



West Northamptonshire Strategic Housing Market Assessment Update

18 August 2011

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1. Housing Benefit and Affordable Rents

Introduction

- 1.1 Opinion Research Services (ORS) was commissioned by West Northamptonshire Joint Planning Unit in partnership with the authorities of Daventry, Northampton and South Northamptonshire to undertake a comprehensive and integrated Strategic Housing Market Assessment for West Northamptonshire in 2009.
- 1.2 The study was undertaken to inform local policies, in particular relating to the housing strategy and investment programme and planning policies surrounding affordable housing provision. This document represents an update of the original study for West Northamptonshire which in particular considers the importance of housing benefit in the housing market in light of changes announced to the scheme in 2010, and also the impact of the Government's new Affordable Rent housing tenure.
- 1.3 The Coalition Government's first budget in June 2010 contained a number of proposed reforms to housing benefit. This document initially highlights the importance of housing benefit in the housing market of West Northamptonshire and then discusses the impact of the changes announced in June 2010.
- 1.4 Meanwhile, in October 2010 the Government's announced its new Affordable Rent model which will allow housing associations to charge rents which are up to 80% of market rents for the area on new build developments and re-lets. The Affordable Rent model is designed to bring greater flexibility for housing associations and to provide financial support to allow new affordable housing to be delivered. Affordable Rents will potentially assist those households who;
 - » do not have the income or financial standing to become home-owners even through shared ownership
 - » require housing but have low priority for social housing
- 1.5 This document initially considers the possible level of Affordable Rent which can be charged in West Northamptonshire. It then considers the possible impact the introduction of Affordable Rents will have on housing requirements in the area.

The Role of Housing Benefit

1.6 Figure 1 shows that nearly 70% of all new social tenants in the sub-region had no earnings from employment. This indicates that many of the new lettings are to households which are entirely dependent upon benefits. However, 8% of new lettings were to households with net take-home earnings from work of over £300 per week. This is equivalent to a gross salary of at least £16,000 per annum.

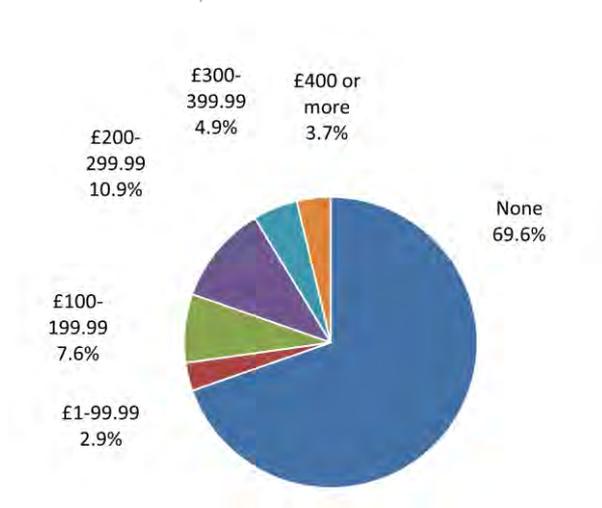
1.7 Many households in both the social and private rented sectors are able to claim support with rent costs in the form of housing benefit. The Department of Work and Pensions (DWP) publish quarterly statistics for Housing Benefit recipients.

1.8 Figure 2 shows the proportion of all households in social housing who are receipt of housing benefit by local authority. In South Northamptonshire, 53% of all social tenants receive housing benefit, which is one of the lowest figures in the England. Meanwhile in Northampton nearly 70% of households in social housing receive housing benefit, or only 30% meet the full cost of their rents.

Figure 2
Housing Benefit Claimants as a Share of All Households in Social Housing (Source: DWP October 2010 and HSSA 2010)

	Local Authority	Housing Benefit Claimants in the Social Sector
	Daventry	59.6%
	Northampton	69.0%
	South Northamptonshire	53.0%

Figure 1
Weekly Take-home Earnings of New Social Tenants in West Northamptonshire (Source: University of St Andrews CORE Records 2006-2009)



1.9 In recent years housing benefit support in the private rented sector has increased as a tool used by councils to help meet housing need. In February 2011, nearly 7,000 households in West Northamptonshire received housing benefit support to live in the private rented sector (Figure 3).

1.10 While many households choose to live in private rented accommodation with housing benefit support, other households would prefer a social tenancy, but are unable to obtain one due to shortages in social rented stock. To reduce the number of households claiming housing benefit in the private rented sector, more affordable housing would need to be provided. This in turn would reduce demand for private rented housing – so either more housing would be available for households able to afford market rent (without benefit support) or more housing would be available to purchase (if landlords chose to sell their properties). This issue is addressed in more detail in Section 2.

Figure 3
Housing Benefit Claimants in the Private Rented Sector February 2011 (Source: DWP)

Local Authority	Housing Benefit Claimants in the Private Rented Sector
Daventry	950
Northampton	5,280
South Northamptonshire	700
Central Total	6,930

- 1.11 Figure 4 shows the number of housing benefit claims across all tenures over time. All local authorities have seen a rise in the number of claimants
- 1.12 Figure 5 illustrates an alternative way of looking at this issue. It shows the difference which exists between the number of social rented dwellings in the local authority, and the number of households claiming housing benefit. This shows that even if only households claiming housing benefit were to be housed in social rented dwelling then there would still be over 200 too few social rented dwellings in Northampton. Therefore, it is inevitable that the private rented sector will be required to provide a continuing function to help meet housing need. There may also be a need to establish why claimant numbers have increased and whether there is a correlation with local housing and planning policies.

Figure 4
Total Number of Local Housing Allowance/Housing Benefit Recipients: Q1 2003-Q4 2010
(Source: DWP Housing Benefit Statistics. Note: Data from August 2007-October 2008 was not reported)

