

**Report to:**

**Tunbridge Wells  
Borough Council**

**Review of affordable housing  
needs in the context of ‘First  
Homes’**

Final Report

February 2021





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## Summary

### Introduction

1. Justin Gardner Consulting (JGC) have been commissioned by Tunbridge Wells Borough Council (TWBC) to provide an updated assessment of the need for affordable housing in the Borough. This is particularly in light of the expectation of the introduction of a new tenure of affordable housing (First Homes).
2. Government consultation proposes to change national policy such that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes, with the likelihood that the Council would be able to specify the requirement for any remaining affordable housing. The consultation also sets out that the minimum discount for First Homes should be 30% from market price with local authorities having discretion to increase the discount to 40% or 50%.
3. The Council's emerging Local Plan policy on affordable housing (Policy H3) seeks to provide between 30% and 40% affordable housing on-site (the lower amount being on brownfield sites, the higher on greenfield sites) with a tenure split of 60% social rented and 40% intermediate tenures. First Homes are not specifically mentioned, but it is considered that they would fit within the intermediate category.
4. The method for studying the need for affordable housing has been enshrined in Government practice guidance for many years (including current Planning Practice Guidance (PPG), with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy). The PPG does not however provide specific guidance on how the needs for affordable home ownership should be assessed (which would include need for First Homes) and this study adopts a broadly consistent methodology to that used for households unable to rent or buy.
5. Essentially both analyses consider a current need; a newly-arising need on an annual basis; existing households falling into need; and an annual estimate of supply. Brought together this leads to an estimate of need on a per annum basis.
6. The report works on the basis that households unable to rent or buy would mainly have a need for some form of rented accommodation, whilst those in the 'gap' between renting and buying (i.e. those who can afford to rent privately but cannot afford to buy a home) would potentially have their needs met through some form of affordable home ownership.

### House Prices, Rents and Affordability

7. Whilst the need for social/affordable rented housing and affordable home ownership are analysed separately, there are a number of pieces of information that are common to both assessments. In particular, this includes an understanding of local housing costs, incomes and affordability.
8. Analysis of Land Registry data for the year to September 2020 suggests entry-level (lower quartile) costs to buy start from about £190,000 for a flat and rise to over £500,000 for a detached home. Looking at the lower quartile price across all dwelling types the analysis shows a lower quartile 'average' price of £276,000 (existing dwellings). For private sector rents, analysis of ONS data shows

an average lower quartile cost (across all dwelling sizes) of £795 per month (£820 per month for self-contained accommodation only).

9. Analysis of household incomes using data drawn from ONS small-area income estimates (suitably updated) shows a median income across the Borough of £42,900 per annum and a lower quartile figure of £24,800. There are a range of incomes in the Borough, with the analysis estimating that around 10% of households have an income in excess of £120,000.
10. Using the price, rent and income data, affordability tests were developed for both buying and renting accommodation. For privately renting it was considered that a household should not spend more than 32% of income on housing and for owner-occupation it was assumed a household has a 10% deposit and can secure a mortgage for four and a half times their income. This meant Borough-wide (and for the purposes of affordability testing) that a household would need an income of around £55,200 to afford to buy a home and £30,300 to afford to rent. There is quite a notable gap between these income requirements, with households having an income in this gap potentially having a need for affordable home ownership products (including First Homes).

### **Need for Social/Affordable Rented Housing**

11. The need for social/affordable rented housing has been estimated by following the stages set out in the PPG. An overall net need figure is provided on a per annum basis for the whole of the plan period (taken to be an 18-year period from 2020 to 2038). Overall, the analysis suggests an annual need for around 323 affordable homes, this is made up of a gross need for 503 homes with a relet supply (of 180 homes per annum) being netted off.
12. Despite the level of need being high, it is not considered that this would point to any requirement for the Council to increase the Local Plan housing requirement above that suggested by the Standard Method. The link between affordable need and overall need (of all tenures) is complex and in trying to make a link it must be remembered that many of those picked up as having an affordable need are already in housing (and therefore do not generate a net additional need for a home). Additionally, most of the affordable need is already part of the demographic projections which are used to drive the Standard Method and so any additional provision would be double counting.
13. The study also considered the split between social and affordable rented housing. This suggested that there are households able to afford both products. Whilst the number of homes let at affordable rents in the Borough is currently quite low, the evidence would suggest that they are being let at fairly affordable levels (in the context of the private rented sector). That said, the analysis is clear that social rents will be the most affordable option; and will be affordable to a greater number of households than affordable rents.

### **Affordable Home Ownership (including First Homes)**

14. As well as focussing on households unable to buy or rent in the market, Planning Practice Guidance includes *'households which can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home'*. It is considered that households unable to buy but with a preference to would be a target market for First Homes (and other forms of affordable home ownership such as shared ownership).

15. At the time of writing, there is no guidance about how the number of such households should be measured. The methodology used 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.
16. Overall, it is estimated that there will be around 358 households each year with a potential need for affordable home ownership. This is based on estimates of households in the private rented sector potentially moving into (low-cost) home ownership and newly forming households in the rent/buy gap in the future.
17. There will however be some supply of housing that could meet these needs and it is estimated that resales of low-cost home ownership properties (mainly shared ownership) could provide 11 units per annum, therefore reducing the need to 347 per annum. However, it is also recognised that part of the existing market could meet some needs. In the year to September 2020 there were 1,311 resales of existing homes and therefore 328 were priced at or below a lower quartile (and therefore potentially affordable to this group) – a figure not much lower than the assessed need.
18. Whilst these homes have not been netted off the need figure (as not all will be available for this group (e.g. some could be sold to investment buyers)) it is the case that it is difficult to firmly estimate what the actual need for affordable home ownership is. Overall, the analysis would suggest there is a need, but that it is not as great as the need for rented forms of affordable housing.
19. Analysis was carried out to look at the cost (in terms of a sale price) to make First Homes affordable in a local context. For a 2-bedroom home, something in the range of £166,500 to £208,300 would be affordable and this might equate to a discount of between 30% and 40%. Caution should be exercised when looking at percentage discount as this will depend on the Open Market Value (OMV) of a home. Analysis also looked at shared ownership with the finding that an equity share of around 25% would be needed to make a 2-bedroom home affordable (again the actual level will depend on the OMV).
20. Overall, the analysis would point towards a need to provide some housing as affordable home ownership, and this housing could take the form of First Homes or shared ownership (other forms such as Rent to Buy can also play a role). It will however be important for the Council to ensure that such housing is genuinely affordable in a local context.
21. The Government’s consultation on *Changes to the current planning system* proposes to change national policy such that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes. If flexibility is offered by government about the proportion of affordable housing that should be First Homes, then the Council should consider a lower proportion of First Homes and a higher proportion as shared ownership. There is no evidence that the Council should seek a higher than 25% proportion of affordable housing as First Homes.

## Other Analysis

22. The report also picked up on a few other issues that are relevant to this report and to an understanding of local affordable housing need. The additional analysis considers:

- Essential Local Workers
- Implications of Covid-19
- Local evidence of housing need (parish assessments)
- Comments on emerging Local Plan Policy H3

23. For essential local workers, the analysis did not point towards there being a particular and specific need for affordable housing. Such workers make up a similar part of the workforce as is the case in many areas and households are as likely to be owner-occupiers than many other industry groups. However, on the basis of local incomes (notably for single income essential workers), access to the owner-occupied sector may be restricted by income and it may be appropriate to consider whether or not some affordable properties should be set aside for essential local workers.
24. The implications of Covid-19 on affordable need are unknown at the moment although with rising unemployment it can be expected that there will be some additional pressure put on the affordable stock (particularly rented housing). There is already some indication of this with Housing Benefit claims in the private rented sector up over 50% (from August 2019 to August 2020) and also some increases in the number of homeless households in temporary accommodation. The Council should monitor the implications of the pandemic over the coming months.
25. A brief analysis was undertaken to look at several local parish assessments. Parish surveys support the need for both rented and affordable home ownership products to be provided, but they also highlight that barriers exist which may prevent some households from accessing home ownership products. Shared ownership looked to be the most affordable form of affordable home ownership and should therefore form part of any housing mix. Consideration would also need to be given to the pricing of products such as discounted market sale (including First Homes) to ensure they are affordable in a local context. Overall, the parish-level assessment show there is an affordable need across the Borough, including rural areas and locations within the Area of Outstanding Natural Beauty (AONB).
26. Finally, the report reviewed the emerging Local Plan Policy H3 (affordable housing). Overall, it was considered that the policy is sound, both in terms of the overall targets for affordable housing and the broad split between rented and intermediate products. The analysis in this report supports social rented housing as being the most affordable rented product, although the Council may wish to consider if the policy should allow for affordable rents in some circumstances. In particular, it is noted that affordable rents should be more viable to provide and therefore will have less of an impact on the ability to deliver affordable homes generally. This point will be informed by the viability assessment of the Local Plan.



