



JULY 2022

West Berkshire Housing Needs Assessment Update

Iceni Projects Limited on behalf of
West Berkshire Council

July 2022

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ON BEHALF OF WEST
BERKSHIRE COUNCIL

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West Berkshire Housing Needs
Assessment Update

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EXECUTIVE SUMMARY

West Berkshire District Council (“the Council”) is in the process of preparing a Local Plan Review to guide development in the District over the period to 2039. When adopted, this will replace the existing Core Strategy Development Plan Document (DPD) (adopted July 2012), the Housing Site Allocations DPD (adopted May 2017) and the remaining saved policies of the West Berkshire District Local Plan 1991-2006 (as amended July 2012 and May 2017).

The Council has commissioned Icen Projects (“Icen”) and Justin Gardner Consulting (“JGC”) to update elements of the housing needs evidence previously prepared by Icen in May 2020. Since the publication of the last assessment, the Government has introduced First Homes – an affordable housing tenure which is a specific kind of discounted market sale housing. There are also new data inputs to overall housing need, affordable housing need, housing mix and older persons housing need.

This update captures the changes to national policy and the latest data inputs; and is intended to inform and support the Regulation 19 Consultation Local Plan Review.

Sub-Area Geographies

West Berkshire is made of three distinct sub-areas which are as follows:

- North Wessex Downs Area of Outstanding Natural Beauty (AONB)
- Newbury and Thatcham
- Eastern Area

These sub-areas are used as part of the core analysis recognising that they are distinct and could require a different policy response. A total of 74% of West Berkshire is covered by the North Wessex Downs AONB. As a result, the AONB makes a significant contribution to the overall landscape and character of West Berkshire.

The Newbury and Thatcham area is the focus for future development in both the current and emerging Local Plan Review. The Eastern Area is very diverse with a close functional relationship with Reading, particularly within urban centres such as Tilehurst and Calcot, parts of the sub-area are also relatively rural.

Overall Housing Need

The Government's current standard method for assessing housing need takes 2014-based Household Projections and applies an upward adjustment based on the median house price to earnings ratio. This method remains applicable to West Berkshire following revisions implemented by the Government in December 2020 which is relevant to the top 20 Cities and Urban Centres only.

In line with the standard method for calculating housing need as set out currently in the Planning Practice Guidance (PPG), a minimum local housing need of 513 homes per annum is identified for West Berkshire District. This is derived based on household growth of 378 per annum drawn from the 2014-based Household Projections with an affordability uplift of 136% applied to this based on the 2021 affordability ratio.

On the basis of our review of a range of factors in line with the PPG on Housing and Economic Development Needs Assessments, there are no circumstances in the District relating to economic growth, growth funding, strategic infrastructure improvements or affordable housing need which indicate that 'actual' housing need is higher than the standard method indicates.

In respect of unmet housing need, the Council is fully exploring this through the plan-making process with the West Berkshire Housing Market Area (HMA) authorities; as are other authorities. At present, there is a modest unmet need of 230 homes arising from Reading Borough (10 homes per annum) over its plan period, 2013-36.

The HMA authorities have signed a Memorandum of Understanding on Reading's Housing Needs which agrees: (1) the quantum of unmet need, (2) that this arises in the second half of Reading's plan period (2026-36), (3) that it should be met within the Western Berkshire HMA, and (4) that the HMA authorities will work together to collectively address the HMA's needs in full, including the unmet need from Reading.

The HMA authorities are at different stages of the plan-making process making it difficult to resolve how the unmet need is best met at the current time. Bracknell Forest Borough Council is the most advanced and has included an element of flexibility in the Local Plan's land supply to accommodate some of the need, should it not be possible to identify sites closer to Reading. The position is therefore evolving, and the conclusion of the process will have to be reflected in due course

Affordable Housing Need

The report includes an updated assessment of affordable housing need which responds to the widened definition of affordable housing set out in the Framework. This includes households who might be able to rent a home in the private sector without financial support but aspire to own a home

and require support to do so as well as consideration of First Homes. The assessment covers the period 2021-39.

The assessment shows an annual need for 330 rented affordable homes in West Berkshire and the Council is therefore justified in seeking to secure additional affordable housing. A breakdown is provided below by sub-area with a need shown in each area

Table: Affordable and Social Rented Need to 2039

Affordable and Social Rented	Net Need (p.a.)
Newbury and Thatcham	108
Eastern Area	71
North Wessex Downs AONB	152
District	330

The analysis supports the Council's draft affordable housing policy (Policy SP19) set out in the Local Plan Review which seeks a tenure split of the affordable housing on each development site of 70% social rented. There will inevitably be a series of considerations both at a strategic level and for specific schemes. In viability terms, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided.