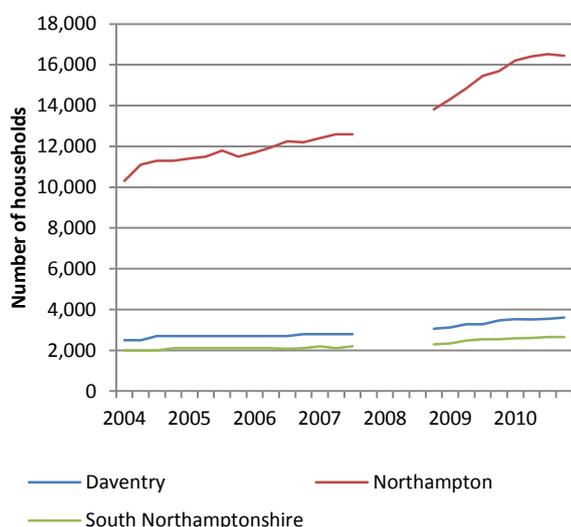
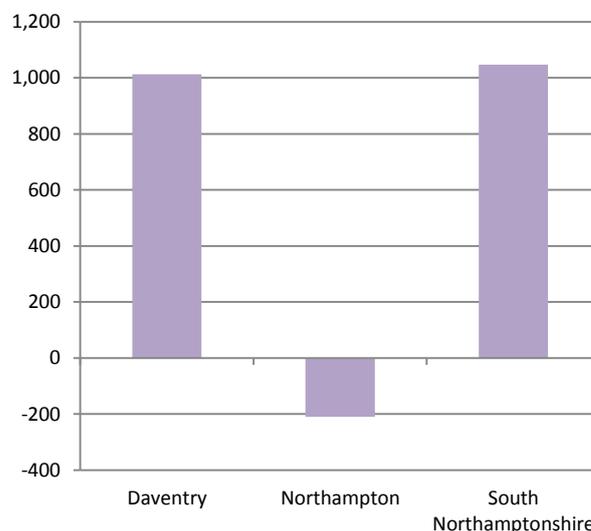


Figure 5
Gap between Number of Social Rented Dwellings and Number of Local Housing Allowance/Housing Benefit Recipients by Local Authority
(Source: HSSA 2010; DWP October 2010)



Defining Markets Rents and Housing Need

- 1.13 Planning Policy Statement 3: Planning for Housing Technical change to Annex B, Affordable Housing definition Consultation February 2011 offers the following definitions:

» **Affordable housing should:**

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.

- *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision’.*
- » **Social rented housing is:** *Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime.*
- » **Affordable rented housing is:** *Rented housing provided by registered providers of social housing, that has the same characteristics as social rented housing except that it is outside the national rent regime³, but is subject to other rent controls that require it to be offered to eligible households at a rent of up to 80 per cent of local market rents⁴.*
- » **Intermediate affordable housing is:** *Housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing.*

1.14 These definitions clearly identify that affordable housing must be let at rates below those for market housing, but they do not define how to calculate the cost of market housing. This question has produced a number of potential answers.

Market Rent Level

1.15 Market rents tend to vary by property size, but even properties of the same size do not have a single rent level – there is a range of rents that will be charged. The charts below show the range of weekly rents on offer by dwelling size in the private sector for the Northampton Broad Rental Market Area (BRMA), which covers all of Northampton and parts of Daventry and South Northamptonshire. The results for other BRMAs covering the rest of Daventry and South Northamptonshire show a similar distribution.

Figure 6

Range of Weekly Private Rents for Shared Housing in Northampton BRMA July 2011 (Source: LHA Direct)

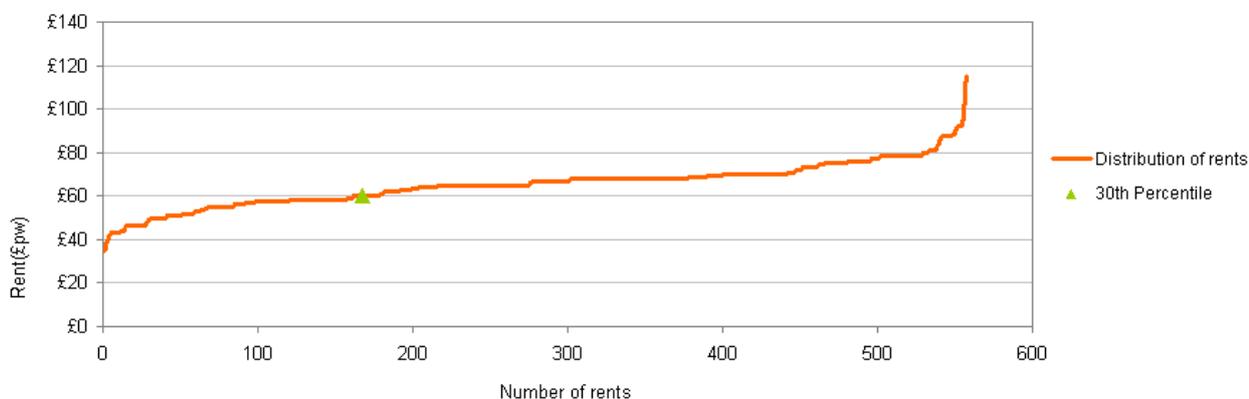


Figure 7
Range of Weekly Private Rents for 1 Bedroom Dwellings in Northampton BRMA in July 2011 (Source: LHA Direct)

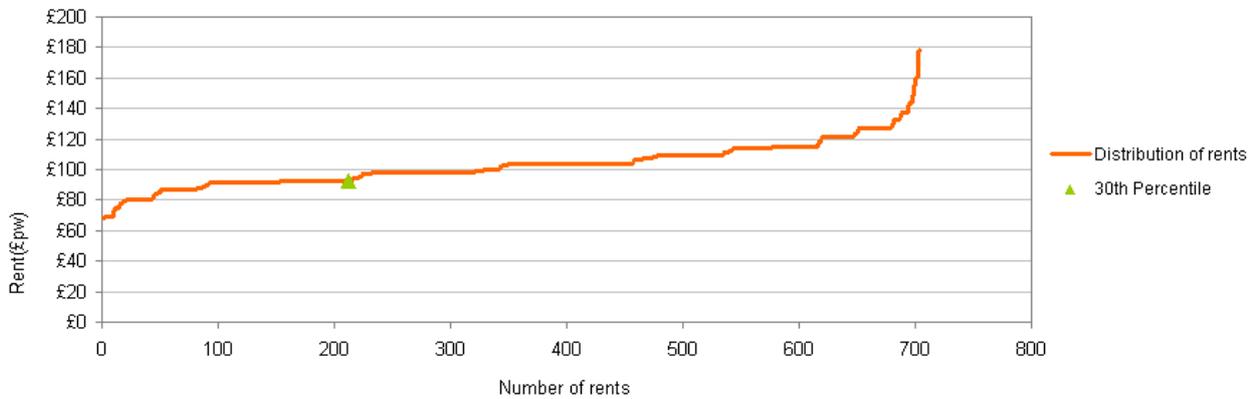


Figure 8
Range of Weekly Private Rents for 2 Bedroom Dwellings in Northampton BRMA in July 2011 (Source: LHA Direct)

