	457	474
Net affordable housing need (pa)	189	180

3. HOUSING COSTS AND AFFORDABILITY ISSUES IN WEST BERKSHIRE

3.1 This section provides an overview of the housing costs and affordability issues in West Berkshire at a District level. Affordable housing need is essentially a function of the relationship of housing costs and incomes on the one hand; and the stock of affordable housing which is available to meet the needs of those who need it on the other.

Housing Costs and the Affordability of Market Housing

3.2 Icenis has used transactions data drawn from the HM Land Registry to analyse house prices in West Berkshire, benchmarked against relevant comparators. Analysis of collated data provided by the ONS which looks at median house prices for the year to the end of September 2018 shows that for West Berkshire, the overall median house price across all types is £345,000.

3.3 The Table below sets out the median house prices in West Berkshire set against other Berkshire authorities, the South East and England.

Table 3.1 Median House Prices, Sep 2018

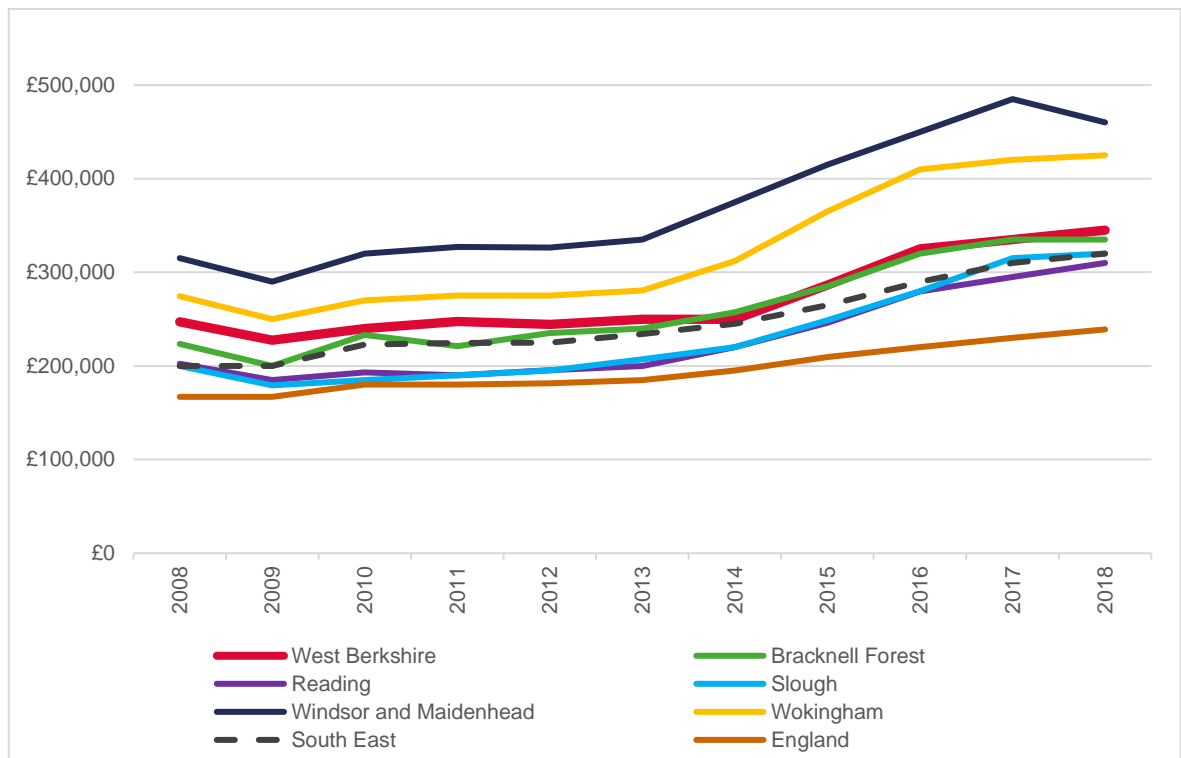
Local Authority/Area	Median House Price (£)
West Berkshire	£345,000
Bracknell Forest	£335,000
Reading	£310,000
Slough	£320,000
Windsor and Maidenhead	£460,000
Wokingham	£425,000
South East	£320,000
England	£239,000

Source: ONS House Price Data as at September 2018

3.4 The analysis shows that median house prices in West Berkshire are £106,000 or 44% higher than the national median and £25,000 or 8% higher than the regional median. Across Berkshire, West Berkshire has the third highest median house prices behind Wokingham (£425,000) and Windsor and Maidenhead (£460,000).

3.5 The Figure below profiles the historical trend in median house prices from 2008 to 2018.

Figure 3.1 Median House Price Trends, 2008 to 2018



Source: ONS House Price Data as at September 2018

- 3.6 In percentage terms, median house prices in West Berkshire grew in the period 2008 to 2018 by 40% which is below the level of growth seen across the South East (60%) and England (43%) over the same period. Notably, this was the lowest rate of percentage growth seen across the Berkshire authorities; and the same can be said in absolute terms with an increase of £98,000 in West Berkshire compared with a range from £107,750 in Reading to £150,566 in Wokingham.
- 3.7 Turning to lower quartile house prices (i.e. the point at which the lowest 25% of sales fall under, typically used as a proxy for entry-level house prices), the Table below sets out the position in West Berkshire as at year ending September 2018 against the relevant comparators. The overall LQ house price across all types in West Berkshire is £267,000.

Table 3.2 Lower Quartile House Prices, Sep 2018

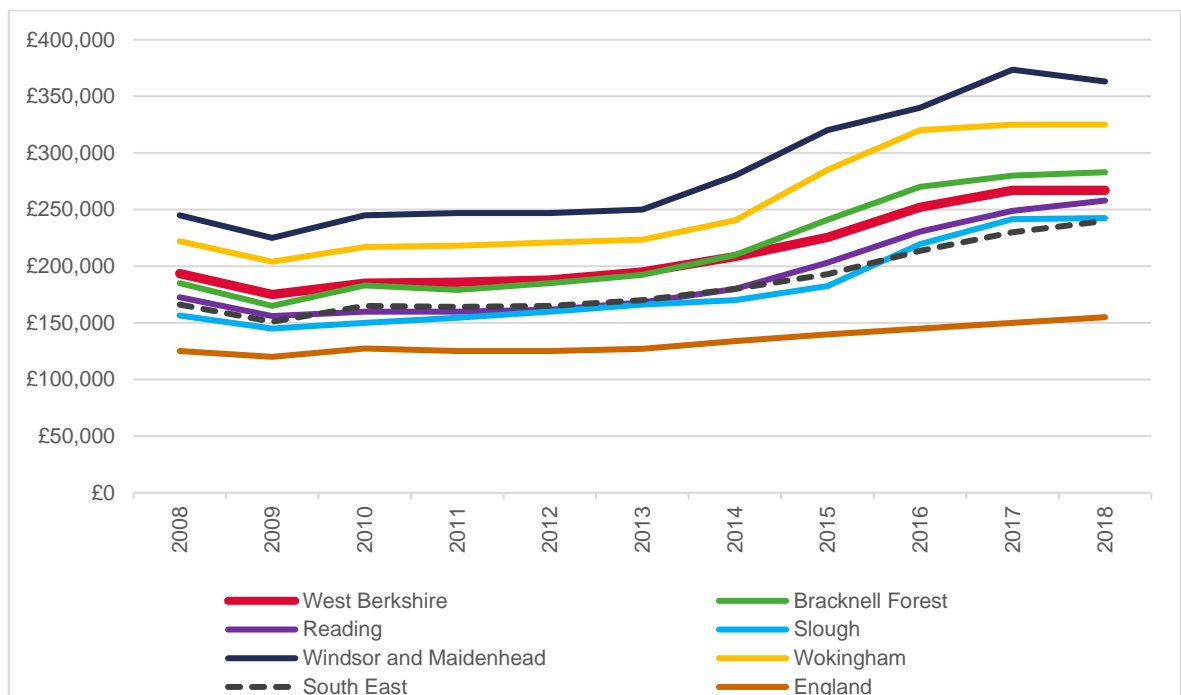
Local Authority/Area	LQ House Price (£)
West Berkshire	£267,000
Bracknell Forest	£283,000
Reading	£257,976
Slough	£242,500
Windsor and Maidenhead	£363,000
Wokingham	£325,000
South East	£240,000
England	£155,000

Source: ONS House Price Data as at September 2018

3.8 The Table shows that entry-level house prices in West Berkshire are £112,000 or 72% higher than the national equivalent; and £27,000 or 11% higher than entry-level prices across the South East as a whole – indicating particular affordability pressures in the District for entry-level products. Across Berkshire, West Berkshire is the fourth highest in this respect behind Bracknell Forest (£283,000), Wokingham (£325,000) and Windsor and Maidenhead (£363,000).

3.9 The Figure below profiles the historical trend in LQ house prices from 2008 to 2018.

Figure 3.2 Lower Quartile House Price Trends, 2008 to 2018



Source: ONS House Price Data as at September 2018

3.10 As the figure shows, entry-level house prices in West Berkshire grew by £73,500 or 38% over the period from 2008 to 2018. This compares with £30,000 or 24% growth seen nationally across

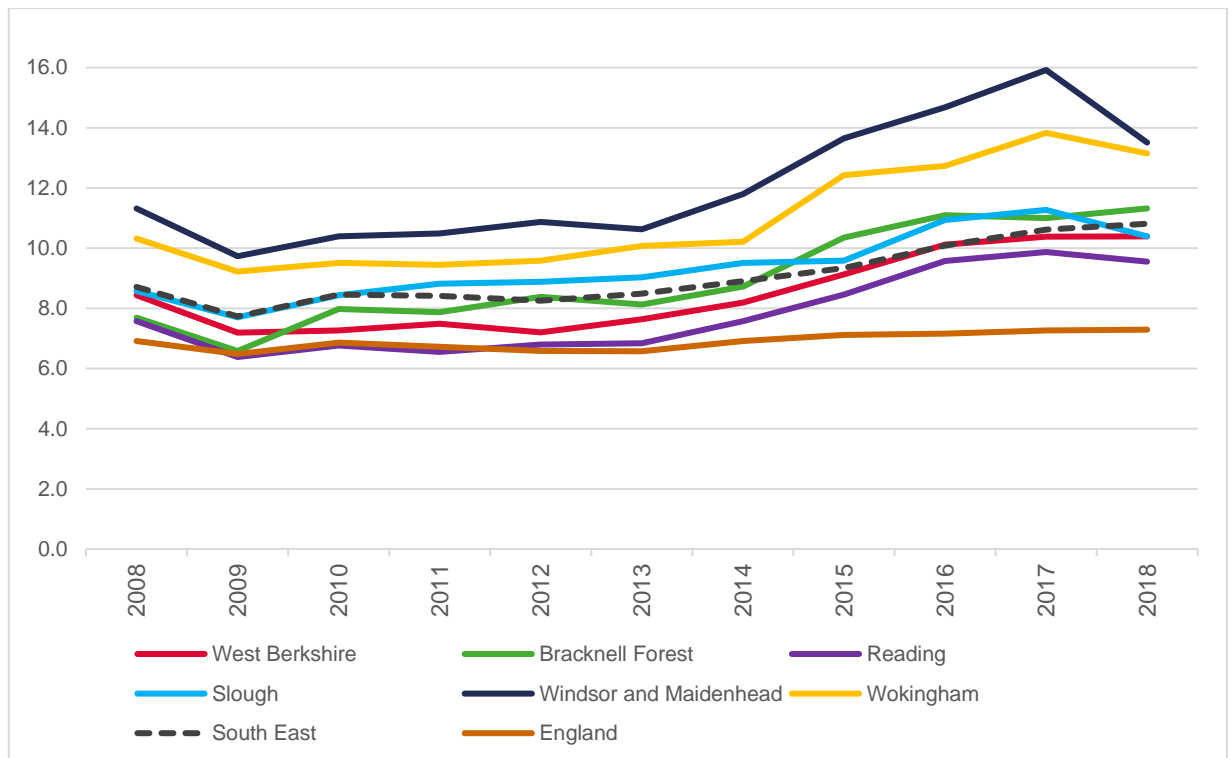
England. This level of growth is however marginally lower than that seen across the South East (£74,000 or 45%) and is the lowest level of growth of any of the Berkshire authorities in both absolute and percentage terms.

Affordability

3.11 In assessing affordability, it is important to look specifically at the relationship between house prices and incomes. In order to do this effectively in the context of dealing with affordable housing, we have reviewed trends in the cost of lower quartile (LQ, i.e. entry-level) market housing against lower quartile incomes. This is typically the measure used to assess the affordability of market housing for younger households, although it needs to be recognised that the age of first time buyers is generally rising and with that such households may well have higher than lower quartile incomes at the time of purchasing. Regardless, this analysis does provide an indication of the relative affordability in West Berks compared with other areas.

3.12 The Figure below shows the trend in LQ affordability ratios over the period from 2008 to 2018. In West Berkshire, as at year end September 2018, entry level housing is 10.4 times lower quartile earnings which points to notable affordability pressures for first-time buyers in the District. This is particularly notable when compared with the national ratio of 7.3 times lower quartile earnings.

Figure 3.3 Lower Quartile Affordability Trends, 2008 to 2018



Source: ONS House Price Data as at September 2018

3.13 In comparison to the South East as a whole, the LQ affordability ratio is marginally lower in West Berkshire, with entry level housing 10.8 times lower quartile earnings in the region. In comparison to

the Berkshire authorities, LQ affordability ratios range from 9.6 in Reading up to 13.5 in Windsor and Maidenhead, with West Berkshire sitting fifth of the six authorities.

- 3.14 Over the period from 2008 to 2018, LQ affordability ratios have risen relatively modestly across England moving from 6.9 in 2008 to 7.3 in 2018. In West Berkshire however, LQ affordability ratios have risen sharply since 2013 from 7.6 to 10.4; following a fall between 2008 to 2013.

Private Rents

- 3.15 As well as housing market costs and affordability, we have also reviewed current private rents in West Berkshire against the relevant comparators. The data is drawn from the Valuation Office Agency (VOA) for the year ending September 2018.
- 3.16 The Table below sets out median rents by property size for West Berkshire, the wider Berkshire authorities, the South East and England.

Table 3.3 Monthly Median Rents by Property Size, 2018

Local Authority	Studio	1 Bed	2 Beds	3 Beds	4+ Beds	All
West Berkshire	£650	£850	£1,000	£1,200	£1,725	£925⁶
Bracknell Forest	£675	£775	£950	£1,200	£1,650	£950
Reading	£625	£800	£1,000	£1,250	£1,600	£950
Slough	£595	£725	£875	£1,150	£1,650	£950
Windsor & Maidenhead	£813	£925	£1,225	£1,495	£2,150	£1,250
Wokingham	£625	£795	£995	£1,250	£1,750	£1,050
South East	£550	£700	£875	£1,095	£1,695	£875
England	£575	£600	£650	£750	£1,320	£690

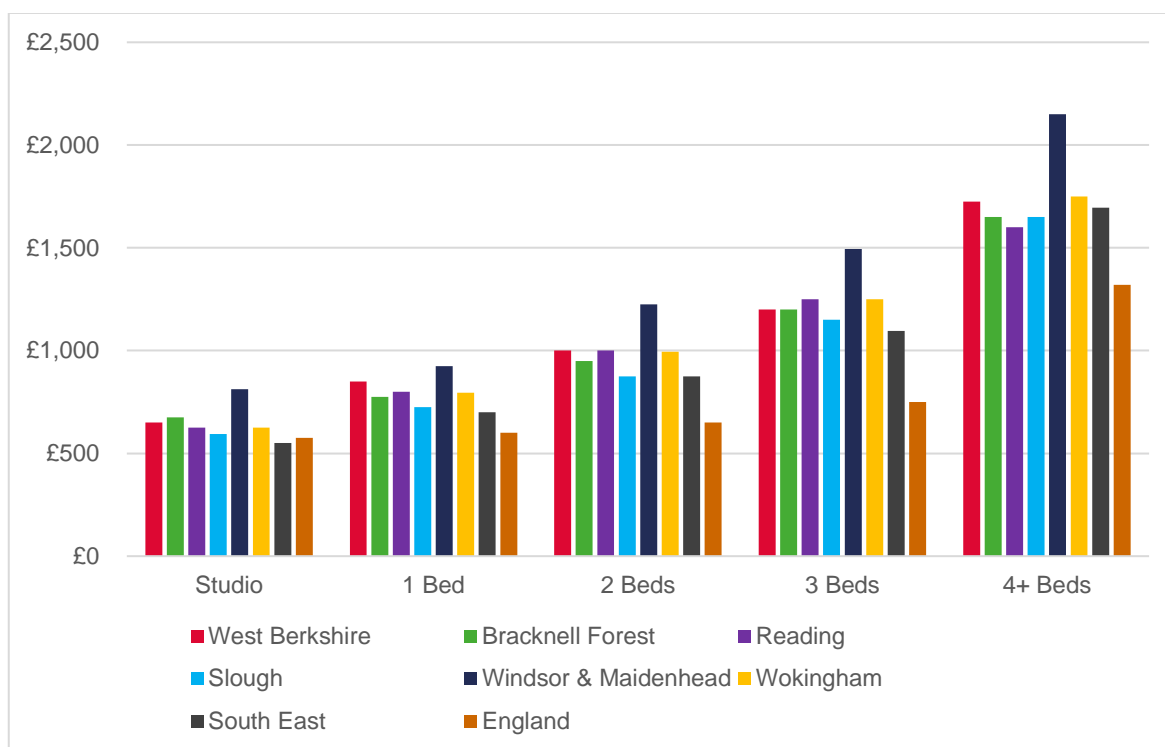
Source: VOA

- 3.17 The Table shows relatively high median rental values in West Berkshire on a size by size basis; particularly in comparison to the regional and national picture. Across all sizes, the median rental value in West Berkshire is £925 PCM which is 34% higher than the national median and 6% higher than the regional median.
- 3.18 The median rent across all sizes in West Berkshire is the lowest of all the Berkshire authorities with the most expensive areas being Wokingham (£1,050 PCM) and Windsor and Maidenhead (£1,250

⁶ It should be noted that the overall (all dwelling) median figure will be influenced by the proportion of lettings in different size categories and this may explain why the median figure for West Berkshire is lower than some areas (e.g. Bracknell Forest) despite having higher values for many of the individual size categories.

PCM). There is a particular premium paid in the District on 2-bedroom properties at £1,000 PCM and 3-bedroom properties at £1,200 PCM, which are a considerable 54% and 60% above the national median respectively. The data is depicted by size in the Figure below.