# 1. Introduction

## Background

- 1.1 Justin Gardner Consulting (JGC) supported by Icen Projects have been commissioned by Tunbridge Wells Borough Council (TWBC) to provide an updated assessment of the need for affordable housing in the Borough. This is particularly in light of the expectation of the introduction of a new tenure of affordable housing (First Homes) and therefore the need for the local authority to have an understanding of the potential requirements for this tenure, and also the form of housing it should take (including the cost/discount required to make it genuinely affordable). Information about First Homes was set out in the Government's consultation document 'Changes to the current planning system' in August 2020.
- 1.2 The consultation proposes to change national policy such that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes, with the likelihood that the Council would be able to specify the requirement for any remaining affordable housing. The consultation also sets out that the minimum discount for First Homes should be 30% from market price with local authorities having discretion to increase the discount to 40% or 50%.
- 1.3 Whilst assessments of affordable need have previously been carried out in the Borough (including the 2015 Strategic Housing Market Assessment (SHMA) and a Housing Needs Study of 2018) it is considered important to provide a full update, not least as some of the information (e.g. about housing costs and local incomes) will have an impact on the assessed need for different types of housing, including First Homes.
- 1.4 In addition, the revised National Planning Policy Framework (NPPF) was published in July 2018 (and then updated in February 2019); this changed the definition of affordable housing to include forms of affordable home ownership, whereas previously affordable housing mainly focussed on rented homes (or homes with a rental element such as shared ownership). Whilst First Homes are not mentioned as a tenure in the NPPF, it is clear that this type of housing would be considered as an affordable home ownership option - it is a form of discounted market sale housing. Subsequently, Planning Policy Guidance (PPG) has been amended to take account of the revised definition of affordable housing.
- 1.5 The analysis in this report follows the PPG (Sections 2a-018 to 2a-024) and provides two main outputs, linked to Annex 2 of the NPPF – this is firstly an assessment of the need for social/affordable rented housing and secondly to consider the need for affordable home ownership products. The analysis is specifically concerned with general needs housing, and it should be noted that additional need for specialist accommodation (for example for older persons) can be expected, however such housing would not be expected to be of a First Homes tenure and therefore of less relevance to this report.
- 1.6 The analysis is mainly for the Borough as a whole, although some comments about sub-areas within the Borough are made as appropriate, this includes with reference to parish needs surveys and also the Housing Needs Study of 2018. The analysis is also mindful of a review of housing needs undertaken by Icen Projects in late-2020; in particular this report draws on projections developed as part of that project (to consider levels of new household formation and concealed households).

## Emerging Local Plan Policy

1.7 As well as considering the need for affordable housing (and types) the study looks at the Council's emerging Local Plan policy on affordable housing to test if this is valid given the potential introduction of First Homes as an affordable option – noting that the policy was drafted prior to the concept of First Homes being introduced. It is noted that the Council's draft policy amends that of the Draft Local Plan (Regulation 18 Consultation Draft) which was consulted on between the 20<sup>th</sup> September 2019 and the 1<sup>st</sup> November 2019. The latest draft policy, which is more in line with the NPPF, is Policy H3 (Affordable Housing). It is summarised as:

- An expectation of a minimum of 40% of units as on-site housing provision on sites comprising predominantly greenfield land (sites of more than 9 dwellings);
- An expectation of a minimum of 30% of units as on-site housing provision on sites comprising predominantly brownfield land (sites of more than 9 dwellings);
- A financial contribution on sites providing between 6 and 9 units in the High Weald Area of Outstanding Natural Beauty (based on 20% of the gross number of residential units to be provided); and
- A tenure split of 60% of housing to be provided as social rent and 40% as intermediate tenures.

## Methodology Overview

1.8 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 for looking at the need for rented (social/affordable) housing 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 – this figure is then annualised so as to meet the current need over a period of time;

**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 past trends in the types of households who have accessed social/affordable rented housing; and

**Supply of affordable housing:** an estimate of the likely number of lettings that will become available from the existing social/affordable housing stock.

1.9 The first three bullet points above are added together to identify a gross need, from which the supply of relets of existing properties is subtracted to identify a net annual need for additional affordable housing. For the purposes of this assessment, this analysis is used to identify the overall (net) need for social/affordable rented housing.

1.10 This approach has traditionally been used to consider the needs of households who have not been able to afford market housing (either to buy or to rent). As the income necessary to afford to rent homes without financial support is typically lower than that needed to buy, the ability of households to afford private rents has influenced whether or not they are in need of affordable housing.

- 1.11 The NPPF and associated guidance has expanded the definition of those in affordable housing need to include households who might be able to rent without financial support but who aspire to own a home, and require support to do so. Such households are now considered to have an affordable housing need. The PPG includes households that “*cannot afford their own homes, either to rent, or to own, where that is their aspiration*” as having an affordable housing need. It is considered that First Homes would fall into this expanded definition.
- 1.12 This expanded definition has been introduced by national Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 10-15 years. PPG does not however provide specific guidance on how the needs of such households should be assessed and so this study adopts a broadly consistent methodology to that identified in the PPG, and consider a current need; a newly-arising need on an annual basis; existing households falling into need; and an annual estimate of supply.
- 1.13 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 surveys such as the English Housing Survey).
- 1.14 Additionally, information drawn from local surveys previously undertaken by JGC across the country have 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.
- 1.15 This approach is considered to provide a reasonable view about likely local needs and is an approach that has been accepted through a range of Local Plan Examinations over the past five or more years. Our analysis of affordable housing need is therefore structured to consider the need for rented affordable housing, and separately the need for affordable home ownership. The overall need is expressed as an annual figure, which can then be compared with likely future delivery (as required by 2a-024).

## Rounding

- 1.16 It should be noted that the numbers included in tables and figures throughout the report may not sum exactly due to rounding.

### **Introduction: Key Messages**

- Justin Gardner Consulting (JGC) have been commissioned by Tunbridge Wells Borough Council (TWBC) to provide an updated assessment of the need for affordable housing in the Borough. This is particularly in light of the expectation of the introduction of a new tenure of affordable housing (First Homes).
- Government consultation proposes to change national policy such that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes, with the likelihood that the Council would be able to specify the requirement for any remaining affordable housing. The consultation also sets out that the minimum discount for First Homes should be 30% from market price with local authorities having discretion to increase the discount to 40% or 50%.
- The Council's emerging Local Plan policy on affordable housing (Policy H3) seeks to provide between 30% and 40% affordable housing on-site with a tenure split of 60% social rented and 40% intermediate tenures. First Homes are not specifically mentioned, but it is considered that they would fit within the intermediate category.
- The method for studying the need for affordable housing has been enshrined in Government practice guidance for many years (including current Planning Practice Guidance (PPG), with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy). The PPG does not however provide specific guidance on how the needs for affordable home ownership should be assessed (which would include needs for First Homes) and this study adopts a broadly consistent methodology to that used for households unable to buy or rent.
- Essentially both analyses consider a current need; a newly-arising need on an annual basis; existing households falling into need; and an annual estimate of supply. Brought together this leads to an estimate of need on a per annum basis.
- The report works on the basis that households unable to rent or buy would mainly have a need for some form of rented accommodation, whilst those in the 'gap' between renting and buying (i.e. those who can afford to rent privately but cannot afford to buy a home) would potentially have their needs met through some form of affordable home ownership.

## 2. House Prices, Rents and Affordability

### Introduction

2.1 Whilst the need for social/affordable rented housing and affordable home ownership are analysed separately, there are a number of pieces of information that are common to both assessments. In particular, this includes an understanding of local housing costs, incomes and affordability. The sections below therefore look at these factors.

### Local Prices and Rents

2.2 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’. For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes).

2.3 The analysis below considers the entry-level costs of housing to both buy and rent across the Council area. The approach has been to analyse Land Registry and ONS 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 may be of sub-standard quality. In addition, homes at a lower quartile are likely to be smaller and may not be suitable for larger households.

2.4 Data from the Land Registry for the year to September 2020 (i.e. Q4 of 2019 and Q1-Q3 of 2020) shows estimated lower quartile property prices in the Borough by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £190,000 for a flat and rising to over £500,000 for a detached home. Looking at the lower quartile price across all dwelling types the analysis shows a lower quartile ‘average’ price of £276,000 (existing dwellings).

2.5 The analysis is also split between newly-built and existing dwelling which typically shows higher prices for new homes. For the purposes of analysis in this section, the main focus is on the pricing of existing homes within the Borough.

**Figure 2.1: Lower quartile cost of housing to buy – year to September 2020 – Tunbridge Wells**

	Existing dwellings	Newly-built dwellings	All dwellings
Flat/maisonette	£188,000	£228,000	£193,000
Terraced	£271,000	£307,000	£274,000
Semi-detached	£318,000	£354,000	£327,000
Detached	£506,000	£518,000	£510,000
All dwellings	£276,000	£298,000	£280,000

Source: Land Registry

2.6 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). This analysis suggests 1-bedroom homes starting from about £180,000, up to 4-bedroom properties from in excess of £500,000. It should be noted that these figures exclude sales of certain types of property (notably retirement homes) where prices can be found to be somewhat lower than in the general market.

**Figure 2.2: Estimated lower quartile cost of housing to buy by size (existing dwellings) – year to September 2020 – Tunbridge Wells**

	Lower quartile price
1-bedroom	£180,000
2-bedrooms	£250,000
3-bedrooms	£365,000
4-bedrooms	£540,000
All Dwellings	£276,000

Source: Land Registry and Internet Price Search

- 2.7 A similar analysis has been carried out for private rents using ONS data – this covers a 12-month period to September 2020. 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 £795 per month. However, given that the assessment is largely looking at self-contained accommodation a further lower quartile price has been calculated which excludes the room only costs – this suggests a slightly higher lower quartile cost of £820 per month.