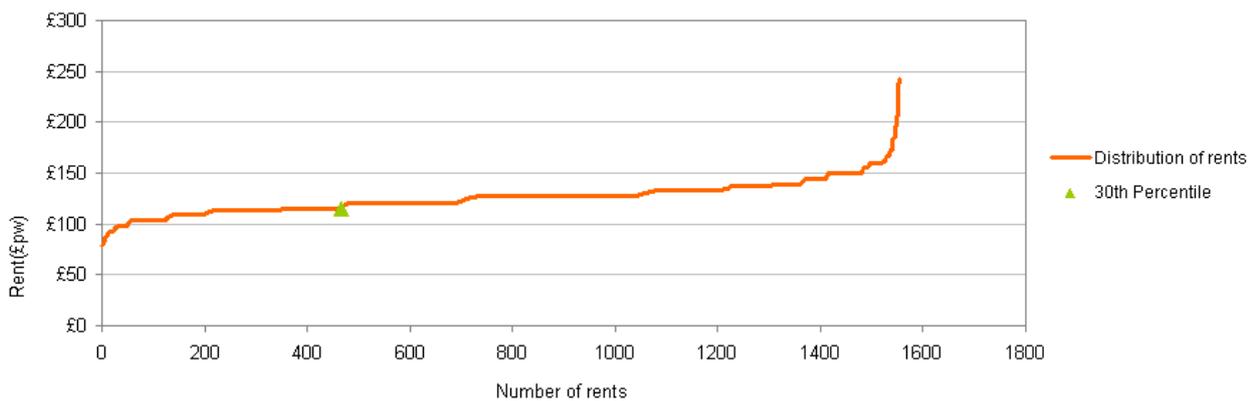


Figure 9
Range of Weekly Private Rents for 3 Bedroom Dwellings in Northampton BRMA in July 2011 (Source: LHA Direct)

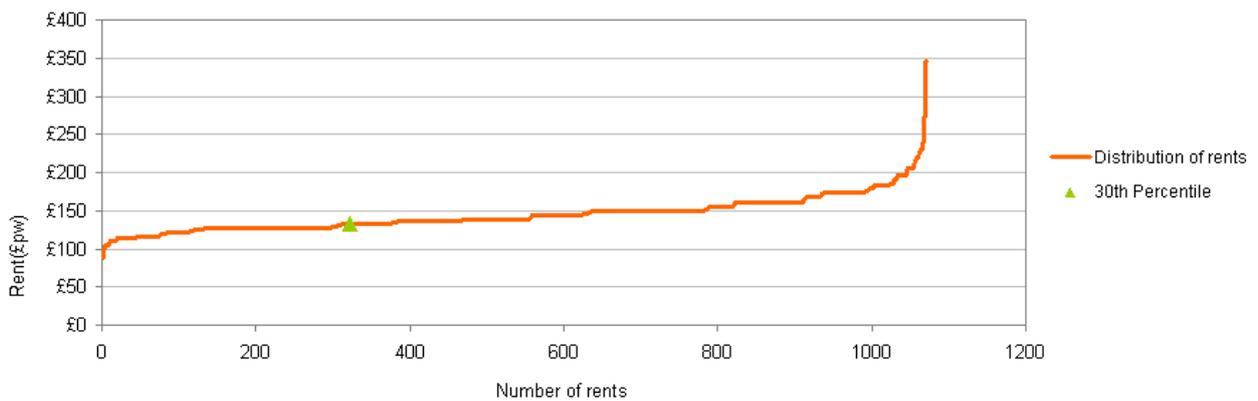
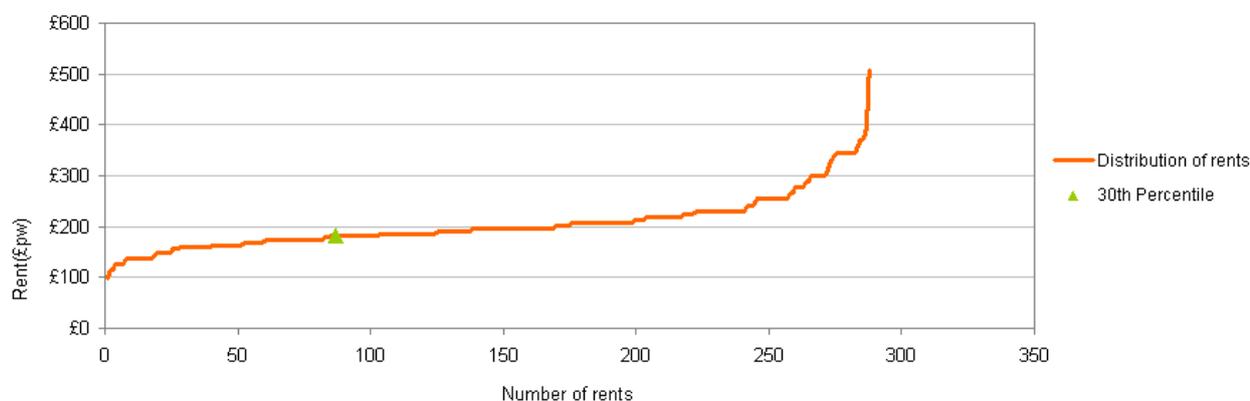


Figure 10

Range of Weekly Private Rents for 4 Bedroom Dwellings in Northampton BRMA in July 2011 (Source: LHA Direct)



- 1.16 Until recently, the median rent (or 50th percentile) was the point at which local housing allowance (LHA) rates were set, and has been broadly considered to be the local “market rent”.
- 1.17 On the basis of this definition (market rent being set at the median) and the earlier definition for Affordable Rent (being 80% of market rent), Affordable Rents would be set at up to 80% of the 50th percentile of all private rents in West Northamptonshire.

Changes to Social Housing Letting Policy and Local Housing Allowance in June 2010 Budget

- 1.18 The Coalition Government’s first budget in June 2010 contained a number of proposed reforms to the local housing allowance. These included:
- » From April 2011, local housing allowance rates will be capped at £250 per week for a one bedroom property, £290 per week for a two bedroom property, £340 per week for a three bedroom property and £400 per week for four bedrooms or more.
 - » From April 2011, local housing allowance rates will be set at the 30th percentile of local rents (previously the 50th percentile)
 - » From 2013-14, local housing allowance rates will be uprated in line with CPI
 - » Deductions for non-dependents will be uprated in April 2011 on the basis of prices. This will reverse the freeze in these rates since 2001-02
 - » From April 2013, housing entitlements for working age people in the social sector will reflect family size.
 - » From April 2011, housing benefit claimants with a disability and a non-resident carer will be entitled to funding for an extra bedroom.
- 1.19 The change from using the 50th percentile to the 30th percentile for calculating local housing allowance rates could have a significant impact on West Northamptonshire. Figure 11 shows the local housing allowance rates for March 2011 (based on the 50th percentile) alongside the 30th percentile rents which currently set the LHA limit.