Figure 3.4 Monthly Median Rents by Property Size, 2018



Source: VOA

3.19 We have also considered lower quartile rents in order to capture the entry-level rental market. The Table below shows lower quartile rental values by size as at the year end to September 2018.

Table 3.4 Lower Quartile Rents by Property Size, 2018

Local Authority	Studio	1 Bed	2 Beds	3 Beds	4+ Beds	All
West Berkshire	£575	£750	£900	£1,050	£1,495	£780
Bracknell Forest	£635	£725	£895	£1,100	£1,500	£800
Reading	£595	£750	£919	£1,150	£1,475	£800
Slough	£550	£675	£800	£1,015	£1,425	£800
Windsor & Maidenhead	£738	£850	£1,095	£1,300	£1,700	£1,000
Wokingham	£600	£750	£925	£1,100	£1,500	£895
South East	£495	£600	£750	£900	£1,375	£700
England	£433	£470	£525	£600	£900	£525

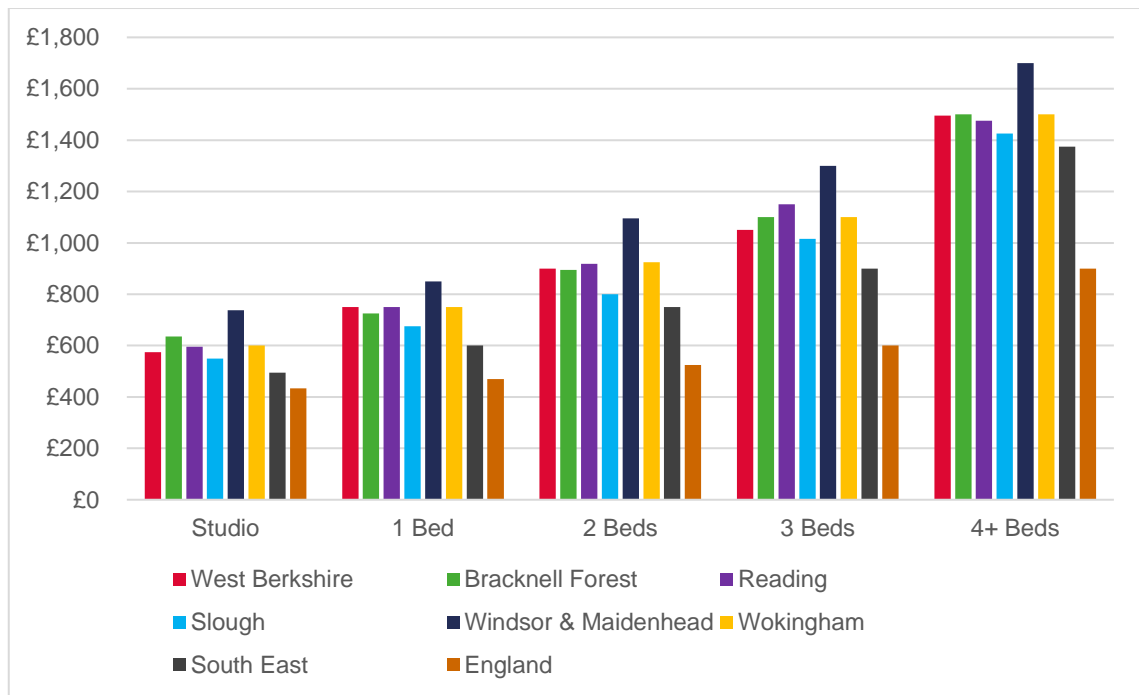
Source: VOA

3.20 The Table above shows that across all property sizes, the LQ rent in West Berkshire is £780 PCM which is a notable 48% and 11% above the national and regional figures respectively which points

to a more acute rental affordability issue in the entry level market when compared with the median analysis.

3.21 A particular premium in West Berkshire is paid for 2 and 3 bedroom properties against England as a whole (a considerable 71% and 75% above the national figures) whilst there is a notable premium for smaller properties (i.e. 1 and 2 bedroom properties) against the South East, with an additional 25% and 20% paid respectively. The data is depicted in the Figure below.

Figure 3.5 Lower Quartile Rents by Property Size, 2018

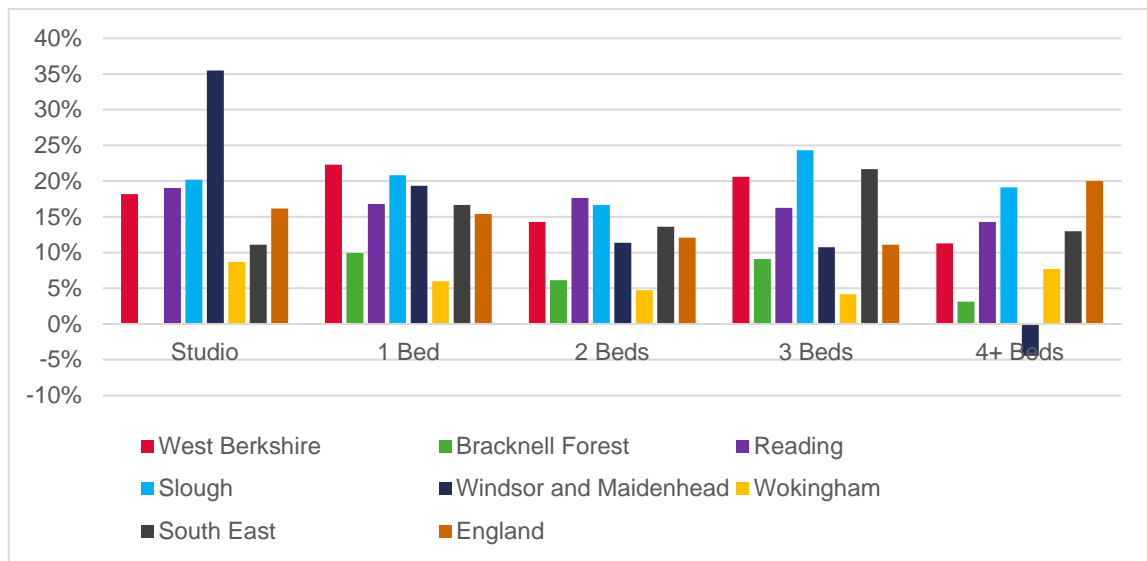


Source: VOA

3.22 Notably, entry-level rental values across all sizes are lowest in West Berkshire of any of the Berkshire authorities with Wokingham (£895 PCM) and Windsor and Maidenhead (£1,000 PCM) having the highest lower quartile rents.

3.23 In respect of rental growth, the Figure below shows median rental growth by size of property over the last five years from 2014 to 2018.

Figure 3.6 Median Rental Growth, 2014 to 2018

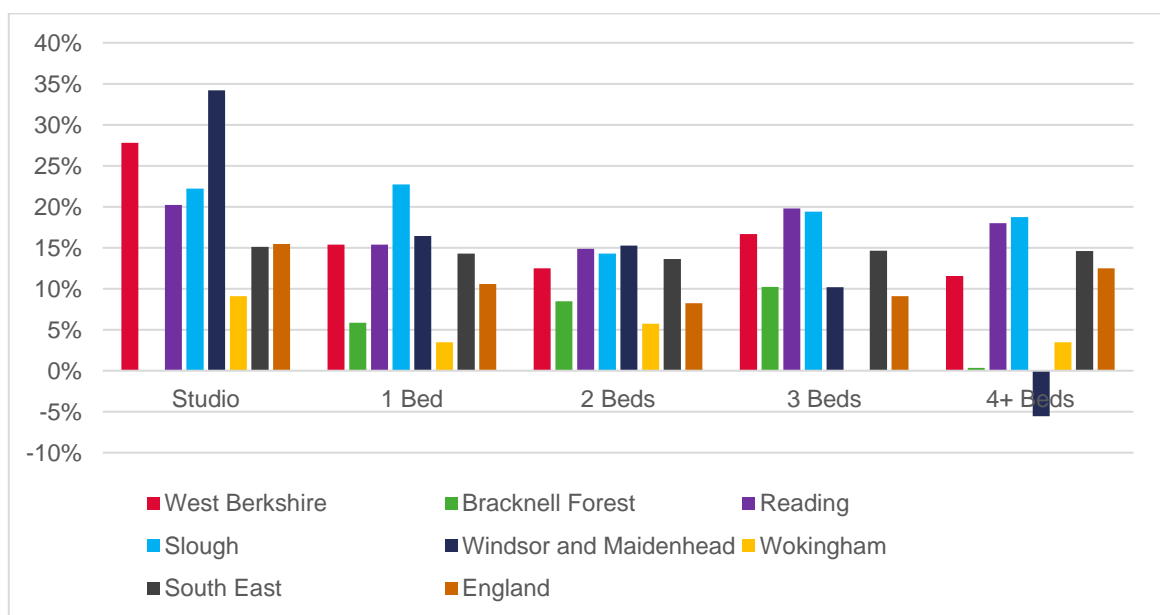


Source: VOA

3.24 There was median rental growth in West Berkshire across all sizes but particularly strong growth for 1-bedroom properties at 22% growth or £155 PCM; as well as 3 bedrooms at 21% or £205 PCM.

3.25 In terms of entry-level rental costs, the Figure below shows the trends over the last five years. In West Berkshire, LQ rents grew across all property sizes but particularly for studio properties (28% growth or £125 PCM increase) and 3-bedroom properties (17% growth or £150 PCM increase). There was also strong rental growth for 1-bedroom properties in relative terms with absolute growth of £100 PCM.

Figure 3.7 LQ Rental Growth, 2014 to 2018



Source: VOA

Rental Affordability

- 3.26 In addition to considering the rental market alone, we have examined rental values relative to incomes in West Berkshire and the relevant comparators. This sub-section draws on the rental data set out above (VOA, year ending September 2018) as well as data from the Annual Survey of Hours and Earnings (ASHE) on full-time resident earnings.
- 3.27 The Table below sets out our analysis on this, with rental values (across all sizes) expressed as a percentage of earnings for both the lower quartile and median figures. The data is based on annual totals.

Table 3.5 Rental Affordability, 2018

Local Authority	Lower Quartile	Median
West Berkshire	39%	34%
Bracknell Forest	41%	36%
Reading	39%	34%
Slough	40%	36%
Windsor & Maidenhead	43%	38%
Wokingham	39%	31%
South East	37%	33%
England	30%	28%

Source: VOA and ASHE

- 3.28 As the Table shows, lower quartile and median rental costs in West Berkshire account for 39% and 34% of the relative measures of local income respectively. These are notably higher than the national figures which are 9 and 6 percentage points lower; as well as the regional figures which are 2 and 1 percentage point lower.
- 3.29 In comparison to the Berkshire authorities, the cost of entry-level renting in West Berkshire accounts for a lower or equal proportion of local earnings than the five other authorities; with lower quartile rents accounting for a high of 43% of earnings in Windsor and Maidenhead. A similar picture is true for median rental affordability, aside from Wokingham which has a lower proportion than West Berkshire in this respect.

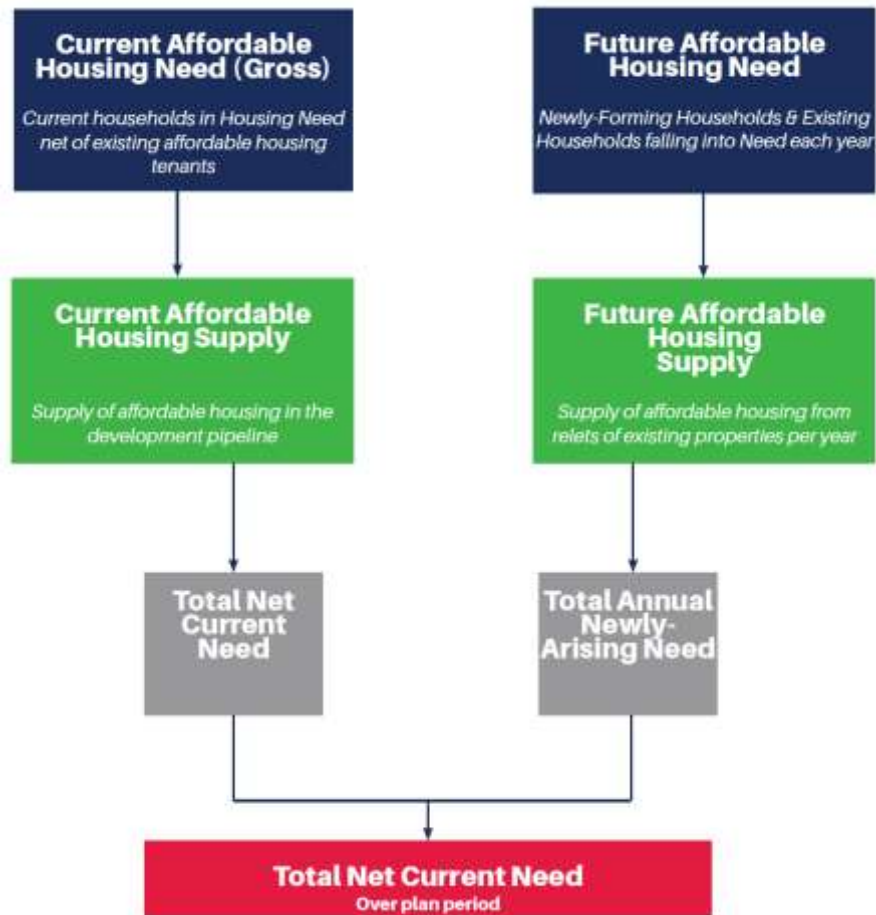
4. AFFORDABLE HOUSING NEED

- 4.1 This section seeks to update analysis of the need for affordable housing in West Berkshire. This is in particular to reflect the changed definition of affordable housing in Annex 2 of the National Planning Policy Framework (NPPF, February 2019) together with the amendments to the Planning Practice Guidance regarding how affordable housing need should be assessed. In particular a series of 'affordable home ownership' options are considered to be affordable housing and households who might be able to rent housing privately but aspire to home ownership (and require support to do so) are now considered to have an 'affordable housing need.'
- 4.2 The opportunity has also been taken to update aspects of the analysis in previous studies to a 2018 base, including data on house prices/rents, incomes, levels of new household formation and the supply of affordable housing. The analysis looks at need in the 18-year period from 2018 to 2036, reflecting the availability of base data on housing costs and needs in 2018 and the intended plan period for the emerging West Berkshire Local Plan Review which runs to 2036.
- 4.3 Government has set out a methodology for assessing affordable housing in the Planning Practice Guidance (PPG) section on *Housing Needs Assessment*. This is largely the same as the previous PPG methodology and does not really address the widened definition of affordable housing. The analysis below therefore addresses the previous (2012 NPPF) definition of affordable need and the additional households who would now be in need using the new widened (2019 NPPF) definition, providing distinct analysis for each.
- 4.4 For some of the analysis in this section it has been necessary to draw on other sources of data (applied to local information) to make estimates of the need. The approach is consistent with the PPG (Housing and economic needs assessment – see 2a-020 for example) and includes linking local Census data to national changes (as evidenced in national survey such as the English Housing Survey).
- 4.5 Additionally, information drawn from local surveys previously undertaken by JGC across the country has been used to look at potential prevalence rates for some elements of need where comprehensive local data is lacking. This includes considering what proportion of households in the private rented sector might have a need due to potential loss of accommodation (e.g. tenancies ending) although again such rates are applied to local information about the size of the sector. This approach is considered to estimate local needs and is an approach that has been accepted by planning inspectors (and objectors) at Local Plan hearings over the past five or more years.

Affordable Housing Need – Established Definition

- 4.6 The method for studying the need for affordable housing has been enshrined in Government practice guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy). The methodology considers the following:
- Current affordable housing need: an estimate of the number of households who have a need now, at the point of the assessment, based on a range of data modelled from local information;
 - Projected newly forming households in need: using demographic projections to establish gross household formation, and then applying an affordability test to estimate numbers of such households unable to afford market housing;
 - Existing households falling into need: based on studying the types of households who have needed to access social/affordable rented housing by studying past lettings data;
 - Supply of affordable housing: an estimate of the likely number of lettings that will become available from the existing social housing stock is developed drawing on data from CoRe. An assessment is also made of the affordable housing in the development pipeline.
- 4.7 A net current need is identified by taking the gross current need and subtracting affordable housing in the development pipeline (based on affordable housing secured on sites with planning consent). This is then converted into an annual flow to express the need over the assessment period (2018-36). The annual estimate of supply from the relets of existing properties is then compared to this gross need to identify a net annual need for additional affordable housing. The diagram below provides an overview of the methodology.

Figure 4.1: Overview of Affordable Housing Needs Model



The affordable needs modelling is influenced by the relationship between housing costs and incomes. We have therefore started out by considering house prices and private rents along with estimates of local household incomes across the study area, building on the District analysis set out in Section 3.

Local Prices and Rents

- 4.8 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need'.
- 4.9 For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes); establishing, in numerical terms, the overall need for affordable housing.
- 4.10 The analysis below considers the entry-level costs of housing to both buy and rent across the District. The approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to

establish lower quartile prices and rents. Using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market recognising that the very cheapest properties are often of sub-standard quality.

- 4.11 Data from the Land Registry for the year to September 2018 shows estimated lower quartile property prices in the area by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £175,000 for a flat and rising to £426,000 for a detached home. There are some variations in house prices by area, with East Kennet Valley typically showing the highest prices⁷. The sub-area figures were derived from the Land Registry price paid dataset which was edited to code postcodes into parishes and then parishes into the sub-areas. To some extent the 'all dwellings' figure is influenced by the profile of homes sold in different areas and overall it is not considered that differences between areas are overly substantial.

Table 4.1 LQ House Prices by Type, Year to Sept 2018 by Sub-Area

	Eastern Area	East Kennet Valley	Newbury and Thatcham	AONB	West Berkshire
Flat/maisonette	£171,000	£155,000	£176,000	£172,000	£175,000
Terraced	£266,000	£281,000	£255,000	£234,000	£255,000
Semi-detached	£317,000	£351,000	£292,000	£284,000	£299,000
Detached	£422,000	£455,000	£393,000	£493,000	£426,000
All Dwellings	£290,000	£327,000	£242,000	£290,000	£265,000

Source: Land Registry

- 4.12 It is also useful to provide estimates of property prices by the number of bedrooms in a home. Analysis for this draws together Land Registry data with an internet search of prices of homes for sale (using sites such as Rightmove). To some extent the prices should be seen as indicative, in particular the supply of 1-bedroom homes to buy was quite small in some locations.