**Figure 2.3: Lower Quartile Market Rents, year to September 2020 – Tunbridge Wells**

	Lower Quartile rent, pcm
Room only	£430
Studio	£454
1-bedroom	£695
2-bedrooms	£900
3-bedrooms	£1,150
4-bedrooms	£1,595
All properties	£795
Excluding rooms	£820

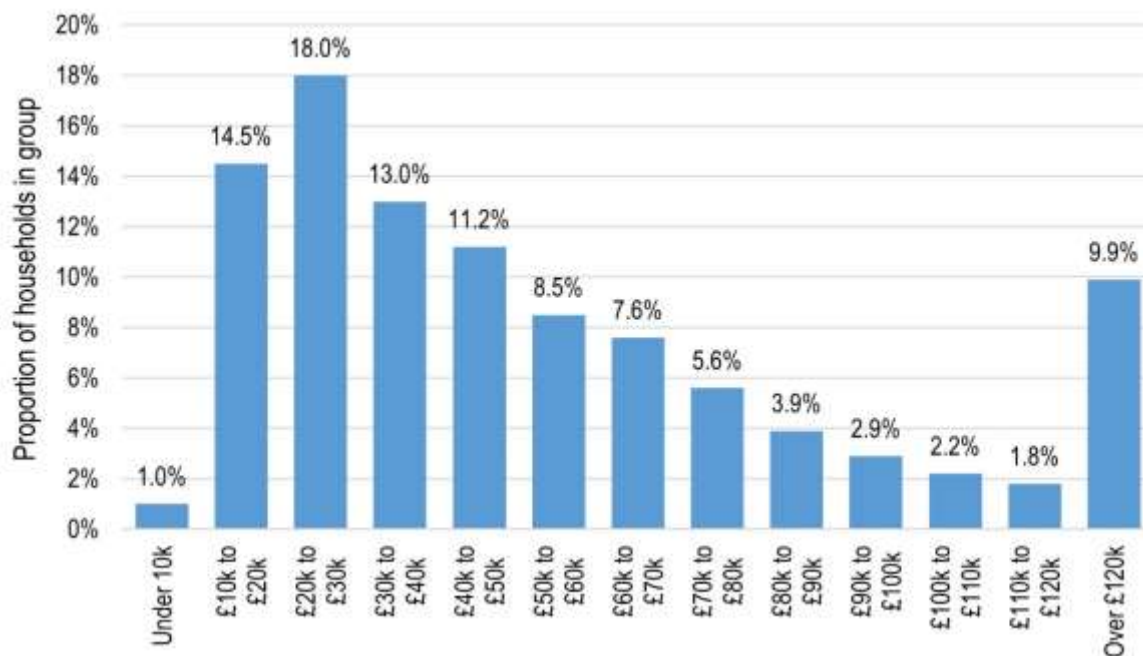
Source: ONS

## Household Incomes

- 2.8 Following on from the assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy). Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes.
- 2.9 Drawing all of this data together an income distribution for the whole Borough has been constructed for 2020. The figure below shows that around a sixth of households have incomes below £20,000

with a further third in the range of £20,000 to £40,000. Overall, the average (mean) income is estimated to be around £56,400, with a median income of £42,900; the lower quartile income of all households is estimated to be £24,800.

**Figure 2.4: Distribution of household income (2020) – Tunbridge Wells**



Source: Derived from a range of data as discussed

### Affordability Thresholds

- 2.10 To assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner occupation (this, along with the first test helps to identify households in the ‘gap’ between renting and buying). This analysis therefore brings together the data on household incomes with the estimated incomes required to access private sector housing. Additionally, 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 households).
- 2.11 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of income is a reasonable start point, it also noted that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).
- 2.12 The threshold of income to be spent on housing should be set by asking the question ‘*what level of income is expected to be required for a household to be able to access market housing without the*



*need for a subsidy?* The choice of an appropriate threshold is therefore judgement based. The key consideration to understand here is that local income levels are not setting the threshold but are simply being used to assess how many can or can't afford market housing. It is important to consider what residual income is left, after households have paid for housing.

- 2.13 At £795 per calendar month (including room rents), lower quartile rent levels in Tunbridge Wells are high in comparison to those seen nationally (also a lower quartile rent of £550 for England in the year to September 2020). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (the range starting from 25%). Across England the lowest lower quartile rents are around £400 per month (there were a total of 14 local authorities with lower quartile rents not exceeding £400 per month). If these areas are considered to be at the bottom end of the range (i.e. 25% of income to be spent on housing) then this would leave a residual income of £1,200 per month. With the same residual income applied to Tunbridge Wells, the gross household income required to afford a £795 PCM lower quartile rent would be £1,995 and so the percentage spent on housing would be 40%.
- 2.14 However, it needs to be considered that the cost of living in different areas will vary, and it is likely that areas where rents are higher will also generally have higher living costs. Therefore, a pragmatic approach to determining a reasonable proportion of income has been to take a midpoint between the bottom (25%) and the equivalent residual income figure (40% if looking at Tunbridge Wells). In this example a threshold of 32% would therefore be considered as reasonable.
- 2.15 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.
- 2.16 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices (and affordability) are important when looking at the need for affordable home ownership.
- 2.17 For the purposes of this assessment, the income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their income. 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.
- 2.18 The table below shows the estimated incomes required to both buy and rent (privately) across the Borough. It is shown that an income of around £55,200 would typically be required to buy a lower quartile home, with a figure of £30,300 to afford to privately rent (and not spend more than 32% of gross income on housing). There is quite a notable gap between these income requirements, with households having an income in this gap potentially having a need for affordable home ownership products (including First Homes).



**Figure 2.5: Estimated Household Income Required to Buy and Privately Rent**

	To buy	To rent (privately)	Income gap
Tunbridge Wells	£55,200	£30,300	£24,900

Source: Based on Housing Market Cost Analysis

### House Prices, Rents and Affordability: Key Messages

- Whilst the need for social/affordable rented housing and affordable home ownership are analysed separately, there are a number of pieces of information that are common to both assessments. In particular, this includes an understanding of local housing costs, incomes and affordability.
- Analysis of Land Registry data suggests entry-level (lower quartile) costs to buy start from about £190,000 for a flat and rise to over £500,000 for a detached home. Looking at the lower quartile price across all dwelling types the analysis shows a lower quartile ‘average’ price of £276,000 (existing dwellings). For private sector rents, analysis of ONS data shows an average lower quartile cost (across all dwelling sizes) of £795 per month (£820 per month for self-contained accommodation only).
- Analysis of household incomes using data drawn from ONS small-area income estimates (suitably updated) shows a median income across the Borough of £42,900 per annum and a lower quartile figure of £24,800. There are a range of incomes in the Borough, with the analysis estimating that around 10% of households have an income in excess of £120,000.
- Using the price, rent and income data, affordability tests were developed for both buying and renting accommodation. For privately renting it was considered that a household should not spend more than 32% of income on housing and for owner-occupation it was assumed a household has a 10% deposit and can secure a mortgage for four and a half times their income. This meant Borough-wide (and for the purposes of affordability testing) that a household would need an income of around £55,200 to afford to buy a home and £30,300 to afford to rent. There is quite a notable gap between these income requirements, with households having an income in this gap potentially having a need for affordable home ownership products (including First Homes).

### 3. Need for Social/Affordable Rented Housing

#### Introduction

3.1 The sections below work through the various stages of analysis to estimate the need for social/affordable housing across the Borough. Final figures are provided as an annual need (including an allowance to deal with current need). As per 2a-024 of the PPG, this figure can then be compared with likely delivery of affordable housing.

#### Current Need

3.2 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. The PPG also includes a category where households cannot afford to own despite it being their aspiration – this category is considered separately in this report (under the title of the need for affordable home ownership).

**Figure 3.1: Main sources for assessing the current unmet need for affordable housing**

	Source	Notes
Homeless households (those in temporary accommodation)	MHCLG Statutory Homelessness data	Household in temporary accommodation at end of quarter.
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	

Source: PPG [2a-020]

3.3 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 an element of double counting (although this is likely to be small).

3.4 The table below shows the initial estimate of the number of households within the study area 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 estimates that there are currently some 4,100 households living in unsuitable housing (or without housing).

**Figure 3.2: Estimated Number of Households Living in Unsuitable Housing**

	<b>Homeless/ concealed household</b>	<b>Households in over- crowded housing</b>	<b>Existing affordable housing tenants in need</b>	<b>Households from other tenures in need</b>	<b>Total</b>
Tunbridge Wells	471	2,298	162	1,186	4,117

Source: MHCLG Live Tables, Census 2011 and Data Modelling

3.5 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.

3.6 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). In the case of Tunbridge Wells this adjustment is very minor (reducing the assessed need by just 4 households in total).

3.7 Once these households are removed from the analysis, the remainder are taken forward for affordability testing. The table below shows it is estimated that there were 2,350 households living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers).

**Figure 3.3: Unsuitable Housing by Tenure and Number to Take Forward into Affordability Modelling (Tunbridge Wells)**

	<b>In Unsuitable Housing</b>	<b>Number to Take Forward for Affordability Testing</b>
Owner-occupied	880	88
Affordable housing	971	0
Private rented	1,795	1,791
No housing (homeless/concealed)	471	471
<b>Total</b>	<b>4,117</b>	<b>2,350</b>

Source: MHCLG Live Tables, Census 2011 and Data Modelling

- 3.8 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.
- 3.9 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).
- 3.10 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.
- 3.11 Overall, just under half of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is around 1,100 households in the Borough.