Figure 11:
March 2011 and July 2011 Local Housing Allowance Thresholds for Broad Rental Market Areas in West Northamptonshire. (Source: LHA Direct)

Broad Market Rental Area	March 2011 LHA (50 th percentile)				July 2011 LHA (30 th percentile)			
	1 bed	2 bed	3 bed	4 bed	1 bed	2 bed	3 bed	4 bed
Cherwell Valley Daventry and South Northamptonshire	£121.15	£150.00	£184.62	£253.85	£110.20	£144.23	£173.08	£219.23
Leicester Daventry	£91.15	£114.23	£129.23	£173.08	£86.54	£109.62	£123.46	£160.38
Milton Keynes South Northamptonshire	£121.15	£150.00	£173.08	£242.31	£114.23	£144.23	£167.31	£219.23
Northampton Daventry, Northampton and South Northamptonshire	£102.69	£126.92	£138.46	£196.15	£92.31	£115.38	£132.69	£183.46
Northants Central Daventry	£86.54	£109.62	£126.92	£173.08	£80.77	£103.85	£115.38	£160.38
Rugby & East Daventry	£92.31	£114.23	£138.46	£192.69	£86.54	£109.62	£126.92	£183.46

- 1.20 Under these definitions it is arguable that the 30th percentile should also provide an appropriate basis for determining “market rent”, and some local authorities across the country have considered their position in relation to determining Affordable Rents in this context.
- 1.21 On the basis of this definition (market rent being set at the 30th percentile) and the earlier definition for Affordable Rent (being 80% of market rent), Affordable Rents would be set at up to 80% of the 30th percentile of all private rents in West Northamptonshire.

Defining Housing Market Price Thresholds using Strategic Housing Market Assessment Practice Guidance

- 1.22 In practice the very cheapest second hand open market dwellings can be cheaper than any intermediate (and on some occasions social rented) dwelling. Therefore, for the definitions in PPS3 to have practical relevance there is a need to identify a market housing threshold price which then sets the upper limit for the cost of affordable housing products.
- 1.23 On this point, SHMA practice guidance (Chapter 3, page 27) states that for house prices, ‘Entry-level prices should be approximated by lower-quartile house prices’. The cheapest available house prices should not be used since these often reflect sub-standard quality or environmental factors,’ and for private rents, **‘As with house prices, lower-quartile rents should be used to estimate the entry level’**.
- 1.24 Therefore SHMA Practice Guidance identifies that the threshold point for market housing commences at the lowest quartile for owner occupation and private rents. In practice private rents are more affordable in West Northamptonshire than owner occupation, so it is these which define the point where market housing costs begin and act as the upper limit for intermediate affordable housing costs.
- 1.25 On the basis of this definition (market rent being set at the lowest quartile) and the earlier definition for Affordable Rent (being 80% of market rent), Affordable Rents would be set at up to 80% of the 25th percentile of all private rents in West Northamptonshire.

Summary of General Market Rent Definitions

1.26 All of the above definitions can be summarised as follows.

Market Rent Definition		Source of Definition
Median rents	50 th percentile	Common understanding and pre-April 2011 threshold for Local Housing Allowance
LHA threshold	30 th percentile	Current threshold for Local Housing Allowance
Lower quartile rent	25 th percentile	Strategic Housing Market Assessment Practice Guidance threshold for market rents

Further Consideration of the Government's June 2010 Budget

1.27 The key issue to consider is how the changes to the local housing allowance will affect the market for affordable housing, particularly in terms of demand and supply. Some considerations are set out below.

In April 2013, housing entitlements for working age people in the social sector will reflect family size

1.28 Example: a working age couple with two adult children occupy a 3 bed social rented property and receive housing benefit. If the adult children move out of the house, the couple will technically only require a 1 bed dwelling. The policy impact is that they will no longer receive housing benefit for a 3 bedroom property but a 1 bed – they will either;

- » be required to pay the balance of rent from their own funds, or,
- » move to a small dwelling and continue to receive housing benefit.

1.29 There are a range of possible implications arising from such a change (and we have not considered the ethical implications of the change):

- » More households may downsize from family sized social rented dwellings into smaller units
- » Some larger properties may become available for overcrowded households with children
- » there may be or may not be a corresponding 'balancing effect', as larger homes and smaller homes are vacated
- » Adult children may subsidise their parents to allow them to remain in the larger family home

Deductions for non-dependents will be uprated in April 2011 on the basis of prices. This will reverse the freeze in these rates since 2001-02

1.30 Example: a pensioner couple with two adult children occupy a 3 bed social rented property and receive housing benefit. Current deductions for non-dependents will rise in April 2011, hence reducing the amount of housing benefit received by this household. If the adult children move out of the house, the couple will

be allowed to remain in their dwelling because they are not working age and will receive more housing benefit.

- 1.31 The policy impact is that the financial incentive is for the adult children to leave home and seeking their own independent accommodation, hence the rate of household formation will rise.
- 1.32 Other changes to the policy could also have an impact: Changes to the local housing allowance may have considerable changes to the supply of dwelling available for households who require financial support in the private rented sector. These changes will not reduce the number of households seeking affordable or subsidised housing – however, it may increase the demand on local authorities to meet these households housing need.
- 1.33 The ability of districts to meet housing need is dependent upon many issues. For example, how willing will private landlords be to accept households in receipt of housing benefit at the reduced levels from April 2011? Potential scenarios include:
- » Market rent levels fall as landlords accept lower yields on their investments.
 - » If the new rent thresholds are too low then landlords may simply not be willing to accept housing benefit dependent households and instead return their stock to the market sector.
 - » This in turn may see house prices and rents fall as more housing becomes available to buy or rent - more households may be able to meet their housing requirements in the open market.
- 1.34 However, if landlords are not prepared to accept households in receipt of housing benefit, where will these households have their housing needs addressed? Social housing has limited supply. Homelessness presentations may increase and overcrowding might rise. The percentage of disposable income paid to rent may rise in households seeking housing in the private sector.
- 1.35 In summary:
- » Changes to the local housing allowance outlined in the June 2010 budget may have considerable impact on the social and private rented sectors.
 - » Potentially, there could be reduced household formation rates which may reduce the number of households seeking affordable housing. However, some changes in the LHA may also see formation rates rise.
 - » The supply of private rented dwellings may change significantly, especially for households on lower incomes.
 - » Where landlords accept lower rents then many households may move from more expensive areas.
 - » The total number of housing benefit claimants in the private rented sector is unlikely to fall, but their locations will change to lower priced areas.
 - » Alternatively, where landlords do not accept the lower rents more properties may return to 'pure' market housing.
 - » An increase in households seeking to address their own housing requirements by buying or renting is likely.