Table 4.2 LQ House Prices by Size, Sep 2018

	Eastern Area	East Kennet Valley	Newbury & Thatcham	AONB	West Berkshire
1-bedroom	£147,000	£157,000	£139,000	£151,000	£145,000
2-bedrooms	£214,000	£227,000	£202,000	£218,000	£210,000
3-bedrooms	£320,000	£340,000	£303,000	£327,000	£315,000
4-bedrooms	£447,000	£475,000	£423,000	£457,000	£440,000
All dwellings	£290,000	£327,000	£242,000	£290,000	£265,000

Source: Land Registry and Internet Price Search

⁷ With the exception of flats

4.13 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data for lettings over the 12-month period to September 2018. For the rental data, information about dwelling sizes is provided (rather than types). The analysis shows an average lower quartile cost (across all dwelling sizes) of £779 per month. The sub-area data is again estimated from an internet search of homes available for letting and those recently let, which is then linked back to the VOA data to ensure a consistency between sources.

Table 4.3 LQ Market Rents, Sep 2018

	Eastern Area	East Kennet Valley	Newbury & Thatcham	AONB	West Berkshire
Room	-	-	-	-	-
Studio	-	-	-	-	£550
1-bedroom	£680	£705	£660	£690	£675
2-bedrooms	£810	£840	£780	£820	£800
3-bedrooms	£1,025	£1,075	£985	£1,045	£1,015
4-bedrooms	£1,440	£1,505	£1,385	£1,465	£1,425
All dwellings	£835	£920	£725	£835	£779

Source: VOA

Local Income Levels

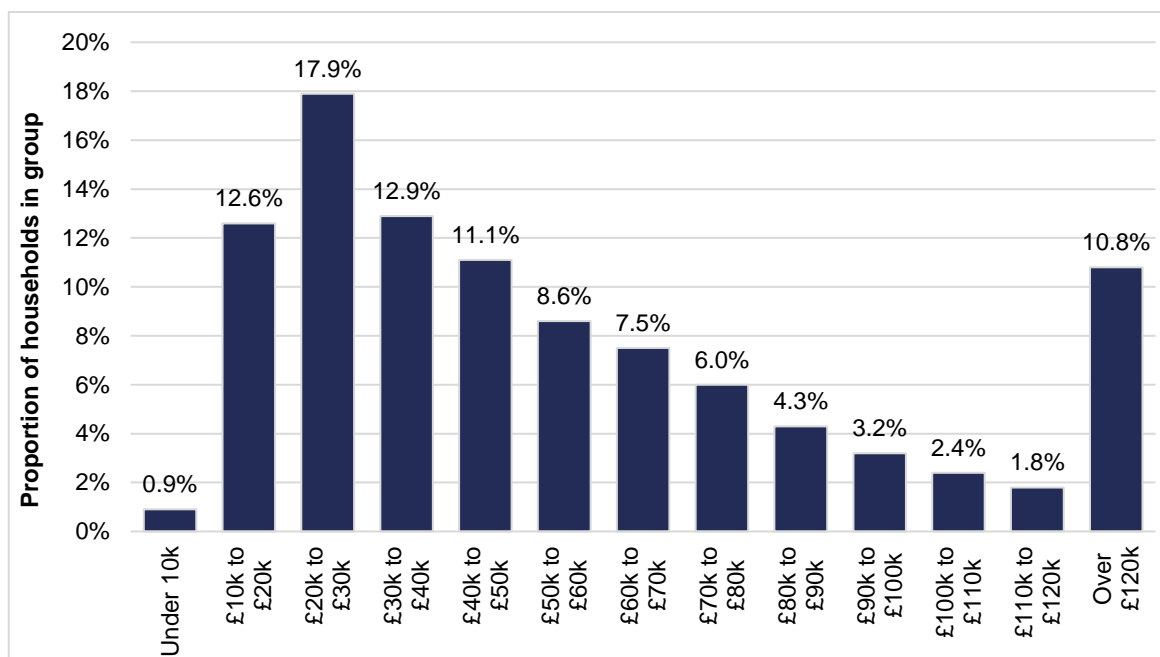
4.14 The affordability of housing is influenced by housing costs and incomes, which affect households' ability to afford different housing products. In this section we consider housing affordability, in terms of the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy. The analysis also provides an indication of the potential for intermediate housing to meet housing needs in the District.

4.15 The data about total household income has been modelled on the basis of a number of different sources of information to provide both an overall average income and the likely distribution of income. The key sources of data include:

- ONS modelled income estimates (published in April 2018 with a 2015/16 base) – this information is provided for middle layer super output areas (MSOA) and is therefore used to build up to sub-areas and the whole local authority area;
- English Housing Survey (EHS) – to provide information about the distribution of incomes; and
- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed since the ONS base date.

4.16 Drawing these datasets together, an income distribution for 2018 has been constructed. The figure below shows the income distribution estimated across West Berkshire District. Overall the average (mean) household income is estimated to be around £59,200, with a median income of £44,900; the lower quartile income of all households is estimated to be £26,000.

Figure 4.2 Distribution of Household Income in West Berkshire, 2018



Source: ONS Modelled Income Estimates, EHS and ASHE

4.17 The table below shows how incomes are estimated to vary across the sub-areas. This shows the highest incomes in the AONB and East Kennet Valley, with lower incomes in the other two sub-areas.

Table 4.4 Estimated Household Income by Sub-Area, 2018

	Mean	Median	Lower Quartile
Eastern Area	£56,300	£42,800	£24,800
East Kennet Valley	£63,100	£48,000	£27,700
Newbury & Thatcham	£57,100	£43,400	£25,100
AONB	£63,300	£48,100	£27,800
West Berkshire	£59,200	£44,900	£26,000

Source: ONS Modelled Income Estimates, EHS and ASHE

Affordability Thresholds

4.18 To assess affordability using the 2012 NPPF definition, a household's ability to afford private rented housing without financial support has been studied as the income necessary to rent (without financial support) is lower than that necessary to buy a home. The distribution of household incomes 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 existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.

- 4.19 Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households⁸). Assumptions used are the same as in previous assessments of affordable need undertaken for West Berkshire⁹. Specifically, a key assumption is that a household should not spend more than 35% of their income on housing. As well as being consistent with the 2016 Berkshire SHMA, the use of 35% is consistent with guidance from Homes England on assessing affordability¹⁰ and has been assessed as a justified assumption at Local Plan Examinations in similar areas.¹¹
- 4.20 On the basis of an average LQ rent of £780 per month (and households spending no more than 35% of income on housing), a total household income of around £26,700 per annum would be required to afford housing to rent without financial support. Therefore, for the purposes of this assessment it is estimated that any household with a gross household income below £26,700 would not be able to afford a lower quartile rent without some degree of subsidy. In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for the purposes of this assessment these households would essentially be assumed as ideally having some form of subsidised rent so as to ensure a sufficient level of residual income.
- 4.21 The figure of £780 per month is an overall lower quartile figure across all dwelling sizes and there will therefore be a number of homes (indeed a quarter of homes) priced at or below this level which would be available to households with a lower income than assumed above. However, given that it is not possible to ‘allocate’ homes in the market sector, and that the supply of homes below the £780 figure will be more limited, it is not considered reasonable to assume a lower price threshold than the overall lower quartile figure. Additionally, it is clear from PPG (2a-021) that MHCLG considers a lower quartile price/rent to equate to the ‘entry-level’ into market housing.
- 4.22 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the core analysis to follow (using the narrow definition of affordable housing) is based on the

⁸ This has consistently been shown to be the case in the English Housing Survey and the Survey of English Housing

⁹ Including the Berkshire (including South Bucks) Strategic Housing Market Assessment (February 2016); and the OAN Sensitivity Testing – Western Berkshire Housing Market Area report (March 2018).

¹⁰ Shared Ownership Eligibility and Sustainability Calculator (Guidance Note) – between 25-45% of net income spent on housing.

¹¹ Including in Oxfordshire and other parts of Berkshire for instance

ability to afford to access private rented housing. However, the local house prices are important when looking at the extended definition of affordable housing in NPPF. Income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their salary. These assumptions are considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis.

Current Affordable Housing Need

- 4.23 In line with PPG Paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data being used to establish numbers.
- 4.24 The PPG also includes a category where households cannot afford to own a home despite it being their aspiration. This category is considered separately later in this report (under the title of the expanded definition of affordable housing need).

Table 4.5 Main Sources for Assessing the Current Unmet Need for Affordable Housing

	Source	Notes
Homeless households and those in temporary accommodation	CLG Live Table 784	Total where a duty is owed but no accommodation has been secured PLUS the total in temporary accommodation
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households	Census table LC1110EW	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

- 4.25 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable analysis to be undertaken to study the impact of this and so it is possible that the figures presented include a small element of double counting. Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need. The numbers involved are likely to be fairly small and will not have any notable impact on the assessment.
- 4.26 The table below shows the initial estimate of the number of households within the District with a current housing need. These figures are before any ‘affordability test’ has been applied to assess the ability of households to meet their own housing needs; and has been termed ‘the number of

households in unsuitable housing'. Overall, the analysis suggests that there are currently some 3,800 households living in unsuitable housing (or without housing).

Table 4.6 Estimated No. of Households Living in Unsuitable Housing

Category of Need	Households
Homeless households	53
Households in overcrowded housing	1,463
Concealed households	677
Existing affordable housing tenants in need	194
Households from other tenures in need	1,447
Total	3,834

Source: CLG Live Tables, Census 2011 and Data Modelling

4.27 In taking this estimate forward, the data modelling next estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account. A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient) – this only reduces the estimated need by 3 households in total. Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

4.28 The table below shows it is estimated that there were 2,133 households living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers).

Table 4.7 Unsuitable Housing by Tenure and No. to Take Forward into Affordability Modelling

	In Unsuitable Housing	No. to Take Forward for Affordability Testing
Owner-occupied	924	92
Affordable housing	868	0
Private rented	1,313	1,310
No housing (homeless/concealed)	730	730
Total	3,834	2,133

Source: CLG Live Tables, Census 2011 and Data Modelling

- 4.29 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. To consider this, the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the average household income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure of 42% has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing.
- 4.30 These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the private rented sector) along with typical income levels of households accessing social rented housing (for those without accommodation). The figures have been based on analysis of the English Housing Survey (mainly looking at relative incomes of households in each of the private and social rented sectors) as well as consideration of similar information collected through household surveys (across the country) by JGC. These modelling assumptions are considered reasonable and have not been challenged through the Local Plan process in other locations (where the same assumptions have been used).
- 4.31 Overall, just under half of households with a current need are estimated to be likely to have insufficient income to afford market housing (i.e. an income of below £26,700) and so the estimate of the total current need is of 944 households in the District. The table below also shows how this is estimated to vary by sub-area; for instance in the Eastern Area 55% of households living in unsuitable housing are estimated to be unable to afford market housing without some form of support or subsidy.

Table 4.8 Estimated Current Affordable Housing Need

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Eastern Area	308	55.3%	171
East Kennet Valley	214	50.0%	107
Newbury & Thatcham	1,046	41.2%	431
AONB	564	41.6%	235
West Berkshire	2,133	44.3%	944

Source: CLG Live Tables, Census 2011 and Data Modelling

Newly Forming Households

- 4.32 The number of newly-forming households has been estimated through demographic modelling. The modelling has used the latest 2016-based ONS Sub-National Population Projections but applied household formation assumptions from the 2014-based Household Projections as these are based

on long-term trends dating back to 1971.¹² An affordability test has then being applied. The volume of newly forming households has been assessed by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation.

- 4.33 The number of newly forming households is limited to households forming who are aged under 45. This is consistent with 2007 SHMA Guidance which notes after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.
- 4.34 In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by JGC. This establishes that the average income of newly forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).

The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments change the distribution of income by bands; ensuring the average income level is 84% of the average of all households. In doing this it is possible to calculate the proportion of households unable to afford market housing without any form of subsidy (such as Local Housing Allowance or Housing Benefit). For the purposes of the initial analysis of affordable need (i.e. the established definition) this will relate to households unable to afford to buy or rent in the market.

- 4.35 The assessment suggests that overall just over a third of newly-forming households will be unable to afford market housing (to rent privately) and this equates to a total of 365 newly-forming households that will have a need on average in each year to 2036. Table .9 provides a breakdown by sub-area.

¹² Household formation rates from the 2016-based Household Projections are considered unreliable as they are based on just two data points – the 2001 and 2011 Censuses

Table 4.9 Estimated Level of Affordable Housing Need from Newly Forming Households (per annum)

	No. of new households	% unable to afford market rented housing	Annual newly forming households unable to afford to rent
Eastern Area	175	39.2%	69
East Kennet Valley	116	38.4%	44
Newbury & Thatcham	504	32.4%	163
AONB	260	34.1%	89
West Berkshire	1,055	34.6%	365

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

- 4.36 The second element of newly arising need is existing households falling into need. To assess this, information from CoRe (Continuous Online Record of Social Housing Lettings) has been used. The assessment looked at households who have been housed over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property as in moving, these households would release a property for another household (with no net effect on the overall affordable housing need). An affordability test has also been applied.
- 4.37 This method for assessing existing households falling into need is consistent with the 2007 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 household applicants)’*.
- 4.38 Following the analysis through suggests a need arising from 173 existing households each year. The table below breaks this down by sub-area. This is based on total lettings of 722 per annum of which 259 are estimated to be to existing households, 217 to newly-forming households and 246 to transfers. Of the lettings to existing households, we model that 67% cannot afford market housing (at lower quartile private rents).

Table 4.10 Estimated Level of Affordable Housing Need from Existing Households Falling into Need (per annum)

	Total Additional Need	% of Total
Eastern Area	22	12.8%
East Kennet Valley	18	10.6%
Newbury & Thatcham	91	52.3%
AONB	42	24.3%
West Berkshire	173	100.0%

Source: Derived from a range of sources as described in text

Supply of Affordable Housing Through Relets

- 4.39 The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.¹³
- 4.40 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. Information from the CoRe system has been used to establish past patterns of social housing turnover. The figures include general needs and supported lettings but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.
- 4.41 On the basis of past trend data it has been estimated that 428 units of social/affordable rented housing are likely to become available each year moving forward for occupation by newly forming households and existing households falling into need from other tenures.

¹³ Intermediate housing supply is considered against the need arising from the expanded definition of affordable housing later in this section.

Table 4.11 Analysis of past social/affordable rented housing supply (pa 2015/16 – 2017/18)

	General Needs	Supported Housing	Total
Total Lettings	429	293	722
% as Non-New Build	86.7%	95.1%	90.1%
Lettings in Existing Stock	372	279	651
% Non-Transfers	69.6%	60.5%	65.7%
Lettings to New Tenants	259	169	428

Source: CoRe

- 4.42 The table below shows the estimated supply of affordable housing from relets in each sub-area. The sub-area figures have been based on the size of the stock in each sub-area as of 2011 (Census data).

Table 4.12 Estimated supply of affordable housing from relets of existing stock by sub-area (per annum)

	Annual Supply	% of Supply
Eastern Area	51	11.8%
East Kennet Valley	42	9.9%
Newbury & Thatcham	231	54.0%
AONB	104	24.3%
West Berkshire	428	100.0%

Source: CoRe and Census 2011

- 4.43 It should be noted that the figures derived above include rented relets only (social/affordable rented housing). In the last assessment of affordable need (2016 SHMA) an additional allowance was made for relets of intermediate housing (shared ownership) – this amounted to a modest 17 relets (resales) per annum. In this assessment, due to the expanded definition of affordable housing, it is considered that such resales should be considered when looking at the need for affordable home ownership and are therefore excluded from the analysis above. Given the low number estimated, it is not expected that this change would have any significant impact on assessed levels of need.

Committed Supply of Affordable Homes

- 4.44 The PPG model also includes the bringing back of vacant homes into use and the committed supply of affordable housing (i.e. pipeline supply) at the point of the assessment as part of the supply calculation.
- 4.45 There is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock) in West Berkshire. CLG data shows around 67 vacant social rented homes across the District in 2018, equating to less than 1% of stock.

- 4.46 West Berkshire Council has provided data on the committed supply of new affordable homes (as at March 2018). This includes expected affordable housing delivery on sites with extant planning consent. This indicates a pipeline of 600 social rented homes. The distribution by sub-area is shown in the table below.

Table 4.13 Committed Supply of Social Rented Homes, March 2018

	Committed Social Rented Supply
Eastern Area	73
East Kennet Valley	40
Newbury & Thatcham	441
AONB	46
West Berkshire	600

Source: WBC Monitoring Data

Net Affordable Housing Need – Rented Housing

- 4.47 The table below shows the overall calculation of affordable housing need.
- 4.48 The first calculation below excludes supply arising from sites with planning consent (the ‘development pipeline’). The analysis shows that there is a need for 163 dwellings per annum to be provided – a total of 2,900 over the 18-year period (2018-36). The net need is calculated as follows:

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

Table 4.14 Estimated Need for Rented Affordable Housing

	Per Annum	2018-36
Gross Current need	52	944
Newly forming households	365	6,569
Existing households falling into need	173	3,122
Total Gross Need	591	10,635
Re-let Supply	428	7,698
Net Need	163	2,937

Source: Census 2011, CoRe, Projection Modelling and Affordability Analysis

- 4.49 The table below shows the annualised information for individual sub-areas. The analysis shows a need for additional affordable housing in all parts of the Council area, with the highest figure being seen in the Eastern Area.

Table 4.15 Estimated Need for Rented Affordable Housing by Sub-Area (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Re-let Supply	Net Need
Eastern Area	9	69	22	100	51	50
East Kennet Valley	6	44	18	69	42	27
Newbury & Thatcham	24	163	91	278	231	47
AONB	13	89	42	144	104	40
West Berkshire	52	365	173	591	428	163

Source: Census 2011, CoRe, Projection Modelling and Affordability Analysis

- 4.50 As noted previously, the supply of affordable housing now excludes shared ownership. However, the method for assessing need is essentially unchanged (still only considering those who cannot afford market rents). Whilst the previous (2016 SHMA) assessment indicatively included a potential need for shared ownership within the needs assessment it is quite possible that in reality the cost of shared ownership accommodation would fall at a level above that of renting privately (in terms of an income requirement) and would have been better placed in a separate affordable home ownership category (which did not exist as part of the previous NPPF affordable housing definition).
- 4.51 This needs to be borne in mind when comparing assessments – the modelling of need is unchanged, but supply estimates are reduced slightly by excluding intermediate housing resales.

The table below shows how the estimates in this report compare with those in the previous SHMA (which took a 2014 base). Overall, this report shows a lower level of affordable need, this looks to mainly be driven by a lower estimate of both newly forming households and existing households falling into need. The estimated supply through relets is also reduced slightly. Establishing affordable need is not an exact science and so a direct comparison should be treated with caution; however, it is clear that the level of need is such that the Council should seek to maximise delivery of affordable housing where opportunities arise.