**Figure 3.4: Estimated Current Affordable Housing Need (for social/affordable rented housing)**

	<b>In unsuitable housing (taken forward for affordability test)</b>	<b>% Unable to Afford Market Housing (without subsidy)</b>	<b>Revised Gross Need (including Affordability)</b>
Tunbridge Wells	2,350	46.7%	1,097

Source: CLG Live Tables, Census 2011 and Data Modelling

- 3.12 The estimated need (from 1,097 households) can be compared with information from the Council's Housing Register. As of 2020, data from MHCLG (Live Table 600 – data for 31<sup>st</sup> March) suggests some 929 households on the register and arguably this might point to the modelled estimates being a bit on the high side. However, it may be that the register is a far from complete picture of need as some people would not register if they saw little hope of being rehoused (or possibly households with a need not being eligible for rehousing). Overall, it is considered that the modelled estimates are probably of the right order.
- 3.13 The estimated figure shown above (1,097) therefore represents the number of households with a need currently. For the purposes of analysis, it is assumed that the local authority would seek to meet this need over a period of time. Given that the emerging Local Plan runs to 2038, with the analysis in this report taking a 2020 base, the need is annualised by dividing by 18 (to give an annual need for 61 dwellings across the Borough). This does not mean that some households would

be expected to wait 18 years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time.

- 3.14 To be clear, the annualising of the current need is an arithmetic step carried out to provide a view of the average need to be met each year over the plan period. In reality, many households with a need now should have those needs met as quickly as possible; this will include family households, for whom the supply of affordable housing is likely to be more limited and also to address a recent (Covid-19 related) increase in households in temporary/emergency accommodation.

## **Newly Forming Households**

- 3.15 The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken 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.
- 3.16 The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) 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.
- 3.17 The number of newly forming households has been estimated through demographic modelling (linked to 2018-based subnational household projections (SNHP)). This is considered to provide the best view about trend-based household formation.
- 3.18 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).
- 3.19 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.
- 3.20 The assessment suggests overall that around two-fifths of newly forming households will be unable to afford market housing (to rent privately) and this equates a total of 372 newly forming households will have a need per annum on average.

**Figure 3.5: Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum)**

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Tunbridge Wells	892	41.7%	372

Source: Projection Modelling/Affordability Analysis

### Existing Households Falling into Affordable Housing Need

- 3.21 The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed in general needs housing 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 these households will have been picked up in the previous analysis (of newly forming households in need). Households transferring from one social/affordable rented property to another are also excluded as in all cases a home will become available for another household to occupy. An affordability test has also been applied.
- 3.22 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)’*.
- 3.23 Data from CoRe shows an annual average of 308 lettings to general needs stock over the past 3-years, of these 199 (per annum average) were to new tenants (i.e. not transfers) and 94 (per annum) were to existing households – i.e. not households forming for the first time. It is estimated on the basis of incomes in the social rented sector that around 25% of these households might have been able to afford a private rent at the bottom end of the market (lower quartile) and therefore 71 existing households have been assessed as likely to be having a need each year (94 × 75%).

### Supply of Social/Affordable Rented Housing Through Relets

- 3.24 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.
- 3.25 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 CoRe has been used to establish past patterns of social housing turnover. The figures are for general needs 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.

- 3.26 On the basis of past trend data it has been estimated that 180 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.
- 3.27 It has been noted in discussions with the Council that the number of lettings appears to have fallen as a result of Covid-19 (since the March 2020 lockdown). Whilst this does not feed into the analysis, it will be important for the Council to monitor this situation, and the impact it may have on the ability of local Registered Providers to meet housing needs.

**Figure 3.6: Analysis of Past Social/Affordable Rented Housing Supply, 2016/17 – 2018/19 (per annum)**

	<b>Total Lettings</b>	<b>% as Non-New Build</b>	<b>Lettings in Existing Stock</b>	<b>% Non-Transfers</b>	<b>Lettings to New Tenants</b>
Tunbridge Wells	308	90.8%	280	64.5%	180

Source: CoRe

- 3.28 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, 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). Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

### Net Need for Social/Affordable Rented Housing

- 3.29 The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 323 dwellings per annum. The net need is calculated as follows:

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

**Figure 3.7: Estimated Need for Social/Affordable Rented Housing by sub-area (per annum)**

	<b>Current need</b>	<b>Newly forming households</b>	<b>Existing households falling into need</b>	<b>Total Gross Need</b>	<b>Relet Supply</b>	<b>Net Need</b>
Tunbridge Wells	61	372	71	503	180	323

Source: Range of sources as discussed

## Comparison with previous Assessment of Affordable Need

- 3.30 It is worthwhile to briefly make a comparison between the findings in this report and the last assessment of affordable housing need. The last full assessment was undertaken in the 2018 Housing Needs Study (by ARC4) with data being drawn from Table C1 in the appendices.
- 3.31 Whilst this study and the previous HNS both followed the same broad methodology (linked to Planning Practice Guidance) there are some differences that need to be noted to allow for a direct comparison to be made. The main difference is that the 2018 study looked at meeting the current need over a 5-year period rather than the 18-years assumed in this assessment. Hence to make comparable figures, the current need in the 2018 study has been divided by 18 to provide an equivalent annual figure. Additionally, the 2018 assessment included an estimate of committed supply (i.e. the pipeline of affordable housing); this has not been included in this report so as to allow for a comparison between the affordable need and overall housing need. In the comparison below, the pipeline has been excluded from the 2018 figures.
- 3.32 The analysis appears to show a lower affordable need in this assessment compared with previous work – a need for 323 dwellings per annum, compared with 409. The difference is driven by a lower level of gross need in this study which is mainly accounted for by a lower number of newly forming households in need.
- 3.33 The difference is likely to largely be due to the data sources used to assess the affordability of newly-forming households. This study used modelled data drawn from ONS small-area income estimates, whereas the HNS used household survey data. It is typical to find survey data showing lower income levels than the modelled sources, which in turn tends to show a greater proportion of households as unable to afford housing (and hence a higher estimate of need).
- 3.34 It is difficult therefore to say on the basis of the evidence that affordable need has dropped, despite a reduction in terms of the figures presented. Regardless, both studies show a substantial need for additional affordable housing, and the Council should seek to provide such accommodation where opportunities arise.

**Figure 3.8: Comparing affordable housing need in this assessment with 2018 study**

	<b>This study</b>	<b>2018 HNS</b>
Current need	61	44
Newly forming households	372	471
Existing households falling into need	71	113
Total Gross Need	503	628
Relet Supply	180	219
Net Need	323	409

Source: This study and 2018 Housing Needs Study (Table C1)



## The Relationship Between Affordable Need and Overall Housing Need

3.35 The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, the wording of the PPG [2a-024] states:

*'The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the strategic plan may need to be considered where it could help deliver the required number of affordable homes'*

3.36 However, the relationship between affordable housing need and overall housing need is complex. This was recognised in the Planning Advisory Service (PAS) Technical Advice Note of July 2015. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need. There are a number of reasons why the two cannot be 'arithmetically' linked.

3.37 Firstly, the modelling contains a category in the projection of 'existing households falling into need'; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains 'newly forming households'; these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.

3.38 This just leaves the 'current need'; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households) – these households are not included in the demographic modelling and so are arguably an additional need, although uplifts for market signals/affordability (as included in the Government's Standard Method) would be expected to deal with such households.

3.39 The analysis for Tunbridge Wells estimates an annual need for 323 rented affordable homes, which is notionally 48% of the minimum Local Housing Need of 678 dwellings per annum. The Review of Local Housing Needs report (Iceni Projects) has also considered the potential to support the higher uncapped local housing need and found that strategic development constraints mean housing growth is likely to be concentrated in a limited area of the Borough which is outside of the High Weald AONB. It found limited market capacity to accommodate additional growth in the short- and medium-term to 2030 and that potential for additional allocations to deliver in the longer-term could be addressed through an early review of the Local Plan.

3.40 However, as noted, caution should be exercised in trying to make a direct link between affordable need and planned delivery, with the key point being that many of those households picked up as having a need will already be living in housing and so providing an affordable option does not lead to an overall net increase in the need for housing (as they would vacate a home to be used by someone else).

3.41 It is possible to investigate this in some more detail by re-running the model and excluding those already living in accommodation. This is shown in the table below which identifies that meeting these needs would lead to an affordable need for 211 homes per annum. This figure is theoretical and

should not be seen to be minimising the need (which is clearly acute). It does however serve to show that there is a substantial difference in the figures when looking at overall housing shortages.

- 3.42 The analysis is arguably even more complex than this – it can be observed that the main group of households in need are newly forming households. These households are already included within demographic projections and so the demonstrating of a need for this group again should not be seen as over and above any need derived through the normal process of looking at need. Indeed, only the 20 per annum shown below is in addition to demographic projections and this scale of uplift will already have been included in figures when moving from a demographic start point to an estimate of housing need using the Standard Method.

**Figure 3.9: Estimated Need for Affordable Housing (social/affordable rented) excluding households already in accommodation – Tunbridge Wells**

	Excluding existing households	Including existing households
Current need	20	61
Newly forming households	372	372
Existing households falling into need	0	71
Total Gross Need	391	503
Re-let Supply	180	180
Net Need	211	323

Source: Range of data sources as described

- 3.43 The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase overall provision (with the exception of potentially providing housing for concealed households although this should be picked up as part of an affordability uplift). It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the increasing role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.
- 3.44 Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF (other than affordable private rent which is a specific tenure separate from the main ‘full market’ PRS), it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their “homelessness duty” through providing an offer of a suitable property in the PRS.
- 3.45 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: *‘Affordable housing: housing for sale or rent, for those whose needs are not met by the market’* [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market.
- 3.46 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of August 2020, it is estimated that there were over 2,600 benefit claimants in the private rented sector in the Borough (Housing Benefit and

Universal Credit with a housing entitlement). From this, it is clear that the PRS contributes to the wider delivery of ‘affordable homes’ with the support of benefit claims, and further complicates any attempts to find a relationship between affordable need and overall housing need.