Nevertheless, there is clear justification for the Council seeking to secure social rents as a starting point for negotiations on S106 Agreements as the priority affordable housing tenure in case-by-case negotiations. Doing so would ensure that affordable homes are delivered for those on the lowest incomes.

The report has also assessed the potential scale of need for affordable home ownership housing, identifying that there is an annual need for 367 per annum affordable home ownership homes in the District. This is shown in the Table below, again with a need in each sub-area. In interpreting this figure, it should however be noted that there could be a significant additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a much more limited need for Affordable Home Ownership (AHO).

Table: Affordable Home Ownership Need to 2039

Affordable Home Ownership	Net Need (p.a.)
Newbury and Thatcham	139
Eastern Area	67
North Wessex Downs AONB	160

Affordable Home Ownership	Net Need (p.a.)
District	367

The affordable housing needs analysis provides the Council with an evidential starting point to establish an affordable housing target through the Local Plan Review. The formation of an affordable housing target is the responsibility of the Council through policy and should be informed by other factors such as viability (e.g. how much can viably be provided) which will be addressed in due course by evidence base work to be commissioned by the Council.

Despite the level of need being high, it is not considered that this would necessarily point to any requirement for the Council to increase the Local Plan Review 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 arguably be double counting. That said, the level of affordable need across areas can form part of the consideration of the distribution of housing for different location, along with an understanding of demographic trends and economic growth.

Analysis does suggest that there are many households in West Berkshire who are being excluded from the owner-occupied sector (as evidenced by reductions in owners with a mortgage and increases in the size of the private rented sector). This suggests that a key issue in the study area is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.

The study also considers different types of AHO (notably First Homes and shared ownership) as each will have a role to play – shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.

In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).

Specialist Housing Needs

The analysis in this report has shown a notable growth in the population of older persons aged 65 and over in West Berkshire over the period to 2039, with the number of older people expected to grow by 43%.

Within this, the number of people with a limiting long-term health problem or disability is projected to increase in the District. The specific projections undertaken show an expected increase of those with dementia by 57% and with mobility problems by 47% to 2039.

The data shows that West Berkshire has a similar age structure and lower overall levels of disability compared with the national average – age specific rates of disability are notably lower than seen nationally. The older person population has some distinct characteristics, including a high representation in the owner-occupied sector and is projected to increase notably in the future.

Some older households, particularly those aged over 75, will require specialist housing provision. The analysis in this section points to a need for around 500 units of housing with support and around 650 units of housing with care. In considering extra-care schemes, there is a need to carefully consider the viability and practical feasibility of delivering affordable housing on-site. The provision of this form of specialist housing is not additional to the local housing need derived from the standard method.

Table: Specialist Housing Needs, West Berkshire, 2021-39

Specialist Housing Need		Shortfall/Surplus
Housing with Support	Market	856
	Affordable	-369
	Total	487
Housing with Care	Market	551
	Affordable	99
	Total	650

The Tables above should be considered as providing a set of parameters for housing need. The ultimate level of provision the Council seeks to support will be influenced by the broader strategy for older persons housing and care.

The analysis also identifies a need for additional nursing care bedspaces and a need for around 1,200 homes to be for wheelchair users (meeting technical standard M4(3)). This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing.

Given the evidence, the Council could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and around 10% of homes meeting M4(3) – wheelchair user dwellings (a higher proportion in the affordable sector).

Where the authority has nomination rights M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector they should be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.

The Council should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.

In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.

In framing policies for the provision of specialist older persons accommodation, the Council will need to consider a range of issues. This will include the different use classes of accommodation (i.e. C2 vs. C3) and requirements for affordable housing contributions (linked to this the viability of provision). There may also be some practical issues to consider, such as the ability of any individual development being mixed tenure given the way care and support services are paid for.

Needs for Different Sizes of Homes

There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability.

The analysis linked to long-term demographic change concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population – the analysis also models for there to be a modest decrease in levels of under-occupancy, which in West Berkshire is very high in the market sector.

Table: Need for Different Sizes of Homes

	1 Bed	2-Beds	3-Beds	4+ Beds
Market	5-10%	40-45%	35-40%	10-15%
Affordable Ownership	20-25%	45-50%	20-25%	5-10%
Affordable Rented	30-35%	35-40%	20-25%	5-10%

The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.

The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Council should also monitor the mix of housing delivered.

Analysis also suggests that the majority of units should be houses rather than flats, although consideration will need to be given to site specific circumstances (which may in some cases lend themselves to flatted development). Additionally, the Council should consider the role of bungalows within the mix – such housing can be particularly attractive to older person households downsizing and may help to release larger (family-sized) accommodation back into the market.

Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bedroom properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.