Table 4.16 Estimated Need for Rented Affordable Housing – West Berkshire – Comparing this Study with the 2016 SHMA

	This Study	2016 SHMA
Current need	52	44
Newly forming households	365	393
Existing households falling into need	173	208
Total Gross Need	591	645
Re-let Supply	428	457
Net Need	163	189

Source: Derived from a range of sources as described in text

4.52 If the supply of affordable housing with planning consent is included, as per Guidance, Table 4.17 provides the final figures on the affordable housing need. The affordable units with planning permission are subtracted from the gross current need, to identify a net current need which is then added to the newly arising need per annum. A net annual need for 130 rented affordable homes is shown.

Table 4.17 Estimated Need for Rented Affordable Housing including Development Pipeline – West Berkshire

	Per Annum	2018-36
Gross current need	52	944
Pipeline affordable housing supply	33	600
Net current need	19	344
Newly forming households	365	6,569
Existing households falling into need	173	3,122
Total newly arising need	538	9,691
Re-let Supply	428	7,698
Total newly arising need	111	1,993
Net Need	130	2,337

4.53 The split of this by sub-area is shown in the table below.

Table 4.18 Estimated Need for Affordable Housing by Sub-Area (per annum) taking account of Development Pipeline

	Net Current need	Newly forming households	Existing households falling into need	Total Gross Need	Re-let Supply	Net Need
Eastern Area	5	69	22	96	51	45
East Kennet Valley	4	44	18	67	42	25
Newbury & Thatcham	0	163	91	254	231	23
AONB	11	89	42	142	104	38
West Berkshire	19	365	173	557	428	130

Source: Census 2011, CoRe, Projection Modelling and Affordability Analysis

How Much Should Rented Affordable Housing Cost?

4.54 The analysis above has studied the overall need for affordable housing using a well-established model. This model focusses on households who cannot afford to rent in the market (without financial support). These households are therefore most likely to have a need for social rented housing and

below is an analysis that sets out what might be an affordable rent for different sizes of accommodation (in different locations) based on local incomes and housing costs.

4.55 The analysis essentially considers what might be a ‘Living Rent’. These calculations are based on research by JRF/Savills¹⁴ and use the following methodology:

- Annual Survey of Hours and Earnings (ASHE) lower quartile earnings;
- Adjustment for property size by recognised equivalence model;
- Starting rent set at 28% of net earnings; and
- Rent set at Local Housing Allowance (LHA) limits where calculations show a higher figure.

4.56 Across West Berkshire as a whole, the analysis in Table 4.19 below shows rents starting at about £400 for a 1-bedroom home and rising to £640 for homes with 3-bedrooms. In all cases, the suggested Living Rents are lower than the relevant LHA (see Table 4.19 below). As a general rule it is not considered sensible to be charging a rent in excess of LHA, as this would mean many households having to top up their rent from other income sources.

Table 4.19 Monthly Living Rents, 2018

	1 Bedroom	2 Bedrooms	3 Bedrooms
Eastern Area	£379	£493	£606
East Kennet Valley	£424	£552	£679
Newbury & Thatcham	£384	£500	£615
AONB	£426	£554	£681
West Berkshire	£398	£518	£637

Source: ASHE and Living Rents Methodology

4.57 The table below shows LHA limits in the two Broad Rental Market Areas (BRMAs) covering West Berkshire. As noted, there is a case for ensuring that rents are capped at the maximum amount of benefit able to be claimed. The issue of LHA limits should be a key consideration when setting rent levels for any new developments.

¹⁴ <http://pdf.savills.com/documents/Living%20Rents%20Final%20Report%20June%202015%20-%20with%20links%20-%2019%2006%202015.pdf>

Table 4.20 Maximum Local Housing Allowance (Housing Benefit) by Location and Size, May 2019

	1 Bedroom	2 Bedrooms	3 Bedrooms
Newbury	£568	£719	£866
Reading	£683	£866	£990

Source: VOA

Affordable Housing – Expanded NPPF Definition

- 4.58 Using the previously established method to look at affordable need, it was estimated that there is a need for around 163 units per annum. This is for subsidised housing at a cost below that to access the private rented sector (i.e. for households unable to access any form of market housing without some form of subsidy). It would be expected that housing to meet this need would be delivered primarily as social/affordable rented housing.
- 4.59 Households who aspire to own a home but require support to do so are now considered to have an affordable housing need. It is considered that such households would be suitable for Starter Homes, Discounted market sales housing and other forms of affordable home ownership (such as shared ownership).
- 4.60 This section considers the level of need for these types of dwellings in West Berkshire. The NPPF states “*Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.*” (NPPF, para 64).

Establishing a Need for Affordable Home Ownership

- 4.61 The Planning Policy Guidance in Paragraph 2a-020-20190220 confirms a widening definition of those to be considered as in affordable need; now including ‘*households which can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home*’. However, at the time of writing, there is no guidance about how the number of such households should be measured.
- 4.62 The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (newly forming and existing households). The key difference is that in looking at affordability an estimate of the number of households in the ‘gap’ between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.

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- 4.63 The first part of the analysis seeks to understand what the gap between renting and buying actually means in West Berkshire – in particular establishing the typical incomes that might be required.
- 4.64 Just by looking at the relative costs of housing to buy and to rent set out above and in Section 3, it is clear that there will be households in the District who can currently rent but who may be unable to buy. In the year to September 2018, the ‘average’ lower quartile private rent is shown by VOA to cost £780 a month, assuming a household spends no more than 35% of income on housing, this would equate to an income requirement of about £26,700. For the same period, Land Registry data records a lower quartile price in the Council area of about £265,000, which (assuming a 10% deposit and 4.5 times mortgage multiple) would equate to a household income requirement of around £53,000.
- 4.65 Therefore, on the basis of these costings, it is reasonable to suggest that affordable home ownership products would be pitched at households with an income between £26,700 (i.e. able to afford to privately rent) and £53,000 (the figure above which a household might reasonably be able to buy).
- 4.66 Using the income distributions developed (as set out earlier in this section) it has been estimated that of all households living in the private rented sector, around 35% already have sufficient income to buy a lower quartile home, with 32% falling in the ‘rent/buy gap.’ The final 33% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than 35% of their income on housing costs). In reality it should be noted that many households will spend a higher proportion (than 35%) of their income on housing however it is not necessarily desirable for them to have to do so. These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in or who might be expected to access this sector (e.g. newly forming households).
- 4.67 The finding that a significant proportion of households in the private rented sector (35%) are likely to have an income that would allow them to buy a home is also noteworthy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could for example include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household’s life stage (e.g. if moving locations with employment).
- 4.68 To study current need, an estimate of the number of households living in the private rented sector (PRS) has been established, with the same (rent/buy gap) affordability test (as described above) then applied. The start point is the number of households living in private rented accommodation; as of the 2011 Census there were some 8,555 households living in the sector. Data from the English Housing Survey (EHS) suggests that since 2011, the number of households in the PRS has risen by

about 26% - if the same proportion is relevant to West Berkshire then the number of households in the sector would now be around 10,800.

- 4.69 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (6,500 households if applied to West Berkshire) and of these some 25% (1,600 households) would expect this to happen in the next 2-years. The figure of 1,600 is therefore taken as the number of households potentially with a current need for affordable home ownership before any affordability testing, the remaining 4,900 households (6,500-1,600) are considered as part of the future need from existing households.
- 4.70 As noted above, on the basis of income it is estimated that around 32% of the private rented sector sit in the gap between renting and buying. Applying this proportion to the 1,600 figure would suggest a current need for around 520 affordable home ownership products (29 per annum if annualised over an 18-year period).
- 4.71 In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 460 dwellings (344 from newly forming households and 116 from existing households in the private rented sector).
- 4.72 Bringing together the above analysis suggests that there is a need for around 489 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum in the 2018-36 period. This is before any assessment of the potential supply of housing is considered.

Potential Supply of Housing to Meet the Affordable Home Ownership Need

- 4.73 As with assessing the need for affordable home ownership, it is the case that at present the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated. The analysis below therefore provides a general discussion.
- 4.74 As noted above and in Section 3, the lower quartile cost of a home to buy in West Berkshire is around £265,000. By definition, a quarter of all homes sold (noting that the data is for the year to September 2018) will be priced at or below this level. According to the Land Registry source, there were a total of 2,422 sales in this period and therefore around 606 would be priced below the lower quartile. This is 606 homes that would potentially be affordable to the target group for affordable home ownership products and is a potential supply that is in excess of the level of need calculated.
- 4.75 However, it is the case that market housing is not allocated in the same way as social/affordable rented homes (i.e. anyone is able to buy a home as long as they can afford it and it is possible that

a number of lower quartile homes would be sold to households able to afford more, or potentially to investment buyers). A broad further assumption has been used that around half of the lower quartile homes would be available to meet the needs of households with an income in the gap between buying and renting – this amounts to 303 dwellings per annum. This assumption has been applied in the absence of any guidance on this topic.

- 4.76 In addition, data from CoRe about resales of affordable housing (likely to mainly be shared ownership) shows an average of around 30 resales per annum (based on data for the 2015-18 period). These properties would also potentially be available for these households and can be included within the potential supply. Therefore, a total supply of 333 dwellings per annum is estimated to be available to meet the affordable home ownership need.
- 4.77 West Berkshire Council’s monitoring data has then been used to consider the supply of shared ownership properties in the development pipeline. This comprises shared ownership properties which are expected to be delivered on sites which have planning consent (as at March 2018).

Table 4.21 Committed Supply of Shared Ownership Homes, March 2018

	Committed Shared Ownership Supply
Eastern Area	30
East Kennet Valley	15
Newbury & Thatcham	197
AONB	19
West Berkshire	261

Source: West Berkshire Council

- 4.78 The table below therefore brings together an estimate of the need for affordable home ownership, across the District and for the four sub-areas. This initial table excludes the pipeline supply. This shows a potential need for affordable home ownership products in all areas, most notably in the AONB area. The need is comparatively lower in Newbury and Thatcham as there is greater existing supply.

Table 4.22 Estimated Need for Affordable Home Ownership by Sub-Area (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Re-let Supply	Net Need
Eastern Area	3	60	13	76	56	20
East Kennet Valley	3	41	13	56	30	26
Newbury & Thatcham	14	157	55	225	177	49
AONB	9	86	36	131	70	61
West Berkshire	29	344	116	489	333	156

Source: Census 2011, Projection Modelling, Land Registry and Affordability Analysis

- 4.79 If the pipeline supply is included, and discounted from the current need, a net annual need for 142 affordable home ownership homes is identified. The split of this by sub-area is shown in Table 4.23.

Table 4.23 Estimated Need for Affordable Home Ownership by Sub-Area (per annum) taking account of Development Pipeline

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Re-let Supply	Net Need
Eastern Area	2	60	13	74	56	19
East Kennet Valley	2	41	13	56	30	25
Newbury & Thatcham	3	157	55	215	177	38
AONB	8	86	36	130	70	60
West Berkshire	15	344	116	475	333	142

Source: Census 2011, Projection Modelling, Land Registry and Affordability Analysis

How Much Should Affordable Home Ownership Homes Cost?

- 4.80 The analysis and discussion above suggest that there are a number of households likely to fall under the new PPG definition of affordable housing need (i.e. in the gap between renting and buying) but that the potential supply of housing to buy makes it difficult to fully quantify this need. However, given the NPPF, it seems likely that the Council will need to seek 10% of additional homes on larger sites as some form of affordable home ownership.
- 4.81 On this basis, it is worth discussing what sort of costs affordable home ownership properties should be sold for. For illustrative purposes the analysis below considers Discounted market sales housing/Starter Homes and also shared ownership.

Discounted Market Sales Housing/Starter Homes

- 4.82 The Annex 2 (NPPF) definitions suggest that such housing should be made available at a discount of at least 20% from Open Market Value (OMV). The problem with having a percentage discount is

that it is possible in some locations or types of property that such a discount still means that housing is more expensive than that typically available in the open market.

- 4.83 The preferred approach in this report is to set out a series of affordable purchase costs for different sizes of accommodation. These are set out as a range with the bottom end being based on equivalising the private rent figures into a house price so that the sale price will meet the needs of all households in the gap between buying and renting. Essentially, the bottom end of the range is based on estimating the income that would be needed to access private rented accommodation (spending no more than 35% of income on housing) and working out the house price that this level of income would allow a household to secure a mortgage for (assuming for the purposes of analysis a 10% deposit). The upper level is set based on the estimated lower quartile price to buy a home. Setting higher prices would mean that such housing would not be available to households for whom the Government is seeking to provide an 'affordable' option.

Table 4.24 Affordable Home Ownership Prices, 2018-base

		1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms
Eastern Area	Lower Limit	£127,000	£151,000	£191,000	£268,000
	Upper Limit	£147,000	£214,000	£320,000	£447,000
East Kennet Valley	Lower Limit	£131,000	£157,000	£200,000	£281,000
	Upper Limit	£157,000	£227,000	£340,000	£475,000
Newbury & Thatcham	Lower Limit	£123,000	£145,000	£184,000	£258,000
	Upper Limit	£139,000	£202,000	£303,000	£423,000
AONB	Lower Limit	£129,000	£153,000	£195,000	£273,000
	Upper Limit	£151,000	£218,000	£327,000	£457,000
West Berkshire	Lower Limit	£126,000	£149,000	£189,000	£266,000
	Upper Limit	£145,000	£210,000	£315,000	£440,000

Source: VOA, Land Registry and internet price/rent level search

Shared Ownership

- 4.84 For shared ownership, a buyer will buy a share in a property (typically between 25% and 75%) and then pay rent on the remaining share. One advantage in affordability terms is that a lower deposit is likely to be required than for full or discounted purchase, whilst the rental part of the cost will typically be subsidised by a Registered Provider. For shared ownership to be affordable, it is considered that total outgoings should not exceed that needed to rent privately.
- 4.85 Because shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the

level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property. The key assumptions used in the analysis are:

- OMV at LQ price plus 10% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a LQ level)
- 10% deposit on the equity share
- Rent at 2.75% pa on unsold equity
- Repayment mortgage over 25-years at 4%
- Service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes)

4.86 The table below shows that to make shared ownership affordable, equity shares of 25%-30% might be needed (around 50% for 1-bedroom homes). It should be noted that the figures are for the whole of West Berkshire District and there could be some small variations across areas. Regardless, the figures need to be treated as indicative as the actual affordable share will depend on the costings of any specific scheme.

Table 4.25 Estimated Affordable Equity Share by Size – West Berkshire

	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms
OMV	£159,500	£231,000	£346,500	£484,000
Share	53%	30%	26%	27%
Equity Bought	£85,014	£69,300	£89,744	£128,502
Mortgage Needed	£76,512	£62,370	£80,769	£115,652
Monthly Cost of Mortgage	£404	£329	£426	£611
Retained Equity	£74,487	£161,700	£256,757	£355,498
Monthly Rent on Retained Equity	£171	£371	£588	£815
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£675	£800	£1,015	£1,425

Source: Data based on Housing Market Cost Analysis

Implications of the Analysis

4.87 Given the analysis above, it would be reasonable to conclude that there is a potential market under the new definition of 'affordable home ownership'. Many households in West Berkshire are being excluded from the owner-occupied sector. This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation increasing by 70% from 2001 to 2011 (with the likelihood that there have been further increases since). Over the same period, the number of owners with a mortgage dropped slightly (by 8%).

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- 4.88 On this basis, it seems likely in West Berkshire that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than just being due to the cost of housing to buy.
- 4.89 Hence, whilst the NPPF gives a clear direction that 10% of all new housing (on larger sites) should be for affordable home ownership the Council will need to balance various factors in considering the appropriate tenure split to seek through policy. The NPPF does provide some examples of where the 10% might not be required (paragraph 64), most notably that the 10% figure (as a proportion of all housing on a site, not just the affordable housing) would be expected unless this would *'significantly prejudice the ability to meet the identified affordable housing needs of specific groups'*. In West Berkshire, the clear need for additional rented housing would - based on the evidence - mean that providing the affordable home ownership would 'prejudice the ability' to meet the needs of the 'specific group' requiring rented accommodation. The evidence points to a significant need for rented affordable housing from those on low incomes including those to which the authority owes a duty under the requirements of the Homelessness Reduction Act 2017. However there is also a need from households who require support to access home ownership; and provision of low cost market housing will support viability and the overall level of affordable housing which can be achieved.
- 4.90 Shared ownership is the most appropriate low cost home ownership product. This is due to the lower deposit requirements and lower overall costs (given that the rent would also be subsidised). In promoting shared ownership, the Council should consider the equity share and also the overall cost once the rent and any service charges are included – this will be necessary to ensure that such homes are meeting the target group of households (i.e. those with an income in the gap between renting and buying).
- 4.91 It may be that equity shares as low as 25% would be needed to make shared ownership affordable (although this does have the additional advantage of a lower deposit), given that such homes would need to use Open Market Value as a start point. This is something that should be monitored on a case by case basis and could vary by location and property type/size. One disadvantage with shared ownership (and arguably other forms of affordable home ownership) is that whilst a household will only own a portion of a home, they will be likely to have a 100% liability for upkeep; this could prove problematic for those on lower incomes who are only just able to stretch to affordable home ownership options.
- 4.92 It should also be noted that the finding of a 'need' for affordable home ownership does not have any impact on the overall need for housing. As is clear from both the NPPF and PPG, the additional group of households in need is simply a case of seeking to move households from one tenure to another (in this case from private renting to owner-occupation); there is therefore no net change in the total number of households, or the number of homes required.

Affordable Housing Need – Key Points

Analysis has been undertaken to estimate the need for affordable housing in the 2018-36 period. The analysis is split between a 'traditional' need (which is mainly for social/affordable rented accommodation and is based on households unable to buy or rent in the market) and the 'additional' category of need introduced by the revised NPPF/PPG (which includes housing for those who can afford to rent privately but cannot afford to buy a home).

The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at traditional needs, consideration is given to estimates of the supply of social/affordable rented housing. For the additional definition, consideration is given to the potential supply of cheaper market accommodation to buy.

Using the traditional method, the analysis suggests a need for 163 affordable homes per annum and therefore the Council is justified in seeking to secure additional affordable housing. It is also suggested that the cost of housing to rent within this group is fixed by reference to local incomes (and the Living Rent methodology) although rents above Local Housing Allowance limits should be avoided (to ensure housing affordable to those needing to claim Housing Benefit).