- 3.47 The Local Plan is likely to support a significant increase in housing delivery in the Borough; and through the application of its policies this can be expected to result in a similar significant increase in the delivery of affordable housing. This can be expected to reduce pressure on housing those in need in the PRS. Delivery of affordable housing through planning obligations is an important, but not the only means, of delivery affordable housing; and the Council also works with housing providers to secure funding to support enhanced affordable housing delivery on some sites and through use of its own land assets.
- 3.48 Overall, it is difficult to link the need for affordable housing to the overall housing need; indeed, there is no justification for trying to make the link. Put simply the two do not measure the same thing and interpreting the affordable need figure consideration needs to be given to the fact that many households already live in housing, and do not therefore generate an overall net need for an additional home. Further issues arise as the need for affordable housing is complex and additionally the extent of concealed and homeless households needs to be understood as well as the role played by the private rented sector.
- 3.49 Regardless of the discussion above, 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 the Borough. 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. As noted previously, the evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

### **Split Between Social and Affordable Rented Housing**

- 3.50 The analysis above has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will therefore have a need for some form of rented housing at a cost below typical market rates. Typically, there are two main types of rented affordable accommodation (social and affordable rented) with the analysis below initially considering what a reasonable split might be between these two tenures.
- 3.51 An analysis has been undertaken to compare the income distribution of households with the cost of different products. Data about average social and affordable rents has been taken from the Regulator of Social Housing (RSH) and this is compared with lower quartile and median market rents (from ONS data). This analysis shows that social rents are lower than affordable rents; the analysis also shows that affordable rents are less than both lower quartile and median market rents.
- 3.52 The table also shows Local Housing Allowance (LHA) rates for January 2021; this is based on data for the High Weald Broad Rental Market Area (BRMA) as this is the area covering the majority of the Borough (including the main town of Tunbridge Wells). Some other parts of the Borough are within the Ashford BRMA which tends to have lower allowances. For all sizes of property, the rates are above social rented, affordable rented and in line with lower quartile market rents, but below median market rents.

**Figure 3.10: Comparison of rent levels for different products – Tunbridge Wells (2018/19)**

	Social rent	Affordable rent (AR)	Lower quartile (LQ) market rent	Median market rent	AR as % of LQ	AR as % of median	LHA rates (January 2021)
1-bedroom	£395	£529	£695	£750	76%	70%	£693
2-bedrooms	£468	£668	£900	£995	74%	67%	£898
3-bedrooms	£542	£797	£1,150	£1,290	69%	62%	£1,127
4-bedrooms	£606	£992	£1,595	£2,020	62%	49%	£1,496
All	£476	£664	£820	£1,005	81%	66%	

Source: RSH and ONS

3.53 For the affordability test, the overall average rent for each product has been used and some caution should be noted as the different profile of tenures clearly has some impact on housing costs. The table below suggests that around 19% of households who cannot afford to rent privately could afford an affordable rent, with a further 27% being able to afford a social rent (but not an affordable one). A total of 54% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).

**Figure 3.11: Estimated need for affordable rented housing**

	% of households able to afford
Afford affordable rent	19%
Afford social rent	27%
Need benefit support	54%
All unable to afford market	100%

Source: Affordability analysis

3.54 The finding that only 19% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. For example, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent – hence a higher proportion of affordable rented housing might be appropriate – indeed the analysis does identify a substantial proportion of households as being likely to need benefit support. On the flip side, providing more social rents might enable households to return to work more easily, as a lower income would potentially be needed to afford the lower social (rather than affordable) rent.

3.55 There will be a series of considerations both at a strategic level and for specific schemes which influence the appropriate tenure mix. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need. Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided. In considering a split between social and affordable rented housing it needs to be considered that having different tenures on the same site (at least at initial occupation) may be difficult – e.g. if tenants are paying a different rent for essentially the same size/type of property and services. The Council might reasonably consider that the higher need for social rented accommodation might support prioritisation of this tenure, where it is viable to do so.

- 3.56 Decisions about the tenure to be provided will also need to take account of any specific local knowledge or an understanding of the success of schemes in the past. Discussions with the Council suggest that some affordable rents are only affordable to those reliant on benefits which discourages people seeking employment. It was also highlighted in some cases that affordable rents have been as much as 50% of a household's income. Additionally, issues were noted in that most 1-bedroom homes are built as a 2-person home and many single people cannot afford these homes when prices are at an affordable rent. Finally, affordable rents for larger (3- and 4+-bedroom homes) can be quite high, making them unaffordable for many households. Indeed, the analysis previously (on the cost of different products) shows that an average 4+-bedroom affordable rent is 64% higher than the social rent for an equivalent sized home.
- 3.57 On this basis, it is recommended that while the Council will understandably give priority to social rent over affordable rent, the analysis indicates that both tenures of homes are likely to contribute to meeting needs across the borough. Hence, the Local Plan could usefully provide some flexibility to provide affordable rent as well as social rent where circumstances demonstrate this would be appropriate.

#### **Need for Social/Affordable Rented Housing: Key Messages**

- The need for social/affordable rented housing has been estimated by following the stages set out in the PPG. An overall net need figure is provided on a per annum basis for the whole of the plan period (taken to be an 18-year period from 2020 to 2038). Overall, the analysis suggests an annual need for around 323 affordable homes, this is made up of a gross need for 503 homes with a relet supply (of 180 homes per annum) being netted off.
- Despite the level of need being high, it is not considered that this would point to any requirement for the Council to increase the Local Plan housing requirement above that suggested by the Standard Method. The link between affordable need and overall need (of all tenures) is complex and in trying to make a link it must be remembered that many of those picked up as having an affordable need are already in housing (and therefore do not generate a net additional need for a home). Additionally, most of the affordable need is already part of the demographic projections which are used to drive the Standard Method and so any additional provision would be double counting.
- The study also considered the split between social and affordable rented housing. This suggested that there are households able to afford both products (a greater need being for social rented housing when looking in purely affordability terms). Whilst the number of homes let at affordable rents in the Borough is currently quite low, the evidence would suggest that they are being let at fairly affordable levels (in the context of the private rented sector). That said, the analysis is clear that social rents will be the most affordable option; and will be affordable to a greater number of households than affordable rents.

## 4. Affordable Home Ownership (including First Homes)

### Introduction

- 4.1 The Planning Practice Guidance 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.
- 4.2 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.
- 4.3 Whilst the PPG does not specify a method for assessing the need for affordable home ownership (and therefore one has been developed drawing on other aspects of guidance) it is the case that some information is potentially available from the local Help-to-Buy agent. It is considered that any data held by the agent would only show a partial picture (as households will often only register once homes become available – rather than being a measure of need) – however, this source could be used for monitoring purposes moving forward.

### Gross Need for Affordable Home Ownership

- 4.4 The first part of the analysis seeks to understand what the gap between renting and buying actually means in the study area – in particular establishing the typical incomes that might be required. The information about incomes required to both buy and rent in different locations has already been provided earlier in this section and so the discussion below is a broad example.
- 4.5 Using the income distributions developed (as set out earlier in this section) along with data about price and rents, it has been estimated that of all households living in the private rented sector, around 32% already have sufficient income to buy a lower quartile home, with 29% falling in the rent/buy 'gap'. The final 40% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their income on housing. 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).
- 4.6 The finding that a significant proportion of households in the private rented sector 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).



- 4.7 To study current need, an estimate of the number of household 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 8,650 households living in the sector across the Borough. Data from the English Housing Survey (EHS) suggests that since 2011, the number of households in the PRS has risen by about 20% - if the same proportion is relevant to the Borough then the number of households in the sector would now be around 10,300.
- 4.8 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (6,200 households if applied to the Borough) and of these some 25% (1,500 households) would expect this to happen in the next 2-years. The figure of 1,100 is therefore taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.
- 4.9 As noted above, on the basis of income it is estimated that around 29% of the private rented sector sit in the gap between renting and buying. Applying this proportion to the 1,500 figure would suggest a current need for around 445 affordable home ownership units (25 per annum if annualised over an 18-year period).
- 4.10 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 333 dwellings (259 from newly forming households and 74 from existing households in the private rented sector).
- 4.11 Bringing together the above analysis suggests that there is a need for around 358 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum. This is before any assessment of the potential supply of housing is considered.

**Figure 4.1: Estimated Gross Need for Affordable Home Ownership by sub-area (per annum)**

	<b>Current need</b>	<b>Newly forming households</b>	<b>Existing households falling into need</b>	<b>Total Gross Need</b>
Tunbridge Wells	25	259	74	358

Source: Range of sources as discussed

### **Potential Supply of Housing to Meet the Affordable Home Ownership Need**

- 4.12 As with the need for social/affordable rented housing, it is also necessary to consider if there is any supply of affordable home ownership products from the existing stock of housing. 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.

4.13 The main source is likely to be resales of products such as shared ownership and an analysis of CoRe data about resales of affordable housing shows an average of around 11 resales per annum (based on data for the 2016-19 period). These properties would also potentially be available for these households and can be included as the potential supply. The table below therefore shows an estimate of the net need for affordable home ownership. This suggests a need for around 347 dwellings per annum.