- » Local authorities may be pressed to find housing solutions for increasing demand from households who cannot resolve their own needs - homelessness presentations and overcrowding may also rise further.

Further Changes to Benefits Announced in October 2010

^{1.36} Additional changes to the benefit system which will impact upon the receipt of housing benefit were announced in October 2010. These will see the total level of benefit received by any household capped at £500 per week. The amount of housing benefit any household can receive will be assessed after any Jobseekers Allowance, Income Support, council tax benefit, child tax credit and child benefit have been deducted. The worked example below shows this calculation for an unemployed couple with 5 children who are ;

- » £102.75 couple rate for Jobseekers Allowance
- » £25.00 council tax benefit
- » £231.63 child tax credit for five children
- » £73.90 child benefit for five children
- » £66.72 amount left for housing benefit

^{1.37} Therefore, in the example above, the housing benefit received will not cover the typical rent on a larger social rented unit and will fall a long way short of the rent required for a larger private rented dwelling. The effects of this change will be felt most heavily in more expensive areas of the country (typically in and around London), but may also see homelessness presentations and overcrowding rise in area such as West Northamptonshire.

Potential Affordable Rent Levels

^{1.38} The following section explores the potential impact of Affordable Rents on the level of rents which housing association could potentially charge in West Northamptonshire. Figure 11 showed the current and past LHA levels for BRMAs in the sub-region. The figures are based upon the 50th percentile (previous maximum LHA rate) and 30th percentile (current maximum LHA rate) private rents in the area.

^{1.39} CLG have stated that for Affordable Rent it should be the case that **'Rents will be set at 80 per cent of market levels, but will not be allowed to rise above LHA levels'**. Therefore the current LHA figures set out in Figure 11 represent the maximum permissible Affordable Rents which could be charged.

^{1.40} Figure 12 shows the Affordable Rents which would arise from using 80% of the March 2011 50th percentile rents as market rents, while Figure 13 shows the Affordable Rents which would arise from using 80% of the July 2011 30th percentile rents as market rents.

^{1.41} Due to licensing issues we cannot reproduce the Ordnance Survey maps showing the areas covered by the BRMAs, but the links below provide access to maps for all BRMAs covering West Northamptonshire.

<https://lha-direct.voa.gov.uk/SearchResults.aspx?LocalAuthorityId=320&LHACategory=999&Month=7&Year=2011&SearchPageParameters=true>

<https://lha-direct.voa.gov.uk/SearchResults.aspx?LocalAuthorityId=324&LHACategory=999&Month=7&Year=2011&SearchPageParameters=true>

- 1.42 It should be noted that using 80% of the March 2011 50th percentile market rents gives Affordable Rents which are below current LHA threshold levels. Therefore, there is no reason why the 50th percentile market rents cannot be used as a reference point when setting Affordable Rents.

Figure 12

Possible Levels for Affordable Rents in West Northamptonshire Using March 2011 50th Percentile as Market Rent (Source: LHA Direct)

Broad Market Rental Area	Number of bedrooms			
	1 bed	2 bed	3 bed	4 bed
80% of March 2011 50th Percentile Rents				
Cherwell Valley Daventry and South Northamptonshire	£96.92	£120.00	£147.70	£203.08
Leicester Daventry	£72.92	£91.38	£103.38	£138.46
Milton Keynes South Northamptonshire	£96.92	£120.00	£138.46	£193.85
Northampton Daventry, Northampton and South Northamptonshire	£82.15	£101.54	£110.77	£156.92
Northants Central Daventry	£69.23	£87.70	£101.54	£138.46
Rugby & East Daventry	£73.85	£91.38	£110.77	£154.15

Figure 13:

Possible Levels for Affordable Rents in West Northamptonshire Using July 2011 30th Percentile as market Rents.(Source: LHA Direct)

Broad Market Rental Area	Number of bedrooms			
	1 bed	2 bed	3 bed	4 bed
80% of June 2011 30th Percentile Rents				
Cherwell Valley Daventry and South Northamptonshire	£88.16	£115.38	£138.46	£175.38
Leicester Daventry	£69.23	£87.70	£98.77	£128.30
Milton Keynes South Northamptonshire	£91.38	£115.38	£133.85	£175.38
Northampton Daventry, Northampton and South Northamptonshire	£73.85	£92.30	£106.15	£146.77
Northants Central Daventry	£64.62	£83.08	£92.30	£128.30
Rugby & East Daventry	£69.23	£87.70	£101.54	£146.77

- 1.43 The potential levels of Affordable Rents can be compared with existing social target rents in each local authority (Figure 14). It should be noted that the comparison is being made between local authority target rents and private rents in Broad Rental Market Areas covering parts of those authorities. It should also be noted that services charges for properties are included in the Affordable Rent, so the tenant will pay 80% of market rents, but the landlord will need to deduct some of this income to cover services.

- 1.44 Taking Northampton as an example, the figures show that the Affordable Rent for a 1 bed property using 80% of the median rents could potentially be £10 per week higher (£82.15-£72.39) than current social target rents, with large increases applying in Daventry and South Northamptonshire. If the market rent was assumed to be set at a lower threshold such as the 30th percentile point then the gap between Affordable Rents and social rents would be lower.