When looking at the need for affordable home ownership products (i.e. the expanded definition of affordable housing in the NPPF) it is clear that there are a number of households likely to be able to afford to rent privately but who cannot afford to buy a suitable home. However, there is also a potential supply of homes within the existing stock that can make a contribution to this need as well as support through the Government's Help-to-Buy Scheme. It is therefore difficult to robustly identify an overall need for affordable home ownership products. A best estimate is a need for around 156 affordable home ownership units per annum.

However, it does seem that there are many households in West Berkshire who are being excluded from the owner-occupied sector. The analysis would therefore suggest that a key issue in the District is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) as well as simply the cost of housing to buy.

The report indicates that shared ownership is the most appropriate low cost home ownership product. This is due to the lower deposit requirements and lower overall costs (given that the rent would also be subsidised).

Where other forms of affordable home ownership are provided (e.g. Starter Homes or discounted market), Icenl recommend that the Council sets out policies for how such homes should be priced to be affordable to fall within the 'rent to buy gap.' This would ensure that households targeted by the new definition could potentially afford housing and that housing which is genuinely affordable locally is delivered. This might mean greater than 20% discounts from Open Market Value for some types/sizes of homes in some locations.

Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in West Berkshire. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

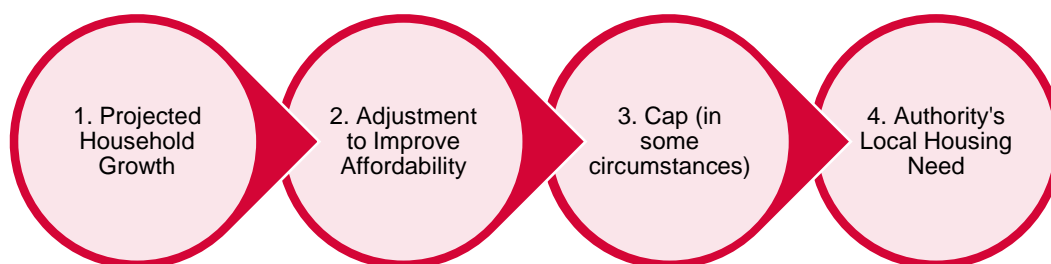
5. DEMOGRAPHIC IMPLICATIONS OF THE STANDARD METHOD

5.1 Whilst this report does not deal with housing need or housing provision, it is necessary to develop projections that provide a reasonable view about how the population and number of households (and their composition) might change in the future. Such information is necessary for certain aspects of the analysis to follow – most notably when looking at changes to the older person population (when looking at the need for specialist provision). Therefore, a bespoke projection has been developed which assumes (for the purposes of this report) housing growth in-line with the Standard Method.

West Berkshire's Local Housing Need

5.2 Planning Practice Guidance (PPG) on Housing Need Assessment sets out a standard method to be used in calculating a housing need. The PPG then sets out a three-step process.

Figure 4.1: Overview of Standard Method for calculating Local Housing Need



5.3 The first step is to establish a demographic baseline of household growth; this is to be taken directly from published household projections and should be the annual average household growth over a 10-year period. In this report, the 10-year period is taken to be 2019 to 2029 – the starting point reflecting the date of the assessment.

5.4 The second step of the methodology seeks to adjust the demographic baseline on the basis of market signals. The adjustment increases the housing need where house prices are high relative to workplace incomes. This uses the published median affordability ratios from ONS based on workplace-based median house price to median earnings ratio for the most recent year for which data is available (2018 at the time of writing).

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- 5.5 Specifically, the PPG says that *'for each 1% increase in the ratio of house prices to earnings, where the ratio is above 4, the average household growth should be increased by a quarter of a per cent'*. The equation to work out the adjustment factor is as follows:

$$\text{Adjustment factor} = \frac{(\text{Local affordability ratio} - 4)}{4} \times 0.25$$

- 5.9 As an example, if the workplace affordability ratio in an area was 8.00; i.e. median house prices were eight times the median earnings of those working in the area, then the adjustment would be 0.25 or 25%. This is calculated as follows: $(8 - 4) / 4 \times 0.25$.
- 5.10 The final step in the standard method is to possibly cap the minimum local housing need figure. There are two situations where a cap is applied. The first is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the plan. The second situation is where plans are more than five years old. In such circumstances a cap may be applied at 40% of the higher of the projected household growth or the housing requirement in the most recent plan (where this exists).
- 5.11 In October 2018, MHCLG published a technical consultation on updates to national planning policy and guidance – the main part of this document was around the Standard Method for assessing housing need. Essentially, whilst Planning Practice Guidance had previously recommended using the latest evidence where possible, the consultation sets aside the latest (2016-based) household projections in preference for the previous (2014-based) set. The reason for this is that (at least at a national level) the 2016-based SNHP show a much lower level of household growth (and hence housing need). The Government has decided *'it is not right to change its aspirations'* for housing supply to take account of the lower figures and has therefore proposed to continue using data from the older projections to inform housing need. In the NPPF (and related PPG) released in February 2019, Government confirmed that for the time being the Standard Method should be linked to the 2014-based Household Projections.
- 5.12 The table below therefore sets out a calculation of the need under the Standard Method. The analysis shows a need for 520 dwellings per annum using the 2014-based SNHP – over the 18-year period (2018-36) this amounts to a total of 9,360 additional homes. There is no capping applied to this figure as the local housing need figure generated in Step 2 is less than a 40% uplift on the Core Strategy housing requirement figure of 525 dpa.

Table 5.1 MHCLG Standard Method Housing Need Calculations

	West Berkshire
Households 2019	65,621
Households 2029	69,468
Change in households	3,847
Per annum change	385
Affordability ratio (2018)	9.61
Uplift to household growth	35%
Total need (per annum)	520

Source: Derived from ONS data

Demographic Implications

- 5.13 Having derived the housing growth estimate for use in analysis a projection has been developed where the population and number of households increases such that these dwellings would be filled. The methodology essentially takes the latest (2016-based) subnational population projections (SNPP) as a starting point along with data about household formation from the 2014-based subnational household projections (SNHP).
- 5.14 The latest SNPP is used as this is based on the most up-to-date demographic data and uses the same methodology as previous SNPP releases. The 2014-based SNHP has been used as it is considered that the 2016-based SNHP may include an increased degree of suppressed household formation, something the Standard Method is specifically designed to address – this suppression seems to arise due to a change in methodology from the 2014- to the 2016-based SNHP, specifically a move to use just two data points (2001 and 2011) rather than a longer time-series. Adjustments are also made to the 2014-based SNHP data to reflect any suppression within that source.
- 5.15 Within the modelling, migration assumptions have been changed so that across the Council area the increase in households matches the Standard Method housing need (including a 3% vacancy allowance). The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the 2016-based SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%). In summary the method includes the following assumptions:
- Base population in 2017 from the latest mid-year population estimates available at the time of developing projections;
 - Population rolled forward to 2018 on the basis of the 2016-based SNPP;

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- Household representative rates from the 2014-based SNHP with an adjustment for a part-return to 2008-based trends; and
 - The migration profile (by age and sex) in the same proportions as the 2016-based SNPP.

5.16 Our modelling assumes that the affordability adjustment in the standard method supports additional market and affordable housing provision. In demographic terms, this helps to support additional household formation amongst those aged 25-34 and 35-44 which return partly towards trends in the pre-recession 2008-based Household Projections in which affordability pressures were lower and household formation amongst these households was stronger. A 'part return' is modelled, as research has shown that whilst part of the shift away from these trends relates to affordability pressures, it is partly related to other demographic and societal dynamics including international migration and households structures within migrant communities.¹⁵ As a modelling approach, this is consistent with that recommended by the Local Plans Expert Group. The affordability adjustment also supports a level of additional in-migration to West Berkshire on the basis that past housing delivery may have constrained this historically. This approach is consistent with Planning Practice Guidance which sets out that:

"An affordability adjustment is applied as household growth on its own is insufficient as an indicator of future housing need because:

- *household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and*
- *people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford."*¹⁶

5.17 The table below shows how the population might be expected to change under this scenario. This shows particularly strong changes in older age groups and more modest increases (and some decreases) for younger groups – these trends are consistent with projections nationally. Overall, it is projected that the population would grow by just over 7% in the 18-year period (an additional 11,500 people in total). For reference, this level of population growth is 33% higher than projected in the 2016-based SNPP (which showed a projected increase of 8,586 people in the 2018-36 period).

¹⁵ These issues were explored within the 2016 Berkshire SHMA

¹⁶ PPG ID: 2a-006-20190220

Table 5.2 Population change 2018 to 2036 by five-year age bands – West Berkshire (linked to delivery of 520 dwellings per annum)

	Population 2018	Population 2036	Change in population	% change from 2018
Under 5	9,036	8,871	-165	-1.8%
5-9	10,311	9,349	-961	-9.3%
10-14	10,346	10,376	31	0.3%
15-19	9,257	9,893	635	6.9%
20-24	7,106	7,399	293	4.1%
25-29	8,330	9,065	735	8.8%
30-34	8,943	8,475	-468	-5.2%
35-39	9,801	9,391	-411	-4.2%
40-44	10,607	10,165	-442	-4.2%
45-49	12,309	10,674	-1,635	-13.3%
50-54	12,450	10,816	-1,634	-13.1%
55-59	11,195	10,678	-517	-4.6%
60-64	9,423	10,676	1,253	13.3%
65-69	8,629	11,162	2,533	29.4%
70-74	8,373	10,539	2,166	25.9%
75-79	5,466	8,672	3,206	58.6%
80-84	3,865	6,523	2,659	68.8%
85+	3,668	7,852	4,184	114.1%
Total	159,114	170,576	11,461	7.2%

Source: ONS

Sub-Area Population Projections

- 5.18 The projection above has looked at housing needs for the whole of the Council area. However, some of the analysis to follow splits the Council area into four sub-areas in line with those in the adopted Core Strategy. It is therefore of use to develop this projection at a smaller-area level for the purposes of analysis. However, it should be stressed that sub-area projections do not show the levels of housing that should be delivered; the exact locations of housing will in part be determined by land availability and the spatial strategy within the new Local Plan.
- 5.19 The Council is considering combining the East Kennet Valley and Eastern Area sub-areas in the Local Plan Review. If this happens, the data for these two areas herein can equally be combined.
- 5.20 The methodology to look at smaller-area projections has built on the Council area-wide projections, which in turn draw on a range of published population and household data. Within the modelling it is broadly assumed that a proportional increase in population in any age/sex category across the Council area will also occur at a smaller area level. Essentially the methodology works by looking at incremental changes in each age and sex band (for each year of each projection) and applies this to the local population. For example, if a particular age/sex group is projected to increase by 10%

Council area-wide then the methodology will assume a similar level of population growth for that particular group at a smaller area level. This is developed on a policy-off basis which sets aside development constraints, consistent with Government guidance on assessing housing needs.¹⁷ In reality the North Wessex Downs AONB designation is likely to have more limited development, with a corresponding higher level of development and demographic growth in the Newbury and Thatcham area.

- 5.21 The methodology used to assign the population change figures to smaller areas is therefore based on overall change Council area-wide (by age and sex) applied to the demographic profile of the local population. This methodology takes account of past trends in fertility, mortality and migration to the extent that these will have shaped the current population profile (with such trends likely to shape the future population).
- 5.22 At a local level, the starting point for population is the latest mid-year population estimates (for 2017 at the time of preparation) whilst estimates of the number of households and household growth are adjusted from the base position by using 2011 Census data about the communal population and age/sex specific household representative rates. This should ensure that estimates of both population and households are in-line with the local position.
- 5.23 The smaller-area projections are not detailed in this report and have mainly been used to consider likely levels of new household formation in different sub-areas for use in the analysis of affordable housing need.

¹⁷ PPG ID 2a-001-20190220

6. NEED FOR DIFFERENT SIZES OF AFFORDABLE HOUSING

6.1 This section considers the need for different sizes of affordable housing in West Berkshire including for affordable/social rented housing and affordable home ownership.

The Need for Different Sizes of Social/Affordable Rented Homes

6.2 The method used to estimate the need for different sizes of affordable homes links demographic change (population and household structures) to the occupancy patterns of different age groups by tenure – the analysis considers the 2018-36 period. This is consistent to that used in the Berkshire SHMA. The data also directly links to the estimates of need for each broad tenure category. Occupancy patterns have been studied by looking at both local (i.e. West Berkshire) and regional (i.e. South East) data. The tables below show estimates of the need by size from this analysis.

6.3 The table below shows that the same pattern of need arises when using either the local or regional occupancy patterns, with a particular focus on 1- and 2-bedroom homes.

Table 6.1 Estimated Size of Social/Affordable Rented Housing, West Berkshire (2018 -2036)

	Based on Local Occupancy		Based on Regional Occupancy	
	Need (pa)	% of Need	Need (pa)	% of Need
1 Bedroom	77	47%	77	47%
2 Bedrooms	48	29%	48	29%
3 Bedrooms	35	21%	35	21%
4+ Bedrooms	3	2%	3	2%
Total	163	100%	163	100%

Source: Housing Market Model

6.4 It is also possible to contrast this data with information from the Housing Register¹⁸. This shows the following pattern of need which again is focussed on 1- and 2-bedroom homes but also with a slightly higher need shown for 4+-bedroom properties.

¹⁸ Drawn from Local Authority Housing Statistics (LAHS)

Table 6.2 Estimated Size of Social/Affordable Rented Housing, based on Housing Register Information, West Berkshire

	Need	% of Need
1 Bedroom	679	54%
2 Bedrooms	375	30%
3 Bedrooms	145	12%
4+ Bedrooms	48	4%
Total	1,247	100%

Source: Local Authority Housing Statistics – 2018

6.5 Bringing together the above, a number of factors are recognised. It is unlikely that all affordable housing needs will be met. It is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). Further, the Housing Register data is based on a strict determination of need based on a bedroom standard and there will be some households able to afford a slightly larger home or who can claim benefits for a larger home than they strictly need (i.e. are not caught by the 'bedroom tax' – this will include older person households).

6.6 In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing would be appropriate:

- 1 Bedroom – 35-40%
- 2 Bedrooms – 30-35%
- 3 Bedrooms – 15-20%
- 4+ Bedrooms – 5-10%

6.7 The Council should take account of any feedback from Registered Providers through the consultation process on the local plan, in informing planning policies.

The Need for Different Sizes of Affordable Home Ownership Housing

6.8 The table below shows similar information looking at potential need for affordable home ownership products (likely to mainly be discounted market sale and shared ownership). This tends to show a need for slightly larger homes than when looking at the rented sector with a particular focus on smaller 'family-sized' accommodation. The larger profile makes sense, as it would be expected in this sector that households would potentially have a slightly greater degree of choice.

Table 6.3 Estimated Size of Affordable Home Ownership Housing, West Berkshire

	Based on Local Occupancy		Based on Regional Occupancy	
	Need	% of Need	Need	% of Need
1 Bedroom	31	20%	41	26%
2 Bedrooms	58	37%	60	39%
3 Bedrooms	52	33%	40	26%
4+ Bedrooms	15	10%	14	9%
Total	156	100%	156	100%

Source: Housing Market Model

6.9 Based on this analysis, it is suggested that the following mix of affordable home ownership would be appropriate:

- 1 Bedroom – 20-25%
- 2 Bedrooms – 35-40%
- 3 Bedrooms – 30-35%
- 4+ Bedrooms – 5-10%

6.10 There are some potential issues regarding the flexibility of 1-bed properties to take account of households changing circumstances over time, which may limit demand for certain products such as shared ownership. Applicants are advised to engage with the Council's Housing Team to ascertain the latest local evidence.

7. NEED FOR ADAPTABLE AND SPECIALIST ACCOMMODATION

- 7.1 This section studies the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. It includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to Part M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).¹⁹

Changing Demographic Profile

- 7.2 The population of older persons is increasing, driven by demographic changes including increasing life expectancy. This is a key driver of the need for housing which is capable of meeting the needs of older persons, and therefore a sensible first stage of analysis.
- 7.3 The table below provides baseline population data about older persons and compares this with other areas. The data has been taken from the published 2017 ONS mid-year population estimates (MYE). The table shows that West Berkshire has a fairly average age structure in terms of older people (for the purposes of this report generally considered to be people aged 65 and over), with 18.5% of the population being aged 65 and over in 2017; this compares with 19.1% regionally and 18.0% nationally.
- 7.4 There are some variations by sub-area with the AONB seeing 20% of the population aged 65+, compared with 17% in Newbury & Thatcham. The sub-area data has been based on the MYE which includes estimates down to Output Area (OA) level. The OA data has then been built up into the sub-areas.

¹⁹ As defined in Building Regulations

Table 7.1 Older Persons Population, 2017

	Eastern Area	East Kennet Valley	Newbury & Thatcham	AONB	West Berkshire	South East	England
Under 65	80.6%	80.6%	82.9%	80.0%	81.5%	80.9%	82.0%
65-74	11.2%	11.0%	9.7%	11.6%	10.6%	10.3%	9.9%
75-84	6.1%	6.1%	5.0%	6.1%	5.6%	6.0%	5.7%
85+	2.1%	2.3%	2.4%	2.2%	2.3%	2.8%	2.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total 65+	19.4%	19.4%	17.1%	20.0%	18.5%	19.1%	18.0%

Source: ONS 2017 Mid-Year Population Estimates

- 7.5 As well as providing a baseline position for the proportion of older persons in the District, population projections can be used to provide an indication of how the numbers might change in the future compared with other areas.
- 7.6 West Berkshire is projected to see a notable increase in the older person population, with the total number of people aged 65 and over projected to increase by 49% over the 18-years to 2036. This compares with overall population growth of 7% and a modest decrease in the Under 65 population of 2.5%.
- 7.7 In total population terms, the projections show an increase in the population aged 65 and over of 14,700 people. This is against a backdrop of an overall increase of 11,500 – population growth of people aged 65 and over therefore accounts for over 100% of the total projected population change.