**Figure 4.2: Estimated Need for Affordable Home Ownership by sub-area (per annum)**

	<b>Total Gross Need</b>	<b>LCHO supply</b>	<b>Net need</b>
Tunbridge Wells	358	11	347

Source: Range of sources as discussed

### **An Alternative view of the Supply of Affordable Home Ownership Properties**

4.14 The analysis above has looked at the supply of resales of affordable housing. However, it should be noted that the analysis looks at households unable to afford a lower quartile property price. By definition, a quarter of all homes sold will be priced at or below a lower quartile level. According to the Land Registry, there were a total of 1,311 resales (i.e. excluding newly-built homes) in the last year (year to September 2020) and therefore around 328 would be priced below the lower quartile. This is 328 homes that would potentially be affordable to the target group for affordable home ownership products and is a figure that is only slightly lower than the estimated need (i.e. netting these homes off would show a need for just 25 affordable home ownership homes per annum).

4.15 The figure for lower quartile supply of homes to buy should however be considered for reference, not least because 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).

### **Implications of the Analysis**

4.16 Given the analysis above, it would be reasonable to conclude that there is a need to provide housing under the definition of 'affordable home ownership' – although the level of need for this tenure is uncertain given the different ways the supply of such housing can be calculated. If it were assumed that around half of lower quartile sales could meet this need (consistent with assumptions made by JGC in some other areas) then the need would be estimated at 183 units each year – this in turn would mean that the need for rented affordable housing would be around 64% and the need for affordable home ownership 36% of the notional total affordable housing need.

4.17 It does seem that there are many households in Tunbridge Wells who 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 76% 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 by 7%. That said, 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).



- 4.18 On this basis, and as previously noted, it seems likely in Tunbridge Wells 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 simply being due to the cost of housing to buy (although this will undoubtedly be a factor).
- 4.19 The February 2019 NPPF gave a clear direction that 10% of all new housing (on larger sites) should be for affordable home ownership (in other words, if 20% of homes were to be affordable then half would be affordable home ownership).
- 4.20 However, the Government's consultation on *Changes to the current planning system* proposes to change national policy such that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes (as a proportion of the total affordable housing), with the likelihood that the Council would be able to specify the requirement for any remaining affordable housing. This would likely replace the minimum 10% figure in the NPPF (10% of all housing on larger sites). The consultation also sets out that the minimum discount for First Homes should be 30% from market price with local authorities having discretion to increase the discount to 40% or 50%.
- 4.21 The key difference to note between the consultation and the NPPF is that the First Homes percentage is to be applied to affordable delivery, whereas the NPPF (10% figure) was to be applied to all housing. To take the same example as above, if 20% of all housing on a site were to be affordable, then 5% (based on 25% of 20%) would be First Homes under the proposals (rather than an expectation of 10% as affordable home ownership). It is not clear at this stage whether there is any scope to challenge the 'minimum of 25%', nor what role other tenures of affordable home ownership (such as shared ownership) might play.
- 4.22 Whilst there are clearly many households in the gap between renting and buying, they in some cases will be able to afford homes below lower quartile housing costs. That said, it is important to recognise that some households will have insufficient savings to be able to afford to buy a home on the open market (particularly in terms of the ability to afford a deposit) and low-cost home ownership homes – and shared ownership homes in particular – will therefore continue to play a role in supporting some households in this respect.
- 4.23 The evidence points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authority has a statutory housing duty. Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments).
- 4.24 There will also be a role for AHO on any 100% affordable housing schemes that may come forward (as well as through Section 106). Including a mix of both rented and intermediate homes to buy would make such schemes more viable, as well as enabling a range of tenures and therefore potential client groups to access housing.
- 4.25 In addition, 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. It seems clear that this group of households 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.

## How Much Should Affordable Home Ownership Homes Cost?

- 4.26 The analysis and discussion above suggest that there are a number of households likely to fall under the PPG definition of needing affordable home ownership (including First Homes) – i.e. in the gap between renting and buying – but that the potential supply of low-cost housing to buy makes it difficult to fully quantify this need. However, given the NPPF/First Homes consultation, it seems likely that the Council may need to consider some additional homes on larger sites as some form of home ownership.
- 4.27 The analysis below focusses firstly on the cost of First Homes to make them genuinely affordable before moving on to consider shared ownership (in this case suggestions are made about the equity shares likely to be affordable and whether these shares are likely to be offered). It is considered that First Homes and shared ownership are likely to be the main affordable home ownership tenures moving forward although it is accepted that some delivery may be of other products. This section also provides some comments about Rent to Buy housing.
- 4.28 The reason for the analysis to follow is that it will be important for the Council to ensure that any affordable home ownership is sold at a price that is genuinely affordable for the intended target group – for example there is no point in discounting a new market home by 30% if the price still remains above that for which a reasonable home can already be bought in the open market.

## First Homes

- 4.29 The First Homes consultation sets out that the minimum discount should be 30% from market price with local authorities having discretion to increase the discount to 40% or 50%. In some ways First Homes are similar to discounted market sale (a product currently within the NPPF), although for discounted market sales a discount of at least 20% (rather than 30%) from Open Market Value (OMV) is required.
- 4.30 As noted above, 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 the discounted housing is more expensive than that typically available in the open market. This is often the case as new build housing itself attracts a premium. The preferred approach in this report is to set out a series of purchase costs for different sizes of accommodation which ensure these products are affordable for the intended group. These purchase costs are based on current lower quartile rental prices and also consideration of the income required to access the private rented sector and then estimating what property price this level of income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 3-bedroom home:
- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in the Borough is £900 per month;
  - On the basis of a household spending no more than 32% of their income on housing, a household would need an income of around £2,800 per month to afford ( $£900/0.32$ ) or £33,300 per annum (rounded); and

- With an income of £33,300, it is estimated that a household could afford to buy a home for around £166,500. This is based on assuming a 10% deposit (mortgage for 90% of value) and a four and a half times mortgage multiple – calculated as  $£33,300 \times 4.5 / 0.9$ .

- 4.31 Therefore, £166,500 is a suggested purchase price to make First Homes/discounted home ownership affordable for households in the rent/buy gap. This figure is essentially the equivalent price that is affordable to a household who can just afford to rent privately. In reality, there will be a range of incomes in the rent/buy gap and so some households could afford a higher price; however setting all homes at a higher price would mean that some households will still be unable to afford.
- 4.32 On this basis, it is considered reasonable to look at the cost of First Homes as a range, from the equivalent private rent figure up to a midpoint of the cost of open market purchase (for a 2-bedroom homes this is 250,000) and the relevant private rented figure. The use of a midpoint would mean that only around half of households in the rent/buy gap could afford, and therefore any housing provided at such a cost would need to also be supplemented by an equivalent number at a lower cost (which might include other tenures such as shared ownership).
- 4.33 The table below therefore sets out a suggested purchase price for affordable home ownership/First Homes in the Borough. The table also shows an estimated OMV and the level of discount likely to be required to achieve affordability. The OMV is based on taking the estimated lower quartile price by size and adding 15% (which is the typically newbuild premium seen nationally). It should be noted that the estimated discounts are based on the OMV as estimated, in reality the OMV might be quite different for specific schemes and therefore the percentage discount would not be applicable. For example, if the OMV for a 2-bedroom home were to actually be £350,000 (rather than the modelled £287,500) then the discount would be in the range of 40% and 52%. It is therefore the affordable price rather than the discount that should be focused on when determining affordability. On the basis of the specific assumptions used, the analysis points to a discount of around 30%-40% for 2-bedroom homes.

**Figure 4.3: Affordable home ownership prices – data for year to September 2020**

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£128,600-£154,300	£207,000	25%-38%
2-bedrooms	£166,500-£208,300	£287,500	28%-42%
3-bedrooms	£212,800-£288,900	£419,750	31%-49%
4+-bedrooms	£295,100-£417,600	£621,000	33%-52%

Source: Derived from a range of sources as described

- 4.34 In policy terms it is suggested the Council consider setting out expectations of costs for First Homes – these costs can be updated every six months (by reference to ONS private rental market data and a market survey of sale prices). The Council could then expect housing to be available for either the costs set out or with a 30% discount (whichever the lower).
- 4.35 It is quite likely there will be occasions where a greater discount than 30% will be required. In these circumstances, the Council will need to consider if they want an additional discount, or whether this might prejudice the viability of providing other forms of affordable housing (such as rented homes) –

decisions about what to do in such circumstances may well need to be made on a case-by-case basis.

- 4.36 It should also be noted that the analysis above is for the whole of Tunbridge Wells Borough; the pricing of housing does vary across the area and therefore some small adjustments to the figures might be appropriate in some instances. That said, affordable needs can be met anywhere in the Borough (where opportunities arise) and so using an expectation of a Borough-wide affordability calculation should ensure affordable products on sites regardless of location.

## Shared Ownership

- 4.37 Whilst, the current Government consultation focusses on First Homes, it is clear that they also see a continued role for Shared Ownership. In November 2020, a separate consultation was launched ([New Model for Shared Ownership](#)) – this includes four key proposals, with the main one for the purposes of this assessment being the suggestion of reducing the minimum initial share from 25% to 10%. A key advantage of shared ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase. Additionally, the rental part of the cost will be subsidised by a Registered Provider and therefore keeps monthly outgoings down.
- 4.38 For the purposes of the analysis in this report it is considered that for shared ownership to be affordable, total outgoings should not exceed that needed to rent privately.
- 4.39 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 with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:
- OMV at LQ price plus 15% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a LQ level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;
  - 10% deposit on the equity share;
  - Rent at 2.75% pa on unsold equity;
  - Repayment mortgage over 25-years at 4%;
  - Service charge of £50 per month for flatted development (assumed to be 1- and 2-bedroom homes); and
  - It is also assumed that shared ownership would be priced for households sitting towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property.
- 4.40 The table below shows that to make shared ownership affordable, equity shares of 27% could work for 2-bedroom homes, but that much lower shares are likely to be required for larger homes (with 4-bedrooms the analysis suggests a share of just 11%). The analysis does suggest that it may be quite difficult to make shared ownership ‘work’ for homes with 4+-bedrooms; this has been confirmed in discussions with the Council, who were unaware of any 4+-bedroom shared ownership schemes on S106 sites.