Figure 14:

Target Social Rents by Local Authority (Source Dataspring Guide to Local Rents 2009 Part II: Social Landlord Rents, table B3)

Broad Market Rental Area	80% of Median Rents			
	1 bed	2 bed	3 bed	4 bed
Daventry	£63.62	£70.14	£70.18	£76.01
Northampton	£72.39	£79.91	£84.79	£93.04
South Northamptonshire	£66.18	£69.26	£75.65	£79.00

2. Housing Needs and Requirement

Updating the Findings

Reviewing the Modelling Analysis from 2009/10

^{2.1} The 2009 SHMA contained core modelling results which were based on the following assumptions:

- » Mortgage multiplier used is 3.5%, so households are able to borrow up to 3.5 times their household income;
- » Households can spend up to 25% of their income for rent in accordance with CLG Practice Guidance recommendations;
- » The annual rental yield for private rented dwellings is 6.5%. This is the rate of return on private rented dwellings so a property valued at £100,000 is assumed to yield a rent of £6,500 per annum. There are no official statistical sources for rental yields, so the figure used in the model is from the Paragon Private Rented Sector Trends Bulletin July 2008.
- » House prices are set as a baseline rate of their 2008/09 levels, but are then sensitivity tested for changes in either direction.
- » Social renting rates across different types of households are assumed to remain at their 2001 levels. This does not mean that overall social renting rates are assumed to remain at 2001 levels, but that if 20% of single persons were in social rent in 2001 we have assumed that this ratio continues into the future.
- » It is assumed that any right to buy/right to acquire sales since 2001 are required to be replaced within the model by additional new build of social rented dwellings. This is due a right to buy/right to acquire sales representing a loss of a social rented dwelling without any reduction in the number of households seeking social rent, so each sale require a new build to replace it. Projected right to buy/right to acquire sales are based upon average number of sales since 2005.
- » The requirements assume a site delivery threshold of zero, so all sites yield affordable housing. If some sites do not deliver affordable housing, the remaining sites will be required to absorb the remaining requirements. Therefore, if only 50% of sites deliver affordable housing the then identified percentages for delivery would require doubling if all requirements are to be met.
- » Intermediate affordable housing is housing whose cost is above target social rents, but below the cost of market housing (rent or owner occupier). Therefore, intermediate affordable housing it must be cheaper than the cost of renting a dwelling at the lower quartile of private rents.
- » The period for results was 2008-2026 with dwelling delivery based upon RSS projections,
- » All figures were rounded to the nearest 100.

- 2.2 On the basis of the above assumptions, the estimated housing tenure mix required for the sub-region was given in Figure 15.

Figure 15

Overall Housing Requirement 2008-2026 (Source: West Northamptonshire SHMA 2009/10 Note: Figures may not sum due to rounding)

Housing Type	Requirement 2008-2026	
	Number of Units	%
Market Housing	33,100	68.5%
Intermediate Affordable Housing	1,300	2.6%
Social Rented Housing	14,000	29.0%
Overall Housing Requirement	48,400	100.0%

- 2.3 The result shows that at the sub-regional level, the existing stock of intermediate housing was nearly large enough to satisfy the majority of the identified requirement. The future requirement for both social rented housing and market housing could not be satisfied by the existing stock, hence the identified additional number of dwellings required.
- 2.4 However results for the individual Local Authorities revealed key differences disguised by the sub-regional requirements. These are summarised in Figure 16. These showed that South Northamptonshire had a large identified requirement for intermediate housing, but that little was required in the Northampton Implementation Area (NIA) and none required in Daventry.

Figure 16

Housing Requirement by Area 2008-2026 (Source: West Northamptonshire SHMA 2009/10 Note: Figures may not sum due to rounding)

Housing Type	Local Authority		
	Daventry	Northampton Implementation Area	South Northamptonshire
House Prices at 2008/09 levels			
Market housing	8,300	20,600	4,200
Intermediate affordable housing	0	100	1,100
Social rented housing	2,800	10,300	900
Total Housing Requirement (2008-26) equals 48,400	11,200	31,000	6,200
Market housing	74.6%	66.3%	68.1%
Intermediate affordable housing	0.0%	0.4%	18.2%
Social rented housing	25.4%	33.3%	13.7%

2.5 The size mix for each of the areas is detailed below in Figure 17.

Figure 17

Size Mix of Housing Requirement to 2026 by area (Source: West Northamptonshire SHMA 2009/10 Note: Figures may not sum due to rounding)

Housing Type	Local Authority		
	Daventry	Northampton Implementation Area	South Northamptonshire
Market Housing			
1 bedroom	300	1,400	300
2 bedrooms	1,700	5,300	1,100
3 bedrooms	3,800	10,200	1,900
4 bedrooms	1,900	3,100	700
5+ bedrooms	500	700	200
Sub-total	8,300	20,600	4,200
Intermediate Affordable Housing			
1 bedroom	-	-	100
2 bedrooms	-	-	300
3 bedrooms	-	100	500
4 bedrooms	-	-	200
5+ bedrooms	-	-	-
Sub-total	0	100	1,100
Social Rented Housing			
1 bedroom	800	3,800	300
2 bedrooms	900	3,100	300
3 bedrooms	1,000	3,000	200
4 bedrooms	100	300	-
5+ bedrooms	-	100	-
Sub-total	2,800	10,300	900
All Housing			
1 bedroom	1,100	5,200	700
2 bedrooms	2,600	8,400	1,700
3 bedrooms	4,800	13,300	2,600
4 bedrooms	2,100	3,400	1,100
5+ bedrooms	600	800	200
Total	11,200	31,000	6,200

Dwelling Delivery in the Joint Core Strategy

- 2.6 In the 2009/10 SHMA, household projections produced in 2009 by PopGroup on behalf of the East Midlands Regional Assembly were used. These household projections were based on the 2006 based ONS population projections, but are constrained to the Regional Spatial Strategy (RSS) dwelling delivery targets for each district and borough.
- 2.7 In preparing the Pre-submission Joint Core Strategy (PSJCS) the Joint Planning Unit concluded that the current economic situation is such that the achievement of RSS housing rates is unattainable. The PSJCS

establishes a housing provision which seeks to be achievable and reasonable. While the RSS identified a requirement for dwelling delivery between 2001 and 2026 in West Northamptonshire of 62,150, the PSJCS identifies a dwelling delivery target of 50,150 for the same time period.

- 2.8 The ORS Housing Mix Model is designed in such a way as to allow local authorities to update their own modelling results in-house. Therefore, in October 2010, West Northamptonshire commissioned new household projections from PopGroup and re-modelled their own housing requirements to a baseline of March 2010.
- 2.9 The results of this modelling exercise are shown below in Figure 18 and Figure 19. When compared with the estimates in the original 2009/10 SHMA, the re-modelled results for West Northamptonshire show that the reduction in dwelling delivery has been identified primarily for Daventry and Northampton. The impact of the lower planned dwelling delivery is to reduce the total number of affordable units required, but the affordable housing requirement will be a higher share of the total requirement.