1. INTRODUCTION

- 1.1 West Berkshire District Council (“the Council”) is in the process of preparing a Local Plan Review to guide development in the District over the period to 2039. When adopted, this will replace the existing Core Strategy Development Plan Document (DPD) (adopted July 2012), the Housing Site Allocations DPD (adopted May 2017) and the remaining saved policies of the West Berkshire District Local Plan 1991-2006 (as amended July 2012 and May 2017).
- 1.2 The Council has commissioned Icen Projects (“Icen”) and Justin Gardner Consulting (“JGC”) to update elements of the housing needs evidence previously prepared by Icen in May 2020. Since the publication of the last assessment, the Government has introduced First Homes – an affordable housing tenure which is a specific kind of discounted market sale housing. There are also new data inputs to overall housing need, affordable housing need, housing mix and older persons housing need.
- 1.3 This update captures the changes to national policy and the latest data inputs; and is intended to inform and support the Regulation 19 Consultation Local Plan Review.

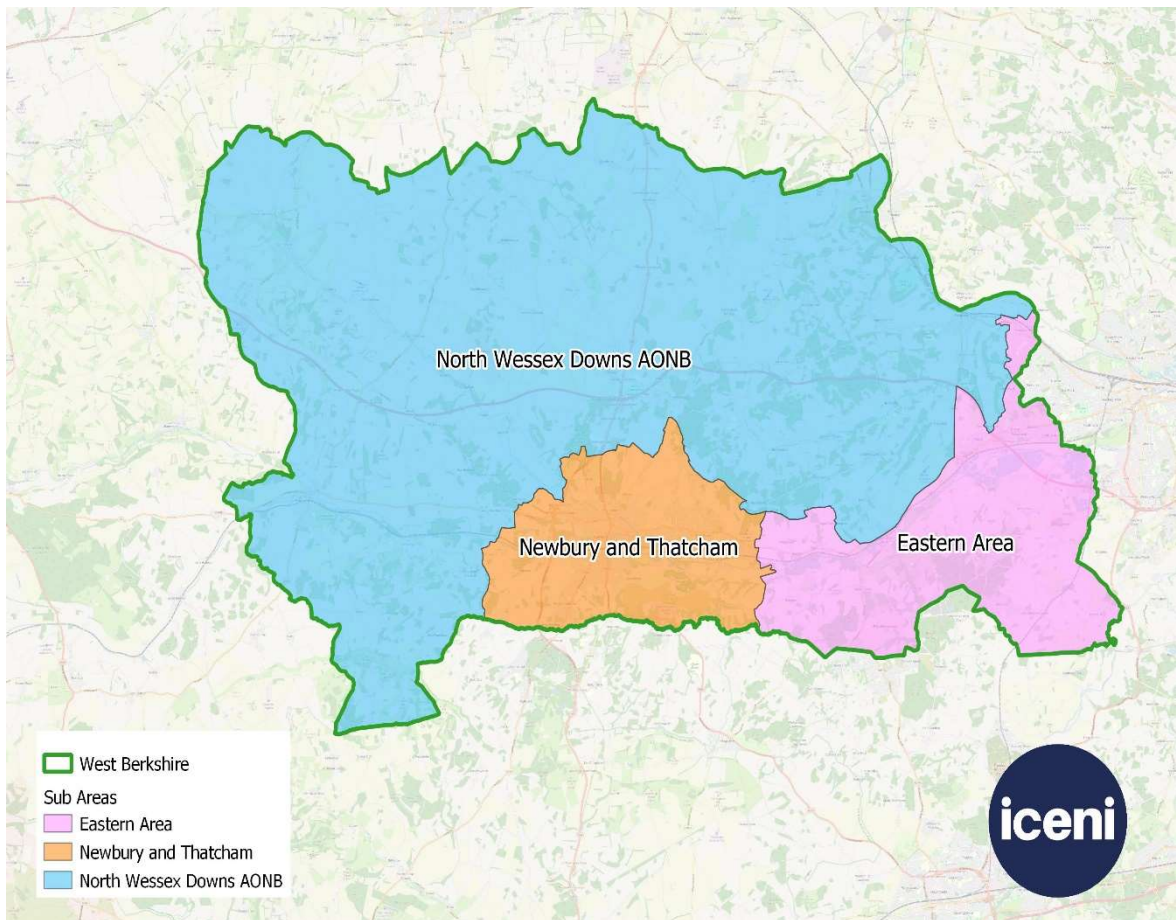
Sub-Areas for Assessment

- 1.4 West Berkshire is made of three distinct sub-areas which are as follows:
- North Wessex Downs Area of Outstanding Natural Beauty (AONB)
 - Newbury and Thatcham
 - Eastern Area
- 1.5 A total of 74% of West Berkshire is covered by the North Wessex Downs AONB. As a result, the AONB makes a significant contribution to the overall landscape and character of West Berkshire. The emerging Local Plan Review considers development in the sub-area beyond 2026 to be limited and largely met by existing undeveloped site allocations.
- 1.6 The Newbury and Thatcham area is the focus for future development in both the current and emerging Local Plan Review. The urban nature of both towns allows for brownfield development opportunities whilst some non-designated rural areas have potential to be allocated as additional greenfield sites.
- 1.7 The previous Icen needs assessment (May 2020) considered the Eastern Area and East Kennet Valley as two separate sub areas. The Council has since merged the two sub areas and as such