4.41 It should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely OMV). In reality costs do vary across the Borough and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

**Figure 4.4: Estimated Affordable Equity Share by Size – Tunbridge Wells**

	<b>1- Bedroom</b>	<b>2- Bedrooms</b>	<b>3- Bedrooms</b>	<b>4+- Bedrooms</b>
OMV	£207,000	£287,500	£419,750	£621,000
Share	34%	27%	18%	11%
Equity Bought	£69,552	£77,625	£76,395	£69,863
Mortgage Needed	£62,597	£69,863	£68,755	£62,876
Monthly Cost of Mortgage	£331	£369	£363	£332
Retained Equity	£137,448	£209,875	£343,356	£551,138
Monthly Rent on Retained Equity	£315	£481	£787	£1,263
Service Charge per month	£50	£50	£0	£0
Total Cost per month	£695	£900	£1,150	£1,595

Source: Data based on Housing Market Cost Analysis

4.42 In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to access private rented housing). For example, whilst the table suggests a 27% equity share for 2-bedroom homes, this is based on a specific set of assumptions. Were a scheme to come forward with a 27% share, but a total cost in excess of £900 per month, then it would be clear that a lower share is likely to be required to make the home genuinely affordable. Hence the actual share can only be calculated on a scheme-by-scheme basis. Any policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the private rented sector, rather than seeking a specific equity share.

4.43 Again, the figures above are for the whole Borough and it is recognised that there will be variations across locations (and over time and for specific sites).

4.44 Discussions with the Council confirm the importance of ensuring that any homes sold though shared ownership are genuinely affordable. One scheme in Tunbridge Wells town was identified as remaining unsold due to high values and service charges.

### **Balance of Tenures within the Affordable Home Ownership Category**

4.45 The analysis above has looked at housing costs to make each of First Homes and shared ownership affordable in a local context. These figures do not however identify what proportion of the affordable home ownership should be in each tenure. As noted, the emerging affordable housing policy seeks for 40% of affordable housing to be intermediate tenures and therefore a figure of 25% of affordable housing as First Homes (as is being suggested by Government) would fit within this (allowing for 15% to be other forms of home ownership).

4.46 However, it is considered that other forms of AHO, and shared ownership in particular, can be a more affordable product in the local context. In particular, shared ownership will have a lower deposit

requirement and is likely to have lower housing costs (as the rent element will be subsidised). If flexibility is offered by government about the proportion of affordable housing that should be First Homes, the Council should consider a lower proportion of First Homes and a higher proportion as shared ownership. There is no evidence that the Council should seek a higher than 25% proportion of affordable housing as First Homes.

- 4.47 Whilst the analysis has focussed on First Homes and shared ownership, it should be recognised that other forms of AHO may exist. One tenure will be Rent-to-Buy which is discussed below.

## **Rent to Buy**

- 4.48 A further affordable option is Rent to Buy; this is a government scheme designed to ease the transition from renting to buying the same home. Initially (typically five years) the newly built home will be provided at the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards a deposit on the purchase of the same property. Rent to Buy can be advantageous for some households as it allows for a smaller 'step' to be taken on to the home ownership ladder.
- 4.49 At the end of the five-year period, depending on the scheme, the property is either sold as a shared ownership product or to be purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.
- 4.50 In order to access this tenure it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent. The lower than market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access affordable home ownership (including shared ownership), it should therefore be treated as part of the affordable home ownership products suggested by the NPPF.



### **Affordable Home Ownership (including First Homes): Key Messages**

- As well as focussing on households unable to buy or rent in the market, Planning Practice Guidance includes *'households which can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home'*. It is considered that households unable to buy but with a preference to would be a target market for First Homes (and other forms of affordable home ownership such as shared ownership).
- At the time of writing, there is no guidance about how the number of such households should be measured. The methodology used 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.
- Overall, it is estimated that there will be around 358 households each year with a potential need for affordable home ownership. This is based on estimates of households in the private rented sector potentially moving into (low-cost) home ownership and newly forming households in the rent/buy gap in the future.
- There will however be some supply of housing that could meet these needs and it is estimated that resales of low-cost home ownership properties (mainly shared ownership) could provide 11 units per annum, therefore reducing the need to 347 per annum. However, it is also recognised that part of the existing market could meet some needs. In the year to September 2020 there were 1,311 resales of existing homes and therefore 328 were priced at or below a lower quartile (and therefore potentially affordable to this group) – a figure not much lower than the assessed need.
- Whilst these homes have not been netted off the need figure (as not all will be available for this group (e.g. some could be sold to investment buyers)) it is the case that it is difficult to firmly estimate what the actually need for affordable home ownership is. Overall, the analysis would suggest there is a need, but that it is not as great as the need for rented forms of affordable housing.
- Analysis was carried out to look at the cost (in terms of a sale price) to make First Homes affordable in a local context. For a 2-bedroom home, something in the range of £166,500 to £208,300 would be affordable and this might equate to a discount of between 30% and 40%. Caution should be exercised when looking at percentage discount as this will depend on the Open Market Value (OMV) of a home. Analysis also looked at shared ownership with the finding that an equity share of around 25% would be needed to make a 2-bedroom home affordable (again the actual level will depend on the OMV).
- Overall, the analysis would point towards a need to provide some housing as affordable home ownership, and this housing could take the form of First Homes or shared ownership (other forms such as Rent to Buy can also play a role). It will however be important for the Council to ensure that such housing is genuinely affordable in a local context.
- The Government's consultation on *Changes to the current planning system* proposes to change national policy such that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes. If flexibility is offered by government about the proportion of affordable housing that should be First Homes, then the Council should consider a lower proportion of First Homes and a higher proportion as shared ownership. There is no evidence that the Council should seek a higher than 25% proportion of affordable housing as First Homes

## 5. Other Analysis

### Introduction

5.1 This section picks up on a few other issues that are relevant to this report and to an understanding of local affordable housing need. The additional analysis considers:

- Essential Local Workers
- Implications of Covid-19
- Local evidence of housing need (parish assessments)
- Comments on emerging Local Plan Policy H3

### Essential Local Workers

5.2 Annex 2 of the NPPF also includes the needs of essential local workers *‘Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers’ [emphasis added]. Essential local workers are defined as *‘Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers’.**

5.3 To give an indication of the number of essential workers in Tunbridge Wells analysis has been undertaken looking at Standard Industrial Classification 2007 (SIC) categories – this shows employment sectors based on industry, and for the purposes of this analysis the public administration, education and health industries have been used to represent ‘essential workers’. The analysis shows that around 26% of resident workers are considered ‘essential workers’ – this proportion is slightly lower than seen in other locations.

**Figure 5.1: Number and proportion of essential workers in a range of areas**

	Tunbridge Wells	Kent	South East	England
	Resident workers	% of workers	% of workers	% of workers
Agriculture, energy and water	1,246	2%	3%	2%
Manufacturing	2,825	5%	7%	9%
Construction	4,478	8%	10%	8%
Distribution, hotels and restaurants	11,674	20%	21%	21%
Transport and communication	4,975	9%	9%	11%
Financial, Real Estate, Professional and Administration	14,672	25%	18%	17%
Public administration, education and health	14,803	26%	29%	28%
Other	2,957	5%	5%	5%
All industries	57,630	100%	100%	100%

Source: 2011 Census



5.4 The 2011 Census also enables analysis to be conducted as to the tenure of workers by industry. It can be seen that essential workers see a fairly average profile, with similar levels of owner-occupation, social renting and private renting as is seen across the Borough.

**Figure 5.2: Housing tenure by industry of employment (2011) – Tunbridge Wells**

	<b>Owner-occupied</b>	<b>Social rented</b>	<b>Private rented</b>
Agriculture, energy and water	66%	11%	23%
Manufacturing	68%	12%	20%
Construction	68%	13%	19%
Distribution, hotels and restaurants	56%	17%	27%
Transport and communication	71%	9%	20%
Financial, Real Estate, Professional and Administration	75%	5%	20%
Public administration, education and health	67%	11%	22%
Other	61%	12%	27%
All industries	68%	10%	22%

Source: 2011 Census

5.5 It is also possible to consider the affordability of housing for essential workers by considering local salaries. An online assessment of local jobs (across West Kent) for nurses, firefighters, teachers, police officers and childcare was undertaken in January 2021. This showed a range of salaries, but typically in the range of about £26,000 to £42,000 per annum. The average salary was around £31,000 although it does need to be noted that there are a variety of roles with a range of salaries in these professions depending on level of expertise and experience.

5.6 With a salary of £31,000, an individual might be able to buy a home for around £139,000 (based on a 10% deposit and 4.5 times mortgage multiple) and with two salaries at this level would be able to afford in excess of £275,000. This latter figure would just about allow the household to afford to buy a home in the Borough (a 2-bedroom flat towards the bottom end of the market), but the single income would make home ownership difficult, and this population could be a potential target for affordable home ownership products.

5.7 Overall, the analysis does not point towards there being a particular and specific need for affordable housing for essential workers. Such workers make up a similar part of the workforce as is the case in many areas and households are as likely to be owner-occupiers than many other industry groups. However, on the basis of local incomes (notably for single income essential workers), access to the owner-occupied sector may be restricted by income and it may be appropriate to consider whether or not some affordable properties should be set aside for essential local workers.