Figure 18

Overall Housing Requirement 2010-2026 (Source: West Northamptonshire SHMA In House Update October 2010 Note: Figures may not sum due to rounding)

Housing Type	Requirement 2010-2026	
	Number of Units	%
Market Housing	23,100	66.9%
Intermediate Affordable Housing	1,300	3.7%
Social Rented Housing	10,200	29.4%
Overall Housing Requirement	34,500	100.0%

Figure 19

Overall Housing Requirement 2008-2026 (Source West Northamptonshire SHMA In House Update October 2010 Note: Figures may not sum due to rounding)

Housing Type	Local Authority		
	Daventry	Northampton	South Northants
Housing Requirement 2010-26			
Market housing	3,800	15,700	3,600
Intermediate affordable housing	0	0	1,300
Social rented housing	1,700	7,500	900
Total Housing Requirement	5,400	23,200	5,800
Market housing	69.2%	67.6%	61.9%
Intermediate affordable housing	0.0%	0.0%	21.8%
Social rented housing	30.8%	32.4%	16.2%

- 2.10 The remainder of this section takes the result from the October 2010 in-house update and further update the modelling to account for the impact of changes to housing benefit and also for the introduction of Affordable Rent.

Housing Benefit in the Private Rented Sector

- 2.11 As noted earlier in this report it is the case there are currently nearly 7,000 households in receipt of housing benefit in the private rented sector in West Northamptonshire, with the majority of these being in Northampton. The modelling originally conducted in the 2009/10 SHMA and updated in October 2010 assumed that housing benefit claimants in the private rented sector remained at their current levels. Figure 20 shows the impact of different assumptions around housing benefit claimants in the private rented sector. It is clear that in an area such as Northampton with a high number of households receiving housing benefit in the private rented sector any attempt to reduce this number will significantly add to the social housing requirement of the area.
- 2.12 Therefore, if West Northamptonshire wish to reduce the number of households claiming housing benefit in the private rented sector they will require more social housing. In this context social housing be of the traditional form, or could be Affordable Rent where the rent of the household is paid for by housing benefit. This therefore would simply be a case of transferring housing benefit claimants from the private to the public sector.

Figure 20

Residual Requirement for Social Rented Housing 2010-2026 for Different Levels of Reductions in Housing Benefit Claimants in the Private Rented Sector (2010 Note: Figures may not sum due to rounding)

Local Authority	Reduction in Private Rented Sector Housing Benefit Claimants				
	0%	25%	50%	75%	100%
Daventry	30.8%	35.9%	40.3%	44.7%	49.1%
Northampton	32.4%	38.0%	43.7%	49.4%	55.1%
South Northamptonshire	16.2%	18.5%	21.6%	24.6%	27.6%
West Northamptonshire	29.4%	34.4%	39.4%	44.5%	49.5%

Affordable Rent

- 2.13 While the impact of seeking to reduce the number of households receiving housing benefit in the private rented sector is relatively straightforward to model, Affordable Rent has a more complex impact on the housing market. This is because it potentially affects both the allocation of households to social rent and also the supply of social rented dwellings.
- 2.14 The sections below outline the potential consequences of these factors. A series of potential scenarios are then applied to the ORS Housing Market Model to highlight the impact of these changes.

Affordable Rent and the Allocation of Social Housing

- 2.15 As noted in Figure 1 and Figure 2 there are many households in social housing in West Northamptonshire who currently have sufficient income to meet their own housing costs and nearly 10% of all allocations in the last 3 years have been to households with earnings from work of above £15,000 per annum.

- 2.16 Current tenancies will not be affected by Affordable Rent, but the allocation of new households to social housing may be affected. If households are means tested at the point of allocation, then households who previously would have been allocated to social rent could be allocated to Affordable Rent with the ability to meet their own housing costs.
- 2.17 This in turn would reduce the need for existing social housing, which could in turn be allocated to households who cannot afford to meet the costs of Affordable Rent. In effect, within the model, households who would have been allocated to social housing will now be allocated to an equivalent of intermediate housing in the form of Affordable Rent.
- 2.18 To highlight the importance of this change, the potential Affordable Rents identified in Figure 12 have been converted into the amount of income required to be able to afford to pay them on the basis of households spending no more than 25% of their income on rents. As an example a household would require an income of at least £21,100 to be able to afford a 2 bed Affordable Rent in Northampton. It can be seen that for 1 bed to 3 bed dwellings, households with incomes of £15,000-£30,000 would be considered for Affordable Rent. It is only larger dwellings which would require higher household incomes.

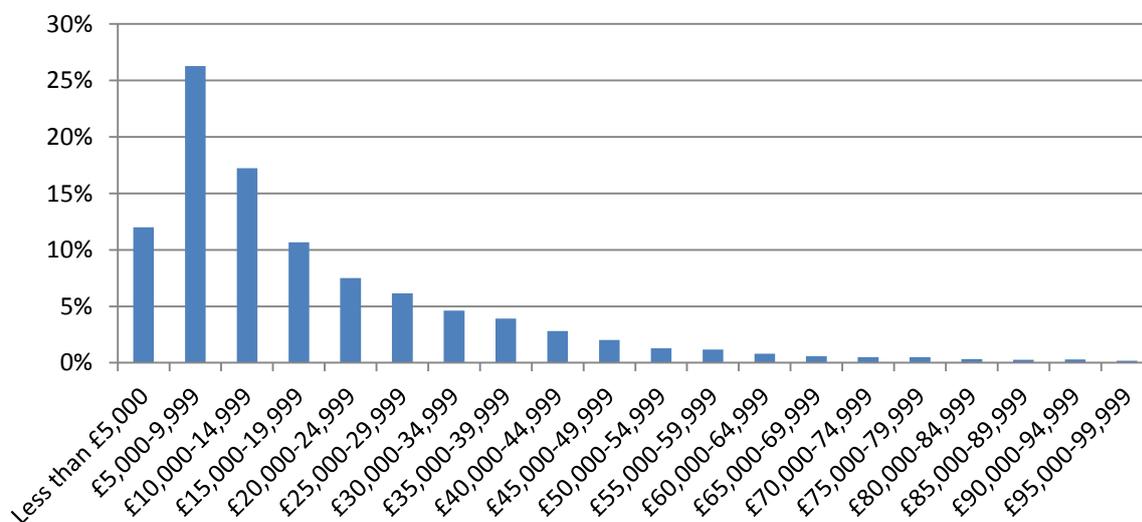
Figure 21:

Income Required to be Able to Pay Affordable Rents in West Northamptonshire Using March 2011 50th Percentile as Market Rent and Spending 25% of Gross Income on Rents (Source: LHA Direct. Figure rounded to nearest £100)

Broad Rental Market Area	Number of bedrooms			
	1 bed	2 bed	3 bed	4 bed
80% of March 2011 50th Percentile Rents				
Cherwell Valley Daventry and South Northamptonshire	£20,200	£25,000	£30,700	£42,200
Leicester Daventry	£15,200	£19,000	£21,500	£28,800
Milton Keynes South Northamptonshire	£20,200	£25,000	£28,800	£40,300
Northampton Daventry, Northampton and South Northamptonshire	£17,100	£21,100	£23,000	£32,600
Northants Central Daventry	£14,400	£18,200	£21,100	£28,800
Rugby & East Daventry	£15,400	£19,000	£23,000	£32,100

- 2.19 An analysis of the income distribution of non homeowners in West Northamptonshire shows some interesting results. Figure 22 reveals that over 55% of all non-homeowners have incomes of under £15,000 per annum and therefore would not be considered for Affordable Rent. However, nearly 25% of current non-owners do have incomes between £15,000 and £30,000 per annum and could start to be considered for Affordable Rent.