Table 7.2 Projected Change in Population of Older Persons, 2018 to 2036

	2018	2036	Change in population	% change
Under 65	129,114	125,828	-3,286	-2.5%
65-74	17,001	21,701	4,699	27.6%
75-84	9,331	15,195	5,864	62.8%
85+	3,668	7,852	4,184	114.1%
Total	159,114	170,576	11,461	7.2%
Total 65+	30,000	44,748	14,748	49.2%

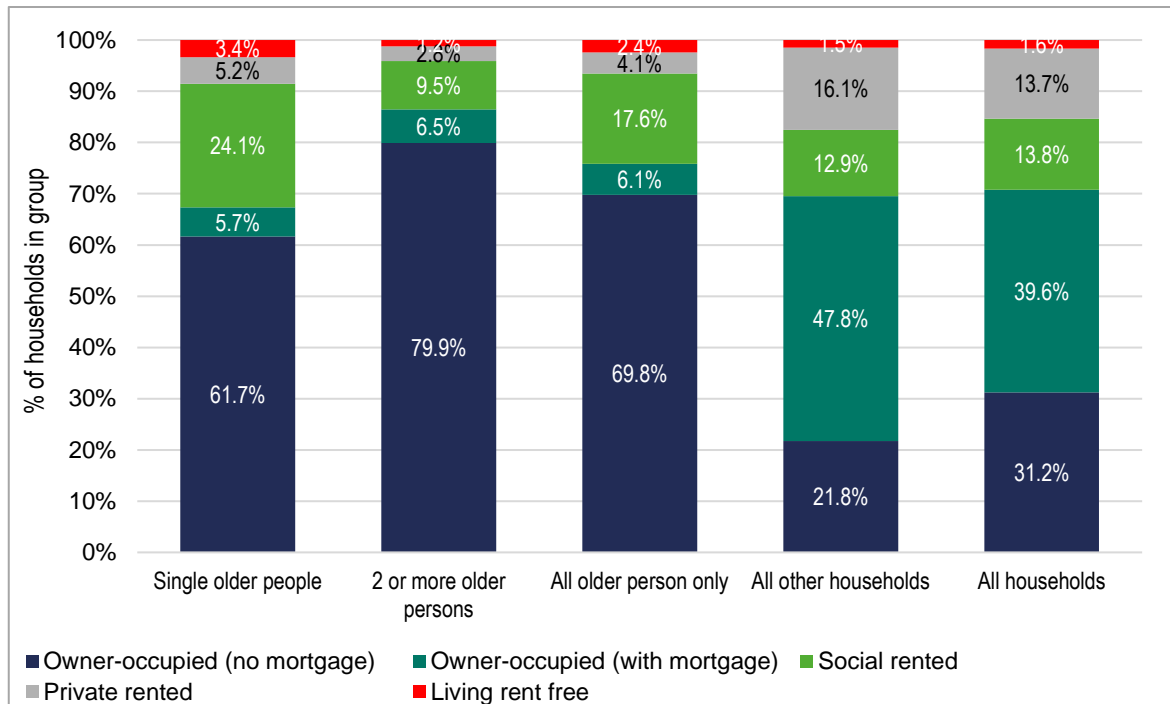
Source: Demographic Projections

- 7.8 The figure below shows the tenure of older person households. The data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that older person households are relatively likely to live in outright owned accommodation (70%) and are also more likely than other households to be in the social rented

sector. The proportion of older person households living in the private rented sector is relatively low (4%).

- 7.9 There are also notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

Figure 6.1 Tenure of Older Persons Households in West Berkshire, 2011



Source: 2011 Census

People with Disabilities

- 7.10 The table below shows the proportion of people with a long-term health problem or disability (LTHPD) drawn from 2011 Census data, and the proportion of households where at least one person has a LTHPD. The data suggests that some 26% of households contain someone with a LTHPD. This figure is lower than that seen in other areas.
- 7.11 The figures for the population with a LTHPD again show a similar pattern in comparison with other areas (an estimated 13% of the population of the local authority having a LTHPD). The analysis also shows some small differences between different parts of the Council area.

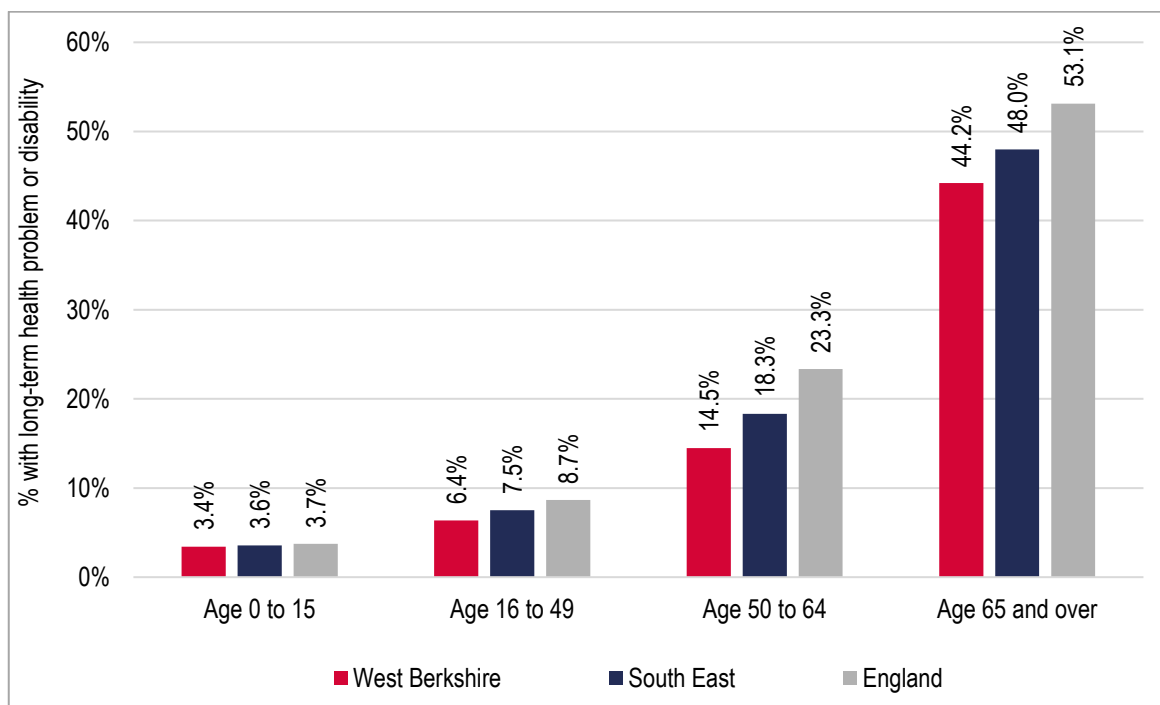
Table 7.3 Households and People with a Long-Term Health Problem or Disability, 2011

	Households Containing Someone with a Health Problem		Population with a Health Problem	
	No.	%	No.	%
Eastern Area	2,835	25.2%	3,569	12.7%
East Kennet Valley	1,704	26.7%	2,120	13.2%
Newbury & Thatcham	7,535	26.3%	9,560	13.8%
AONB	3,928	24.4%	5,029	12.5%
West Berkshire	16,002	25.7%	20,278	13.2%
South East	1,048,887	29.5%	1,356,204	15.7%
England	7,217,905	32.7%	9,352,586	17.6%

Source: 2011 Census

7.12 It is likely that the age profile will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. The figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD. The analysis also shows lower levels of LTHPD in each age band within West Berkshire when compared with both the regional and national position.

Figure 6.2 Population with Long-Term Health Problem or Disability by Age



Source: 2011 Census

7.13 The age specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to

the demographic projections, it is estimated that the number of people with a LTHPD will increase by around 6,300 (27%) between 2018 and 2036. The population increase of people with a LTHPD represents 55% of the total increase in the population estimated by the projections.

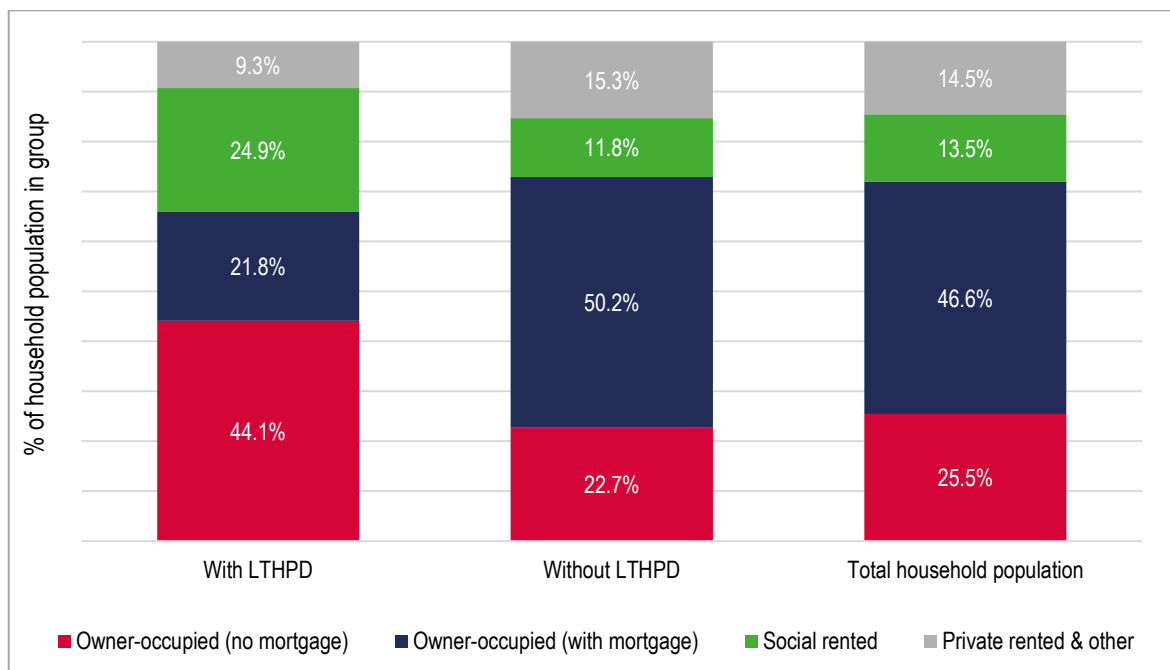
Table 7.4 Estimated Change in Population with LTHPD, 2018 to 2036

	Population with LTHPD		Change	% Change
	2018	2036		
West Berkshire	23,238	29,506	6,269	27%

Source: Derived from Demographic Modelling and Census 2011

7.14 The figure below shows the tenures of people with a LTHPD – it should be noted that the data is for 'population living in households' rather than 'households'. The analysis clearly shows that people with a LTHPD are more likely to live in social rented housing or are also more likely to be outright owners (this will be linked to the age profile of the population with a disability). Given that typically the lowest incomes are found in the social rented sector, and to a lesser extent for outright owners (many of whom are retired), the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population in terms of income levels and therefore the ability to afford goods and services (as well as to access the housing market in many instances).

Figure 6.3 Tenure of People with LTHPD, 2011



Source: 2011 Census

7.15 The table below shows further information about the tenure split of the household population with a LTHPD. This shows that people living in the social rented sector are around twice as likely to have a LTHPD than those in other tenures.

Table 7.5 Tenure of People with a LTHPD

	% of Social Rent with LTHPD	% of other tenures with LTHPD
West Berkshire	23.6%	11.1%

Source: 2011 Census

Health-Related Population Projections

- 7.16 In addition to providing projections about how the number and proportion of older people is expected to change in the future the analysis can look at the likely impact on the number of people with specific illnesses or disabilities. The analysis covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. In all cases the analysis links to estimates of population growth based on Standard Method housing need estimates (as set out in Section 5).
- 7.17 Of particular note are the large increases in the number of older people with dementia (increasing by 57% from 2018 to 2036) and mobility problems (81% increase over the same period). Changes for younger age groups are negative, reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related back to the total projected change to the population, the increase of 4,100 people with a mobility problem represents 35% of the total projected population growth.
- 7.18 It should be noted that there will be an overlap between categories (i.e. some people will have both dementia and mobility problems). Hence the numbers for each of the illnesses/disabilities should not be added together to arrive at a total.

Table 7.6 Projected Changes to West Berkshire Population with a Range of Disabilities

Disability	Age Range	2018	2036	Change	% Change
Dementia	65+	2,113	3,319	1,206	57.1%
Mobility problems	65+	5,008	9,059	4,051	80.9%
Autistic Spectrum Disorders	18-64	935	915	-20	-2.1%
	65+	283	427	144	51.0%
Learning Disabilities	15-64	2,423	2,373	-50	-2.1%
	65+	627	926	299	47.7%
Challenging behaviour	15-64	45	44	-1	-2.2%
Impaired mobility	16-64	5,460	5,368	-92	-1.7%

Source: POPPI/PANSI and Demographic Projections

- 7.19 The growth shown in those with disabilities provides clear evidence justifying delivering 'accessible and adaptable' homes as defined in Part M4(2) of Building Regulations. The Council should ensure that the viability of doing so is also tested as part of drawing together its evidence base.

Need for Specialist Accommodation for Older Persons

7.20 Given the ageing population and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward. The box below considers different types of older persons housing.

Definitions of Different Types of Older Persons' Housing

Retirement/sheltered housing: A group of self-contained flats or bungalows typically reserved for people over the age of 55 or 60; some shared facilities such as residents' lounge, garden, guest suite, laundry; plus on-site supportive management. A regularly visiting scheme manager service may qualify as long as s/he is available to all residents when on site. An on-call-only service does not qualify a scheme to be classified as retirement/sheltered housing. Developments usually built for either owner occupation or renting on secure tenancies.

Enhanced sheltered housing: Sheltered housing with additional services to enable older people to retain their independence in their own home for as long as possible. Typically, there may be 24/7 (non-registered) staffing cover, at least one daily meal will be provided and there may be additional shared facilities. Also called assisted living and very sheltered housing.

Extra care housing: Schemes where a service registered to provide personal or nursing care is available on site 24/7. Typically, at least one daily meal will be provided and there will be additional shared facilities. Some schemes specialise in dementia care or may contain a dedicated dementia unit.

Source: Housing Older People Supply Recommendations (HOPSR)

7.21 The needs analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) Shop@ online toolkit (SHOP@ toolkit). This data is considered alongside demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

7.22 The prevalence rates used in the analysis are based on the SHOP@ toolkit. This sets out a series of baseline rates which form a starting point for assessing appropriate prevalence rates to apply. These baseline rates are:

- Housing with Support (retirement/sheltered housing) – 125 units per 1,000 population aged 75 and over.;
- Housing with Care (enhanced sheltered and extra-care housing) – 45 units per 1,000 population aged 75 and over; and
- Residential care bedspaces (residential and nursing care) – 110 units (bedspaces) per 1,000 population aged 75 and over

7.23 Following the Housing LIN methodology, an initial adjustment has then been made to these rates to reflect the relative health of the local older person population. This has been based on Census data about the proportion of people aged 65 and over who have a long-term health problem or disability compared with the England average. In West Berkshire, the data shows a fairly healthy older person

population and so the prevalence rates used have been reduced by around 17% (this figure is based on comparing the proportion of people aged 65 and over with a LTHPD in West Berkshire (44.2%) with the equivalent figure for England (53.1%) – these figures have previously been shown in this report).

7.24 A second local adjustment has been to estimate a tenure split for the housing with support and housing with care categories (no tenure is associated with residential care bedspaces). This again draws on suggestions in the Shop@ toolkit which suggests that less deprived local authorities could expect a higher proportion of their specialist housing to be in the market sector. Using the 2015 Index of Multiple Deprivation (IMD) the analysis suggests a slightly higher need for market homes for older people in West Berkshire when compared with national figures – the IMD shows West Berkshire to be the 291st most deprived local authority in England (out of 326) – i.e. a low level of deprivation. To be clear this is market housing within the categories described above (e.g. sheltered/retirement and extra-care housing). Market housing is referred to as 'leasehold' provision, whilst rented provision is expected to be principally affordable housing.

7.25 This analysis suggests a need for 141 units of specialist accommodation per 1,000 population aged 75 and over, and of these 89 (63%) are for market housing. This is before any consideration of the current supply of housing is made. Data about supply draws on a database from the Elderly Accommodation Counsel (EAC).

The analysis initially focusses on needs within self-contained units before separately looking at residential care bedspaces.

7.26 The table below shows estimated needs for different types of housing linked to the Standard Method projections as set out in Section 5. The analysis shows a potentially high need for leasehold (market) accommodation and an apparent surplus of affordable sheltered housing (although a shortfall in affordable Extra-care dwellings). Overall, the analysis suggests a need for 1,280 additional units by 2036 (equivalent to 71 per annum).

Table 7.7 Older Persons' Dwelling Requirements, 2018 to 2036

		Housing demand per 1,000 75+	Current Supply	2018 Demand	Current Shortfall/ (Surplus)	Additional Demand to 2036	Shortfall/ (Surplus) by 2036
Housing with Support	Rented	36	1,076	471	(605)	364	(241)
	Leasehold	68	625	881	256	681	937
Housing with Care	Rented	16	222	206	(16)	159	144
	Leasehold	22	57	280	223	217	440
Total		141	1,980	1,839	(141)	1,421	1,280

Source: Derived from Demographic Projections and Housing LIN/HOPSR/EAC

7.27 The figures provided above should be treated as indicative as there is no nationally agreed set of prevalence rates (or how these might be adjusted for local factors). To keep this information as up to date as possible, the Council should monitor the supply of specialist housing, including any pipeline of supply so as to enable an understanding of whether or not there is any specific shortfall at a point in time.

7.28 The analysis indicates that the tenure profile of need for housing with support (such as sheltered and retirement housing) is principally for private sector (market./ leasehold) provision. For housing with care (such as extra care schemes), 75% of the need is for leasehold (i.e. market housing) provision and 25% for development by Registered Providers for rent.

Older Persons' Housing Needs (Residential Care Bedspaces)

7.29 The analysis below provides outputs (drawing on the same sources) for the estimated need for care home bedspaces. The analysis draws on that above, including making adjustments for the relative health of the population of the local authority. It should be noted that the rows in tables are for bedspaces and do not have an associated tenure. The box below shows the definition of care beds assumed for this assessment.

Definitions of Different Types of Older Persons' Accommodation (C2 use class)

Care beds:

Care homes: Residential settings where a number of older people live, usually in single rooms, and have access to on-site care and personal care services (such as help with washing and eating).

Care homes with nursing: These homes are similar to those without nursing care but they also have registered nurses who can provide care for more complex health needs.

Source: Housing Older People Supply Recommendations (HOPSR)

7.30 The table below shows the prevalence rates used and the need associated with these. The analysis shows a current shortfall and notable projected future need. Overall, it is estimated that there is a need for around 1,457 additional bedspaces to 2036. This does not discount homes in the development pipeline.

Table 7.8 Older Persons' Care Bedspace Requirements, 2018 to 2036

	Housing demand per 1,000, 75+	Current Supply	2018 Demand	Current Shortfall/ (Surplus)	Additional Demand to 2036	Shortfall/ (Surplus) by 2036
West Berkshire	92	652	1,190	538	920	1,457

Source: Derived from Demographic Projections and Housing LIN/HOPSR/EAC

-
- 7.31 The estimate of the need for residential/nursing care bedspaces in this report is notably higher than was suggested in the 2016 SHMA (599 additional bedspaces compared to 1,457). This difference is due to a change in methodology. The SHMA took data about prevalence rates for the number of people in institutional accommodation from the 2012-based Subnational Household Projections (which in turn draws directly from actual local data from the 2011 Census) to be consistent with the OAN defined therein. Because West Berks has a relatively low proportion of care bedspaces, this method projected a low number in the future (i.e. a low current prevalence is projected forward).
- 7.32 In this report, a view has been taken on the proportion of the population who might need a care bedspace (independent of current supply and taking account of suggestions by Housing LIN and localised data about the health of the population). Because of the low current supply, this method therefore shows a higher need (i.e. uses a higher prevalence rate but then takes account of the low existing supply of such housing). The method used herein reflects underlying needs and is consistent with methods of analysis suggested in the PPG (63-004) and should therefore be preferred.