## Implications of Covid-19

5.8 Much of the data accessed and used in this report pre-dates the Covid-19 Emergency. Whilst it is currently too early to know what the full impact of Covid-19 will be on the housing market, it will be important for outcomes to be monitored and consideration given to any short- or long-term consequences for a range of groups. It does however seem likely that there will be a specific impact on the need for affordable housing particularly in the short-term and below is a short discussion of possible outcomes.

- 5.9 It seems almost inevitable that one impact of Covid will be to see an increased need for affordable housing. Unemployment has been rising, and can be expected to rise further as the furlough scheme is reduced/removed. This will make it difficult for many households to afford their housing and would lead them to need to seek a housing solution through the local authority or Registered Providers.
- 5.10 There is already some evidence of the impact of Covid on housing need, with data from the Department of Work and Pensions showing the number of Housing Benefit (or Universal Credit with a housing element) claimants in the private rented sector in Tunbridge Wells increased from 1,706 in August 2019, up to 2,654 in August 2020 – an increase of over 50%. Data from MHCLG on homelessness shows the number of Tunbridge Wells households in temporary accommodation has risen from 80 (September 2019) up to 101 (September 2020) – within this there has been a substantial increase in the numbers housed outside of the local authority area (increasing from 25 to 38 households). All of this points to an impact of Covid-19 being to see increased pressure on affordable housing.

### **Local Evidence of housing need (parish assessments)**

- 5.11 The analysis in this report has used a range of secondary data sources and looked at affordable need for the whole Borough. The analysis has mainly been undertaken to include an analysis of the need for affordable home ownership products (including First Homes) as this is not something analysed in any detail in previous studies (including the 2018 Housing Needs Study). There is a further source of information about affordable needs, in the form of local need assessment and below a brief review of four has been provided. These are:
- Hawkhurst – June 2017
  - Cranbrook and Sissinghurst – July 2018
  - Lamberhurst – January 2019
  - Horsmonden – March 2020
- 5.12 Three of the studies were completed by the local Rural Housing Enabler and included a household survey, with the fourth (Cranbrook and Sissinghurst) being based on secondary data sources only. The survey-based assessments are dealt with first.
- 5.13 In the Hawkhurst study a survey was posted to every household within the parish, and of 2,120 surveys distributed, 458 surveys were returned, representing a 22% response rate. The headline findings were a need for 20 affordable general needs homes and 2 affordable extra care homes. The general needs homes were particularly required for single people (11 of the 20). A need for affordable housing for households to downsize into was also identified. Of the need for 20 affordable general needs homes, 6 were identified as potentially being able to afford shared ownership.
- 5.14 The Lamberhurst study follows the same broad format as that for Hawkhurst, and in this instance 680 surveys were distributed with 191 surveys being returned, representing a 28% response rate. In this study, a need for up to 9 affordable homes was identified (plus 3 for older person households), with a particular focus on family households (5 of the 9). Interestingly, the survey identified that a number of respondents were interested in shared ownership or discounted market sale, but none appeared able to afford this.

- 5.15 In Horsmonden, 1,075 surveys were distributed with 307 surveys being returned, representing a 29% response rate. The survey identified a need for 18 affordable homes, made up of 7 single people, 4 couples and 7 families, as well as a number of homes for older people. In terms of tenure, the study also identified an interest in shared ownership as well as discounted market sale, although only a shared ownership option was found to be affordable to the households in question.
- 5.16 It is difficult to compare the findings of the parish survey with the analysis in this report. The sources are very different (survey vs. secondary data) and this study is mainly focussed on projecting needs for a longer time period (i.e. the Plan period) whereas the parish surveys are very much focussed on asking households about potential needs in a short time period (generally the next 5-years). The parish surveys do also suffer from non-response (albeit the response rates look to be fairly good) and so may not reflect the full range of needs that might exist or be expected to emerge over time.
- 5.17 That said, there are some clear messages from the studies that are relevant to the wider analysis. Firstly, all of the studies clearly identify a need for affordable housing in the short-term, and there is no reason to believe that repeating surveys every five years or so wouldn't continue to show an emerging need. Secondly, the analysis shows a potential demand for forms of affordable home ownership, but that shared ownership may be the only tenure that is genuinely affordable to local households, in many cases the parish surveys highlight a lack of money for a deposit (rather than income) as being the key barrier.
- 5.18 For the purposes of this report, it can be concluded that the parish surveys support the need for both rented and affordable home ownership products to be provided, but that there are clear barriers existing which may prevent some households from accessing this market. Shared ownership looks to be the most affordable form of affordable home ownership and should therefore form part of any housing mix. Consideration would also need to be given to the pricing of products such as discounted market sale (including First Homes) to ensure they are affordable in a local context.
- 5.19 Overall, the parish-level assessments show there is an affordable need across the Borough, including rural areas and locations within the Area of Outstanding Natural Beauty (AONB).
- 5.20 The final study is that for Cranbrook and Sissinghurst. The study seems to focus more on overall housing need (i.e. of all tenures) rather than specifically looking at affordable housing. There are some comments made about affordable need across the Borough generally, and figures are provided from the Housing Register. However, overall this report does not really provide any information that can assist in understanding either affordable needs or the types of affordable housing that should be provided.

### **Comments on Emerging Local Plan Policy H3**

- 5.21 In the introduction, this report set out the key aspects of emerging affordable housing policy in the Borough. Having followed through an analysis of the need for affordable housing and the types of affordable housing it is possible to provide a high level review of the policy (in relation to overall targets and the tenure split).
- 5.22 The target is for 40% affordable housing on greenfield sites and 30% for brownfield. It is assumed that these figures are largely linked to the viability of providing affordable housing and look to be entirely reasonable. It is possible that viability would allow for higher proportions to be sought,

however, there would be a risk that higher levels of provision might lead to communities that are not 'mixed and balanced'.

- 5.23 Regarding the tenure mix, it is noted that this is to provide 60% social rented and 40% intermediate housing. On the basis of the analysis in this report a 60:40 split seems reasonable (essentially a split between rented and affordable home ownership products).
- 5.24 Within the 40% it might be expected that this will largely comprise discounted market sale (including First Homes) and shared ownership. Shared ownership in particular will have a role to play for households on the margins of affordability (i.e. only just about able to afford to rent, but who are some way off being able to buy a home). Given the initial suggestions that First Homes will make up 25% of all affordable housing, it is the case that with this policy some 60% of the intermediate offer would be First Homes (with 40% being other tenures). It is not clear if there will be any flexibility in the 25% First Homes figure; if there is it is suggested that the Council investigates if a higher proportion of the intermediate housing should be more affordable tenures such as shared ownership. However, in doing this the Council will also need to consider the viability of provision, in particular the extent to which more affordable options might reduce the viability of providing other forms of affordable housing (i.e. rented affordable housing). There is no evidence that the Council should seek a higher than 25% proportion of affordable housing as First Homes.
- 5.25 It is understood that the 60% rented affordable housing is for social rent (and not a combination of social and affordable rents as is often seen in policies of this nature). There are certainly benefits in providing social rents, as these are cheaper for the resident and will therefore be affordable to a greater number of households (including low-paid working households). However, the Council may wish to consider if the policy should allow for affordable rents in some circumstances. In particular, it is noted that affordable rents should be more viable to provide and therefore will have less of an impact on the ability to deliver affordable homes generally. Additionally, the evidence in this report of affordable rent levels in Tunbridge Wells is that these are fairly affordable (when looked at in the context of market rents). That said, the analysis is clear that social rents will be the most affordable option; and will be affordable to a greater number of households than affordable rents.
- 5.26 Overall, it is not suggested that there is any problem with a focus on social rents in the affordable policy, but that the Council should think carefully about the role of affordable rents in being able to support viability and help maintain a good supply of homes being delivered.

### Other Analysis: Key Messages

- The report also picked up on a few other issues that are relevant to this report and to an understanding of local affordable housing need. The additional analysis considers:
  - Essential Local Workers
  - Implications of Covid-19
  - Local evidence of housing need (parish assessments)
  - Comments on emerging Local Plan Policy H3
- For essential local workers, the analysis did not point towards there being a particular and specific need for affordable housing. Such workers make up a similar part of the workforce as is the case in many areas and households are as likely to be owner-occupiers than many other industry groups. However, on the basis of local incomes (notably for single income essential workers), access to the owner-occupied sector may be restricted by income and it may be appropriate to consider whether or not some affordable properties should be set aside for essential local workers.
- The implications of Covid-19 on affordable need are unknown at the moment although with rising unemployment it can be expected that there will be some additional pressure put on the affordable stock (particularly rented housing). There is already some indication of this with Housing Benefit claims in the private rented sector up over 50% (from August 2019 to August 2020) and also some increases in the number of homeless households in temporary accommodation. The Council should monitor the implications of the pandemic over the coming months.
- A brief analysis was undertaken to look at local parish assessments. Parish surveys support the need for both rented and affordable home ownership products to be provided, but they also highlight that barriers exist which may prevent some households from accessing home ownership products. Shared ownership looked to be the most affordable form of affordable home ownership and should therefore form part of any housing mix. Consideration would also need to be given to the pricing of products such as discounted market sale (including First Homes) to ensure they are affordable in a local context.
- Finally, the report reviewed Local Plan Policy H3 (affordable housing). Overall, it was considered that the policy is sound, both in terms of the overall targets for affordable housing and the broad split between rented and intermediate products. However, the Council may wish to consider if the policy should allow for affordable rents in some circumstances. In particular, it is noted that affordable rents should be more viable to provide and therefore will have less of an impact on the ability to deliver affordable homes generally.