Figure 22:
Income distribution of non owners in West Northamptonshire 2009 (Model based on Modelled Income for Non-Owners)



^{2.20} More details on current non-owners are provided in Figure 23. This shows the number of non-owner households in each income band. This emphasises that there are nearly 2,000 households in both Daventry and South Northamptonshire who are current non-owners with incomes of between £15,000 and £30,000, while 6,000 household fall into this category in Northampton.

Figure 23
Number of Non owners of all Households in West Northamptonshire 2009 (Model based on Modelled Income for Non-Owners)

Income Band	Daventry	Northampton	South Northamptonshire
Less than £5,000	824	3,377	696
£5,000-9,999	1,959	6,998	1,763
£10,000-14,999	1,353	4,352	1,328
£15,000-19,999	900	2,573	886
£20,000-24,999	588	1,922	546
£25,000-29,999	499	1,545	471
£30,000-34,999	363	1,124	396
£35,000-39,999	311	1,000	281
£40,000-44,999	279	572	294
£45,000-49,999	154	497	176
£50,000-54,999	151	230	145
£55,000-59,999	83	269	125
£60,000-64,999	55	213	63
£65,000-69,999	84	102	51
£70,000-74,999	43	78	77
£75,000-79,999	26	131	38
£80,000-84,999	21	82	24
£85,000-89,999	35	57	19
£90,000-94,999	27	62	29
£95,000-99,999	13	29	30
£100,000 and above	92	180	106

- 2.21 The impact of the allocation policy for Affordable Rent on the requirement for social housing will depend upon exactly how households are allocated.
- 2.22 If the allocation policy to social housing remains the same and households are allocated to Affordable Rent if they can afford to meet its costs then this will reduce the requirement for social housing. However, if Affordable Rent is used to accommodate households who would otherwise not necessarily receive social housing (such as those who would be identified as requiring other forms of intermediate housing) then there will not be an equivalent reduction in the needs for social rent.

Affordable Rent and the Supply of Social Rent

- 2.23 At this point it is also necessary to consider the impact that converting re-lets to Affordable Rent will have on the social rented stock available.

Example: The conversion to Affordable Rent will impact similar to that shown in the modelling for right to buy sales. A right to buy sale reduces the social housing stock by one unit, while increasing market housing by one unit. Converting a social housing re-let to Affordable Rent will potentially reduce the social housing stock by one unit while increasing the effective intermediate affordable housing stock by one unit.

- 2.24 The impact of converting social rented re-lets to Affordable Rents will ultimately depend upon who is housed in these properties. If the properties are let to households who can afford to pay the Affordable Rents then these dwellings will form part of the effective intermediate housing stock. However, if they are let to households who meet the cost of the properties through housing benefit receipt they form part of the effective social housing stock and therefore there will be no change in this stock.

Key Findings on Affordable Rent

- 2.25 Under the following combined circumstances the introduction of Affordable Rent will have **no** impact on the requirement for affordable housing:
- » The allocation policies currently in place continue and households are required to pay Affordable Rent if they are able to afford to do so; and
 - » Households who cannot afford to meet the costs of Affordable Rent receive housing benefit to cover the cost of the Affordable Rent.
- 2.26 If the circumstances outlined above apply, then those Affordable Rent dwellings will form part of the effective social housing supply, while those where the households pay their own rents will form part of the effective intermediate housing stock. This process would allow all new build lets and re-lets to be converted to Affordable Rent without any consequence for affordable housing requirements. The only impact would be on the rents paid by those who do not receive housing benefit. Currently they only pay Target Social Rents, but would now be required to pay Affordable Rents.
- 2.27 The area where Affordable Rents may impact upon housing requirements is if they are only let to households who can afford to pay the cost of the property and are not let to households in receipt of housing benefit. Under these circumstances Affordable Rent becomes interchangeable with Intermediate Rent. This could see existing social rented dwelling converted to become part of the effective intermediate stock and then let to households who would not normally be considered for social rent.

- 2.28 Under these circumstances the impact is similar to that of right to buy where social housing is converted to an alternative tenure (in this case intermediate housing) without any reduction in the demand for requirement for social housing. If this was to occur, Affordable Rent would help to meet intermediate housing requirements, but would see social housing requirements increase.

Affordable Rent Conclusions

- 2.29 A major finding of this study is that the introduction of the Affordable Rent does not impact on the number of households who will be seeking affordable housing in West Northamptonshire. Affordable Rent will represent a change in tenure, but these dwellings will still be used to meet the needs of households who require affordable housing.
- 2.30 If allocation policies remain constant and households who can't afford to meet the costs of Affordable Rent receive housing benefit to cover its costs then Affordable Rent will be the equivalent of social rent. It is also the case that currently a relatively low number of households are able to meet their own housing costs when allocated social rent. For these households, the impact of Affordable Rent will be to see the amount of rent they pay rise, but will otherwise have no impact on the total level of housing needs.
- 2.31 This in turn implies that the findings of the October 2010 update of West Northamptonshire SHMA are still valid for the affordable housing requirements in the area.
- 2.32 The only circumstances where the introduction of Affordable Rent will affect affordable housing requirements are if dwellings are let to households who would not have otherwise received affordable housing. Under these circumstances the total affordable housing requirement in West Northamptonshire would rise as additional household access affordable housing.
- 2.33 The introduction of Affordable Rent comes as part of a wider package of changes to the social housing system. Among these changes, local authorities have been encouraged by CLG to show greater flexibility in local letting policies. The future allocation criteria to Affordable Rent is therefore a policy decision facing the West Northamptonshire authorities with the possibility that the Councils may choose to use Affordable Rent to meet the needs of households who would not have qualified for social rent in the past.