Older Persons' Housing and Planning Use Classes

- 7.33 The Use Classes Order sets out different categories of residential use and makes a distinction between residential institutions (Class C2) and dwelling-houses (Class C3). The C2/C3 distinction is important as it can impact on the ability of a local authority to seek an affordable housing contribution from a development.
- 7.34 There is case law (at planning appeals and in the courts) on the definitions of both. There is no government guidance on which use class 'extra care housing' falls into. It is for the decision maker to decide, depending on the individual circumstances of each case. In determining the appropriate use class, much will depend on the extent to which the accommodation is self-contained and the level of care provided.
- 7.35 Planning Practice Guidance does not appear to give a definitive definition of C2 and C3. However, there are a number of places where C2 housing is referenced. This includes:

[on housing needs assessment] 'The assessment can also set out the level of need for residential institutions (Use Class C2)' [paragraph 2a-017]

[on Housing and economic land availability assessment] 'Local planning authorities will need to count housing provided for older people, including residential institutions in Use Class C2, against their housing requirement. For residential institutions, to establish the amount of accommodation released in the housing market, authorities should base calculations on the average number of adults living in households, using the published census data' [paragraph 3-043]

7.36 This latter quote would suggest that it is necessary to understand the Census definition if we are to separate out institutional accommodation from dwellings. The 2011 Census definitions include:

‘... units in an establishment where 50 per cent or more have their own kitchens should be defined as households (irrespective of whether there are other communal facilities)’

7.37 If a consistent definition was applied, a development where at least half of all units have their own kitchens could potentially be included as a C3 use. In developments where fewer than half of units have their own kitchen, a C2 use class is arguably relevant. However, there are broader considerations to take into account, including the degree of care which is provided to residents within an extra care scheme; and the potential for the viability of provision to be different from that from wider schemes of C3 dwellings as there is often significant communal space and common facilities within an extra care scheme.

7.38 It can be difficult in some circumstances for developers of specialist housing for older persons to compete with other developers for land.

7.39 To support the delivery of specialist accommodation, it may be appropriate for the Council to consider making specific land allocations for specialist housing for older persons within its new Local Plan.

7.40 Ultimately for the purposes of seeking affordable housing, we would recommend that the Council in developing new planning policies consider the specific viability of extra care housing schemes as part of preparing viability evidence within the plan-making process.

Wheelchair User Housing

7.41 Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level.) National data within a research report by Habinteg Housing Association and London South Bank University (Supported by the Homes and Communities Agency) entitled *Mind the Step: An estimation of housing need among wheelchair users in England* has therefore been used. This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence the focus herein is on national data.

7.42 The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that once inside, it gets even more restrictive. Furthermore, it is estimated (based on English House Condition Survey data) that just 0.5% of homes

meet criteria for 'accessible and adaptable', while 3.4% are 'visitable' by someone with mobility problems puts the proportion of 'visitable' properties at a slightly higher 5.3%.²⁰

7.43 Overall, the report estimates that there is an unmet need for wheelchair user dwellings equivalent to 3.5 per 1,000 households.²¹ Moving forward, the report estimates a wheelchair user need from around 3% of households. Applying both of these figures to the demographic projections (see table below) suggests a need for around 500 wheelchair user homes in West Berkshire in the period to 2036. Comparing the need for wheelchair dwellings shown to the Local Housing Need, the need for wheelchair user dwellings equates to about 5% of the total housing need. This would therefore be a suitable policy benchmark for the level of provision required.

Table 7.9 Estimated Need for Wheelchair User Homes, 2018 to 2036

	Current Need	Projected Need (2016-36)	Total
West Berkshire	230	273	503

Source: Derived from Demographic Projections and Habinteg Prevalence Rates

7.44 Information in the CLG Guide to available disability data also provides some historical national data about wheelchair users by tenure (data from the 2007/8 English Housing Survey). This showed around 7.1% of social tenants to be wheelchair users, compared with 2.3% of owner-occupiers (there was insufficient data for private renting, suggesting that the number is low). This may impact on the proportion of different tenures that should be developed to be for wheelchair users (although it should be noted that the PPG (56-009) states that '*Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling*'). The Council's Housing Register can provide up-to-date information on needs. For market housing, policy can however require delivery of wheelchair-adaptable dwellings, this being a home that can easily be adapted to meet the needs of a household including wheelchair users.

Need/Demand for Bungalows

7.45 The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the District as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. However, it is typical to find that there is a demand for this type of accommodation, particularly from older households.

²⁰ Data from the CLG Guide to available disability (taken from the English Housing Survey)

²¹ This is described in the Habinteg report as the number of wheelchair user households with unmet housing need

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- 7.46 Bungalows are often the first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available. As a new build option, it is, however, the case that bungalow accommodation is often not supported by either house builders or planners (due to potential plot sizes and their generally low densities). There may, however, be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sight lines.
- 7.47 There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove very popular if they are well located in terms of access to facilities and services, and environmentally attractive (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 7.48 Overall, the Council should consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive for the amount of floorspace created.

8. BUILD-TO-RENT SECTOR

Overview of Build-to-Rent Sector

- 8.1 Build to Rent (BTR) represents a distinct asset within the purpose built and managed Private Rented Sector (PRS) and is defined in Annex 2 Glossary of the NPPF as:

“Purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.”

- 8.2 Over recent years there has been a rapid growth in the Build to Rent sector backed by domestic and overseas institutional investment. Savills research indicates that as at the end of Q1 2019, over 30,000 build-to-rent homes have been completed across the UK with a substantial pipeline beyond this; Savills research showing over 43,300 units under construction and 66,700 in the planning pipeline.
- 8.3 Whilst at the current time the sector is a relatively small component of the housing market, it is one which is growing; and offers the potential to contribute to increasing overall housing delivery and improvements of standards in the Private Rented Sector.
- 8.4 The potential for Build-to-Rent in particular reflects the growth in the number of households who are privately renting. The English Housing Survey indicates that in 2017-18 the Private Rented Sector accommodated 19% of households nationally; and has doubled in size since 2002. Around two thirds (68%) of households were headed by someone aged under 45; with the last decade seeing particular growth of those aged 25-34 (from 28% to 44% of households, 2007/8 – 2017/18) as well as in those aged 35-44 (increasing from 13% to 28%).
- 8.5 Specific research considering Build-to-Rent schemes by JLL²² points to tenants which are typically in the 25-35 age bracket; with an average tenant age of 31 and occupiers who were above average earners, seeking apartments or flats in urban conurbations, together with ‘satellite’ towns near to or commutable to the centres of employment, and potentially university locations.

²² JLL Research (2018) Build to Rent

8.6 Whilst at the current time, the scale of Build-to-Rent development outside of London is limited; it is reasonable to expect this to continue to grow.

8.7 The growth in BTR activity has though begun to shift outside London which historically has been the focus for viable development with a number of large regional centres, considered strong employment locations, now delivering significant levels of BTR completions and schemes under construction. Alongside the geographical spread of BTR development, Savills research (2018) indicates the size of BTR schemes is increasing, with the average size of a completed scheme at 133 units and the average for schemes under construction at 240 units. The average is higher for schemes in planning.

Planning Practice Guidance

8.8 Government is keen to support the growth of the Build-to-Rent sector and in September 2018 issued new Planning Practice Guidance on Build-to-Rent. This is clear that build to rent is a distinct asset class, and that Councils should assess the need for Build-to-Rent development through the plan-making process.

8.9 The Guidance²³ is clear that where a need is identified, authorities should include a plan policy setting out their approach to promoting and accommodating build-to-rent development. This should recognise the circumstances and locations where build-to-rent developments should be encouraged, for example as part of large sites and/or town centre regeneration.

8.10 The Guidance states that affordable housing on build-to-rent schemes should be provided in the form of affordable housing rent and that units on a scheme should be managed collectively by a single build-to-rent landlord. It identifies that 20% is generally a suitable level of affordable private rent homes to be provided in any build-to-rent scheme, affordable private rent being at a minimum rent discount of 20% to local market rents (and calculated when homes are rented and tenancies renewed). Eligibility for affordable private rented homes should be agreed locally between the landlord and scheme operator, having regard to local household incomes and rent levels. It promotes offering longer-term tenancies of 3 or more years.

Private Rented Sector Dynamics and Build-to-Rent in West Berkshire

8.11 The private rented sector in West Berkshire accounted for 14% of all household tenures at the point of the 2011 Census with over 8,500 households renting privately in the District. In comparison to

²³ <https://www.gov.uk/guidance/build-to-rent>

wider benchmarks, the sector is proportionate regionally but smaller than the national picture with private renters accounting for 18% of all households in England. This is shown in the Table below.

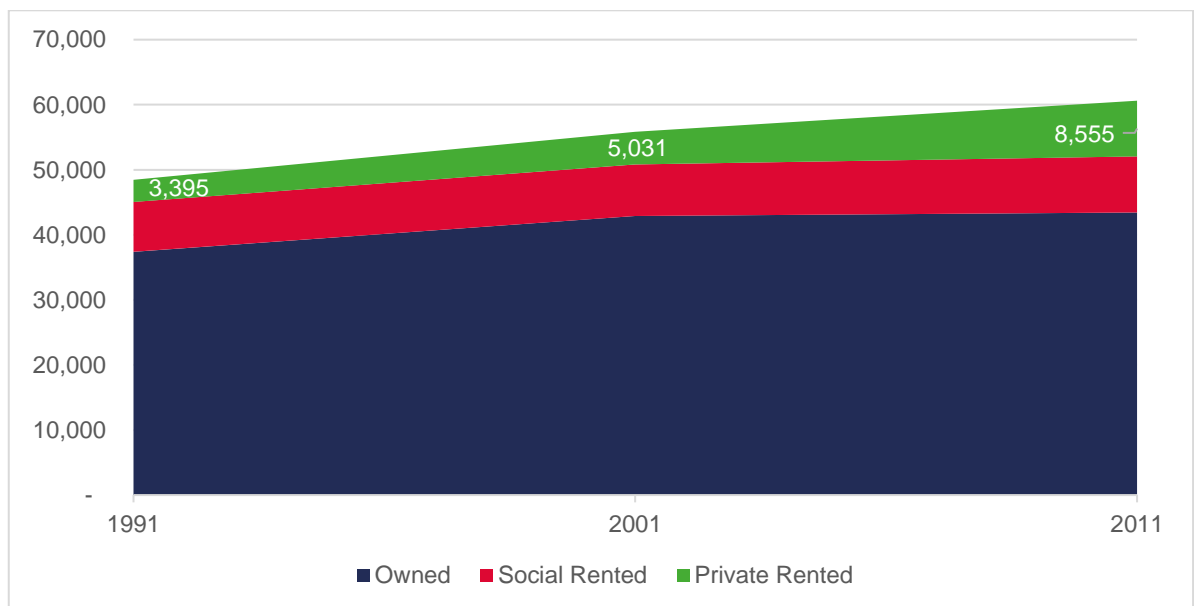
Table 8.1 West Berkshire Tenure Profile, Census 2011

	West Berkshire	% of Total	South East	England
Owned	43,435	70%	68%	63%
Private Rented	8,555	14%	14%	18%
Social Rented	8,628	14%	16%	17%
Other	1,722	3%	2%	2%
Total	62,340	100%	100%	100%

Source: Census (2011)

8.12 However, the sector has grown substantially over the last three census points, as is shown in the Figure below. In 1991, almost 4,000 households rented privately in West Berkshire accounting for only 6% of all households. This increased to over 5,000 households in 2001 and 9% of all households; before a rise of 5 percentage points in 2011 where it is only marginally lower than those in social rented accommodation.

Figure 7.1 West Berkshire: Growth in Private Rented Sector, 1991 - 2011



Source: Census (1991-2011)

8.13 There is more recent data available which was published by Shelter in July 2018; however, this data draws from a sample of YouGov profiles²⁴ and therefore has clear limitations. It is however helpful as a guide to better understand the size and importance of the sector today. The data is set out in the Table below.

Table 8.2 West Berkshire: Private Rented Sector, 2018

	Census 2001	Census 2011	YouGov 2018 ²⁵
Owned	75%	70%	61%
Private Rented	9%	14%	27%
Social Rented	14%	14%	12%
Total	100%	100%	100%

Source: Census (2001-2011) and YouGov

8.14 The YouGov data presented by Shelter shows that on the basis of the aggregated data, the private rented sector now accounts for over a quarter of all households and is now the second largest tenure in the District which is aligned with the shift in the national tenure profile.

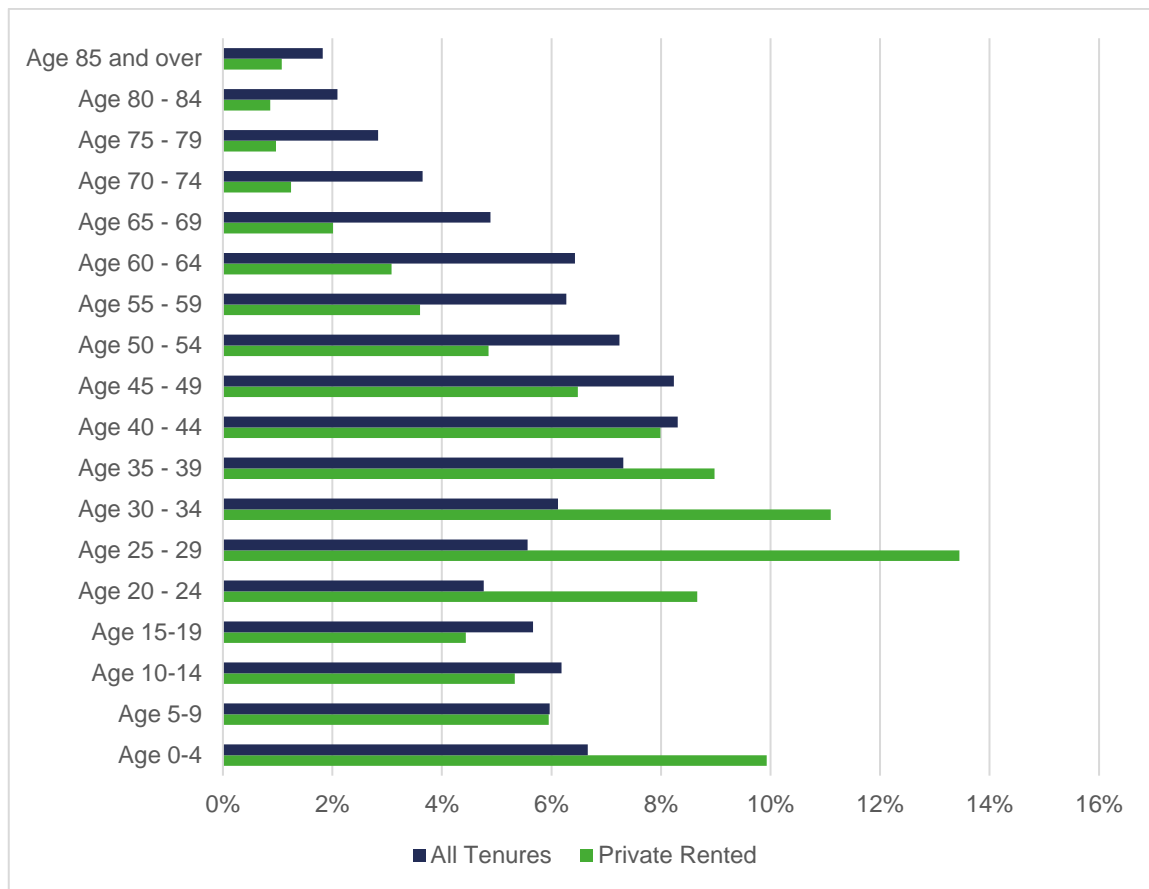
Sector Demographics

8.15 In West Berkshire, we have considered the profile of ages of those in the private rented sector to gain a better understanding of the demographic of the sector in the District.

²⁴ The data was collected from May 2017 to May 2018 and is an aggregated data set of the surveys that YouGov carries out over the time period.

²⁵ Note that private rented sector data for YouGov includes those living rent free.

Figure 7.2 West Berkshire: Private Rented Sector Demographic (Census 2011)



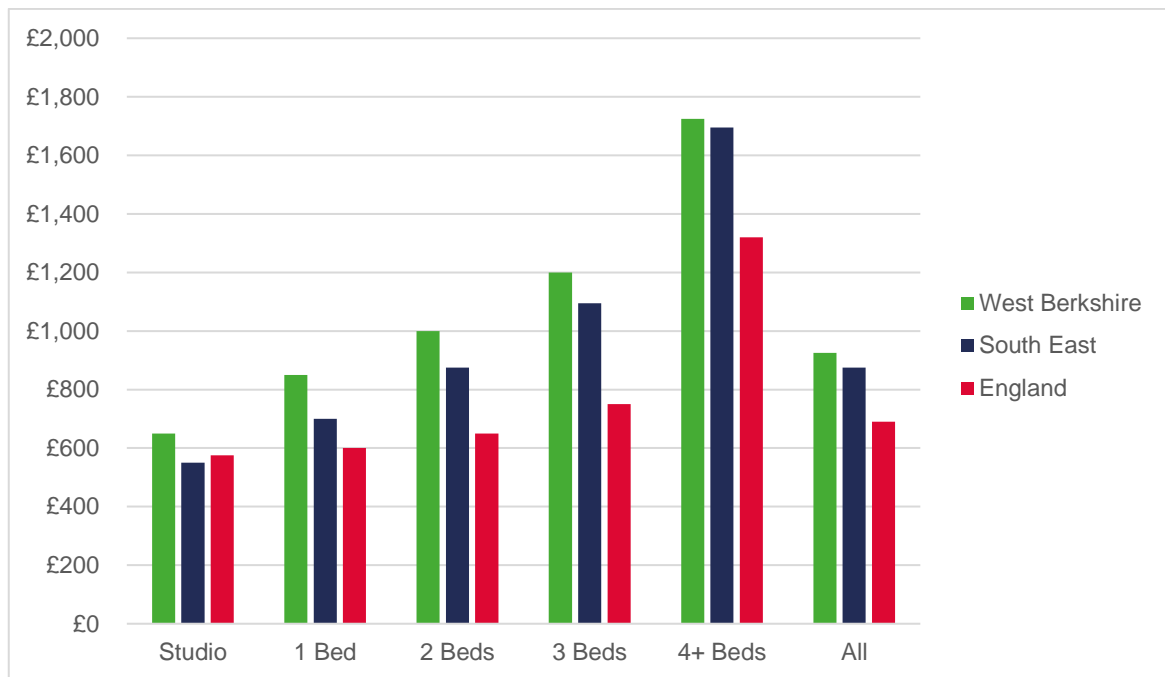
Source: Census (2011)

8.16 The analysis shows that the age structure of those living in the private rented sector is very much focussed on those in their 20s and 30s. As is shown, over two fifths (42%) of all residents renting in the sector are aged between 20-39. This aligns with the emergence of “Generation Rent” nationally as younger people are unable to buy a home as a result of worsening affordability pressures; but it is important to note that over a fifth of those living in the sector are children and thus the sector also includes family households with children; as well as older people.

Rents and Rental Trends

8.17 Turning to consider rental values and trends in order to better understand the pricing dynamics and supply-demand balance, we have drawn out the median rental data shown in Table 3.3 of this report in the Figure below for West Berkshire, the South East and England.

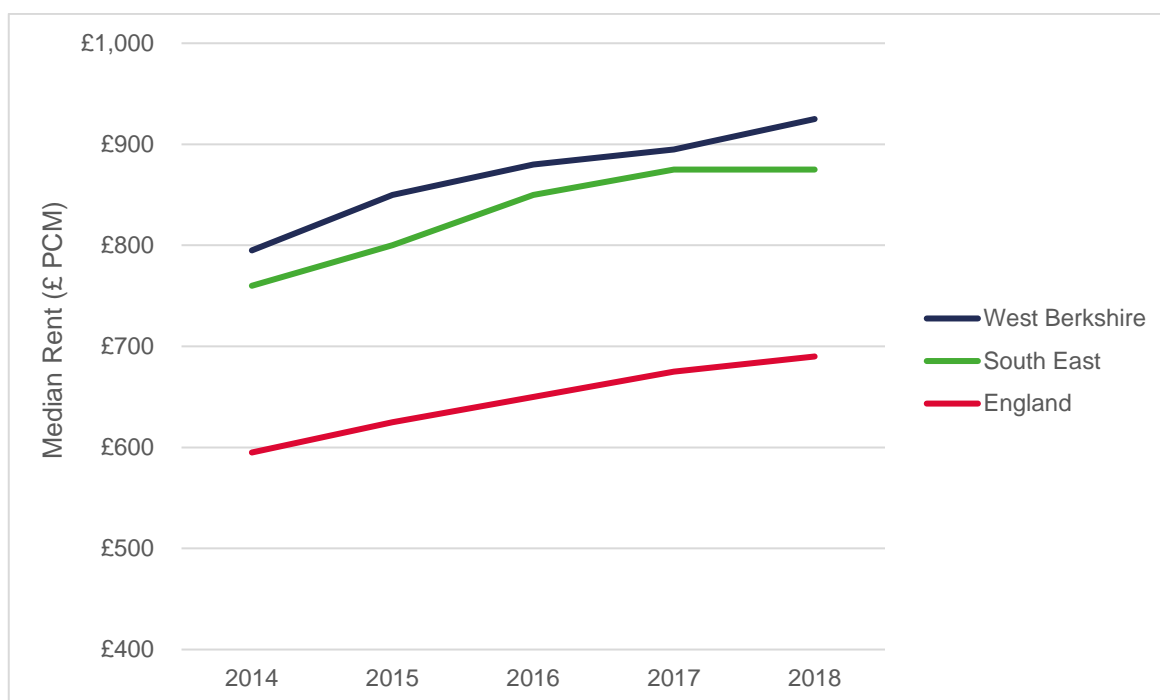
Figure 7.3 West Berkshire: Median Rents by Size (VOA, 2018)



Source: VOA

- 8.18 The median rents for each property size are substantially higher in West Berkshire when set against the region and England as a whole, based on VOA data for the year end to September 2018. Across all property sizes, median rents in West Berkshire are £925 PCM which is 6% higher than the South East and 34% higher than the national average.
- 8.19 The median rental values of studios reached £650 PCM (18% above the regional and 13% above the national average); 1-bedroom properties reached £850 PCM (21% and 42% above) and 2-bedroom properties reached £1,000 PCM (14% and 54% above) for the year to September 2018. The values therefore point to strong rental demand in West Berkshire.
- 8.20 In looking at rental trends, we have reviewed the median rental data over the last five years for all property sizes against the region and England in the Figure below.

Figure 7.4 Rental Growth in West Berkshire, 2014-2018 (VOA, 2018)



Source: VOA

- 8.21 The rental growth shown over the five-year period from 2014 to 2018 is equal to 16% or £130 PCM in absolute terms; which is in line with the national trend and above the regional trend at 14%. This rental growth in absolute terms coupled with relative worsening of affordability (i.e. rental growth being above inflation) means that demand in the private rented sector in West Berkshire is currently outstripping supply.

Consultation with Letting Agents

- 8.22 In order to supplement the data above, we have undertaken telephone interviews with three Newbury-based estate agents²⁶; given it is the main centre and arguably the only appropriate location for purpose-built private rented accommodation in the District.
- 8.23 All letting agents confirmed that the private rented sector is strong in the area and has been for a number of years now. One agent noted that the ‘market has gone crazy’ over the last week (w/c 3rd June 2019) following the introduction of the Tenant Fees Act 2019 and they now expect the sector to continue to grow; following a brief slow-down as a result of Brexit uncertainty.
- 8.24 The local letting agents consulted explained that the profile of households renting in the town’s private sector is principally focussed on young families and professionals, with many moving to the area as a result of Vodafone. These tenants will be moving to the area from further afield such as India or Sri

²⁶ Winkworth, Strutt & Parker and Chancellors

Lanka and will sign 1- to 3-year tenancy agreements. Other notable employers drawing in tenants include Stryker and National Instruments.

- 8.25 In terms of rental values, figures quoted by the letting agents aligned with those set out in Figure 7.3 above suggesting that values have remained steady over the last 6-9 month. One agent did acknowledge that ‘rents in Newbury have dropped a bit compared with last year’ however, following the introduction of the Tenant Fees Act 2019 the agents stated they expected that rents will begin to increase again.

Supply of Build to Rent Accommodation in West Berkshire

- 8.26 Turning to the supply of purpose-built private rented accommodation, it is noted that any supply of purpose-built schemes and private rental accommodation in the District over recent years will have come forward on an application-led basis only.
- 8.27 The British Property Federation (BPF) record and plot Build to Rent schemes across the UK which are either completed or planned. As of June 2019, there are 140,000 Build to Rent units either completed, under construction or planned – of this, 72,184 units have planning permission. Notably, 53% of these units are in London equating to almost 74,000 units.
- 8.28 The BPF acknowledges the only purpose-built scheme coming forward in West Berkshire is the Market Street, Newbury scheme delivering 232 new homes for private rent through a joint partnership with Grainger, West Berkshire District Council and Network Rail. Grainger directly own and will manage the homes for the long-term.

Drawing the Analysis Together

- 8.29 In conclusion, although the private rented sector is relatively modest in size in West Berkshire as a proportion of all household tenure compared to wider benchmarks, it has grown strongly over the last three census points and more recent sample data suggests it could now be the second largest tenure in the District.
- 8.30 The rental values in the District are also above the region and national average across all property sizes; and rental growth has been above inflation over the last five years which points to a supply-demand imbalance in West Berkshire.
- 8.31 There is already Build to Rent provision coming forward in West Berkshire through the Market Street scheme in Newbury, which demonstrates commercial appetite for such a product. Accordingly, the Council should consider setting out a Local Plan policy which seeks to promote and accommodate Build to Rent development, recognising the strength of the market for such accommodation and the benefits of it in delivery terms. The policy should have a short-term focus on supporting schemes

which come forward near transport nodes and urban centres, which in the context of West Berkshire would be central Newbury.

9. SUMMARY AND CONCLUSIONS

9.1 This report provides an updated assessment of the need for affordable housing, responding to the revised NPPF definition; as well as assessing the needs arising from a growing older population – including for specialist housing provision, accessible and adaptable and wheelchair-accessible/ user homes. It has also addressed the potential of the Build-to-Rent sector. The report is intended to supplement and be read alongside the previous 2016 Strategic Housing Market Assessment and 2018 OAN Sensitivity Testing Reports which considered housing needs in West Berkshire and other parts of the Housing Market Area.

Affordable Housing Need

9.2 This report has shown notable affordability issues in West Berkshire, with the position in 2018 being that:

- Entry-level housing costs in the District are 10.4 times earnings of younger households, at £267,000. A household would require an income of over £53,000 and savings of over £26,000 to be able to afford to buy a home.
- Entry-level (LQ) market rents at £780 per calendar month are also reasonably high, and would represent a significant 39% of the incomes of younger households. This sits between the costs of 1-bed properties (£750 PCM) and 2-bed properties (£900 PCM).

9.3 Households who might be able to afford to rent, but aspire to home ownership and need support to be able to do so, are now considered to have an affordable housing need. This Study has assessed affordable housing need considering first the need arising using the traditional definition for households who can't afford to either rent or buy market housing without financial support. Taking account of the need and turnover of existing rented affordable homes, it identifies a net need for 163 social/ affordable rented properties per annum.

9.4 The report has additionally assessed the needs arising from households who can afford to rent privately but aspire to own a home and need support to do so. Considering these households, who are identified as falling in the 'rent-to-buy' gap, the report identifies a net need for 156 affordable home ownership properties per annum.

9.5 The table below sets out the identified affordable housing need for each of the four sub-areas within the District. We consider this to be the core assessment of affordable need for plan-making purposes.

Table 9.1 Estimated Affordable housing Need per Annum – West Berkshire, 2018-36 – Excluding Development Pipeline

Excluding housing in development pipeline	Need for Rented Affordable Homes	Need for Affordable Home Ownership Products	Total Affordable Housing Need
Eastern Area	50	20	70
East Kennet Valley	27	26	53
Newbury & Thatcham	47	49	96
AONB	40	61	101
West Berkshire	163	156	319

9.6 If housing in the development pipeline is included in the calculation of need, in terms of affordable housing secured on schemes with planning consent, the total affordable housing need identified is for 272 homes per annum. This provides evidence showing that the Council continues to be justified in seeking affordable housing through new development schemes. The pipeline of schemes with planning permission which will deliver affordable housing will however change over time as new consents are issued, and schemes are built.

Relationship between Affordable Housing and Overall Housing Need

9.7 The scale of affordable housing need at 319 affordable homes is substantial and indicates that the Council is justified in seeking to maximise the provision of affordable housing on eligible development sites, subject to viability.

9.8 In quantitative terms, the scale of need shown would equate to 61% of the current Local Housing Need figure. If notionally 35% of new housing delivered was of affordable housing around 910 dwellings per annum would be needed to meet the affordable housing need in full. Whilst higher overall housing provision might enhance affordable housing delivery, it is important to understand the inter-relationship between the affordable housing need and overall housing need.

9.9 The local housing need, calculated using the standard method, takes account of net household growth and an upward adjustment to improve affordability (which we assume supports increased household formation and additional migration). This upward adjustment will in itself increase the delivery of market and affordable housing. The affordable housing need identified is in comparison a gross figure which includes not just new households, but includes existing households who require a different size or tenure of home. However, in moving to a new home, such households would release existing properties for other households.

9.10 Furthermore, the affordable needs modelling is based on housing costs and earnings at the time of the assessment. It is very sensitive to this. The delivery of housing in line with the standard method

should over time improve the affordability of market housing. In doing so, it can be expected – over time – to reduce the scale of affordable housing need.

- 9.11 Finally, the proportion of affordable housing which can be delivered on mixed tenure development schemes is influenced by viability. Looking beyond delivery on mixed-tenure development schemes, the Council might consider how it uses its own land (and land owned by other public sector bodies) to support affordable housing delivery, as well as planning mechanisms such as policies supporting delivery of entry-level and rural exception sites in appropriate circumstances. Consideration should equally be given to the threshold at which affordable housing provision/ contributions are required. Affordable housing policies (in respect of % provision sought and thresholds) will need to be informed by viability evidence.
- 9.12 For the above reasons, whilst the Council might consider through the plan-making process whether higher housing provision would have positive benefits on affordable housing delivery, this will need to be balanced with other considerations. The affordable housing evidence per se does not specifically justify a higher housing requirement, above the standard method.

Types of Affordable Housing Needed

- 9.13 In respect of the tenure split of affordable housing, those falling within the narrow definition of need are those with the greatest need. This needs to be balanced against Government's ambitions to support access to home ownership, and viability considerations (provision of affordable home ownership products typically having a higher per unit value). The evidence clearly suggests that affordable housing delivery should be maximised where opportunities arise.
- 9.14 It is clear that there are a number of households likely to be able to afford to rent privately but who cannot afford to buy a suitable home, and the report identifies a need for 156 homes from this group per year. However, there is also a potential supply of homes within the existing stock that can make a contribution to this need as well as support through the Government's Help-to-Buy Scheme.
- 9.15 The report does justify 10% of housing provision being for affordable home ownership homes (i.e. 10% of all homes delivered on the site, not just the affordable housing); but if this is taken forwards into policy, the evidence suggests that the Council should promote delivery of shared ownership housing. This is due to the lower deposit requirements and lower overall costs (given that the rent would also be subsidised). The evidence does not show any basis to increase the provision of affordable home ownership above the 10% figure (as a proportion of all homes) currently suggested in the NPPF.

- 9.16 Where other forms of affordable home ownership are provided (e.g. Starter Homes or discounted market), Icenl recommend that the Council sets out policies for how such homes should be priced to be affordable to fall within the 'rent to buy gap.' This would ensure that households targeted by the new definition could potentially afford housing and that housing which is genuinely affordable locally is delivered. This might mean greater than 20% discounts from Open Market Value for some types/sizes of homes in some locations. We have provided guidance on housing costs at which provision would meet a genuine affordable housing need in the District in Table 5.24.
- 9.17 The report provides guidance on the sizes of affordable housing needed. These are summarised in Table 9.2 below.

Table 9.2 Sizes of Affordable Housing Needed

Property Size	Social/ Affordable Rented Homes	Affordable Home Ownership Homes
1-bed	35-40%	20-25%
2-bed	30-35%	35-40%
3-bed	15-20%	30-35%
4+ bed	5-10%	5-10%

- 9.18 In determining the profile of affordable housing on individual development sites, the needs evidence herein should be brought together with evidence of local housing need within the settlement (including information from the Council's Housing Register) and other relevant demand evidence (such as related to the take-up of shared ownership homes from the Council and/or Help-to-Buy Agent). Consideration should also be given to the location and nature of the development scheme.

Older Persons Housing Needs

- 9.19 The evidence in this report shows a projected growth in those aged 65 and over of 14,500 persons over the 2018-36 period, representing 49% growth. The evidence shows a projected 27% increase in those with a long-term health problem or disability over the period to 2036. An increase of 1,200 in people with dementia; and over 4,000 in those with mobility problems is expected.
- 9.20 Whilst many older households will remain in their existing homes, there is a strong basis for policies seeking to provide homes which are 'accessible and adaptable' as defined in Building Regulations (subject to viability testing) and which can therefore be adapted to meet households' changing needs.
- 9.21 A need for around 500 wheelchair user homes in West Berkshire is identified in the period to 2036. Comparing the need for wheelchair dwellings shown to the Local Housing Need, the need for wheelchair accessible dwellings equates to about 5% of the total housing need.

9.22 Some older households, and particularly those aged over 75, may however require specialist housing provision. This report shows a need for 1,280 specialist housing units over the period to 2036, including both housing with support – such as sheltered and retirement housing – and housing with care – such as extra care provision. The need shown is particularly for private sector leasehold provision. In addition a need is shown for 1,457 bedspaces in care and nursing homes.

9.23 The need for housing with support (including extra care housing) should be considered as a minimum figure, and the need for care/nursing home bedspaces a maximum on the basis that provision of extra care housing is an alternative to residential care provision, and can be a more cost effective option through which care can be tailored to households changing needs.

Table 9.3 Estimated Need for Specialist Housing for Older Persons – West Berkshire, 2018-36

		Shortfall/(Surplus) by 2036
Housing with Support	Rented	(241)
	Leasehold	937
Housing with Care	Rented	144
	Leasehold	440
Total		1,280

9.24 To support the delivery of specialist accommodation, it may be appropriate for the Council to consider making specific land allocations for specialist housing for older persons within its new Local Plan. The tenure mix of need shown should be a consideration in applying affordable housing policies. Icenii would advise that the Council appraises the viability of affordable housing provision within extra care schemes within its viability evidence if it intends affordable housing policies to apply to this provision; and considers the practicality of on-site provision.

Build to Rent

9.25 Over recent years there has been a rapid growth in the Build to Rent sector backed by domestic and overseas institutional investment. Savills research indicates as at the end of Q1 2019, over 30,000 build-to-rent homes have been completed across the UK with a substantial pipeline beyond this; Savills research showing over 43,300 units under construction and 66,700 in the planning pipeline.

9.26 The private rented sector in West Berkshire accounted for 14% of all household tenures at the point of the 2011 Census with over 8,500 households renting privately in the District. In comparison to wider benchmarks, the sector is proportionate regionally but smaller than the national picture with private renters accounting for 18% of all households in England.

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- 9.27 Although the data set out in this report finds that the private rented sector in West Berkshire is relatively modest in size as a proportion of all household tenure compared to wider benchmarks, it also shows the sector has grown strongly over the last three census points and more recent sample data suggests it could now be the second largest tenure in the District.
- 9.28 There are also strong rental values with median rents in West Berkshire above the regional and national averages across all property sizes; and rental growth exceeding inflation. The age profile of those living in the sector is very much focussed on those aged 20-39; and consultation with letting agents suggest this is partly driven by young professionals working with Vodafone as well as other local employers.
- 9.29 In supply terms, there is already Build to Rent provision coming forward in West Berkshire through the Market Street scheme in Newbury, which will deliver 232 new private rented units and ultimately demonstrates commercial appetite for such a product.
- 9.30 Accordingly, the Council should consider setting out a Local Plan policy which seeks to promote and accommodate Build to Rent development, recognising the need for such accommodation and the benefits of it in delivery terms. The policy should have a short-term focus by actively encouraging and supporting schemes which come forward near transport nodes and urban centres, which in the context of West Berkshire would be central Newbury.