any data given in this report for the Eastern Area will also consider East Kennet Valley. As a result of this merge, the Eastern Area is very diverse with a close functional relationship with Reading, particularly within urban centres such as Tilehurst and Calcot, parts of the sub-area are also relatively rural. There are significant development constraints within the sub area namely the Detailed Emergency Planning Zones (DEPZ) for the Atomic Weapons Establishments (AWE) at Aldermaston and Burghfield.

1.8 The sub-area geographies for the core analysis in this report can be seen in Figure 1,1 below.

Figure 1.1: Sub-Area Geographies



Report Structure

1.9 The remainder of this update report is structured as follows

- Housing Market Dynamics
- Overall Housing Need;
- Affordable Housing Need

- Specialist Housing Needs; and
- Housing Mix

2. HOUSING MARKET DYNAMICS

- 2.1 In order to assess housing market dynamics in West Berkshire, IcenI have made comparisons of several key indicators to the comparators of the wider South East, England and the Western Berkshire Housing Market Area (HMA) authorities including Wokingham, Reading and Bracknell Forest. IcenI have also sought to engage with local estate and lettings agents in order to ascertain a deeper insight into existing market conditions and potential drivers of change.

Sales Market

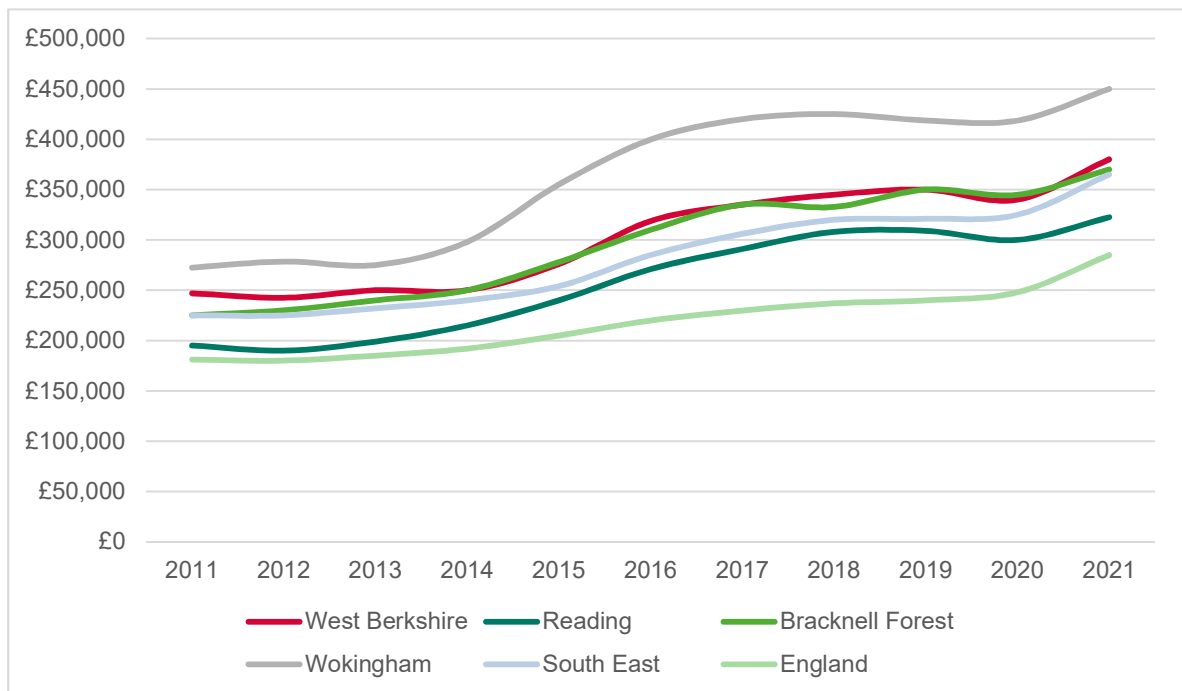
- 2.2 In the year ending September 2021, the median house price in West Berkshire was £380,000. In comparison to the wider HMA authorities, this was higher than both Bracknell Forest (£370,000) and Reading (£322,500) but notably lower than Wokingham at £450,000. All authorities in the HMA except for Reading had a median house price above the wider South East.

Table 2.1 Median House Prices

	Median House Price
West Berkshire	£380,000
Wokingham	£450,000
Reading	£322,500
Bracknell Forest	£370,000
South East	£365,000
England	£285,000

Source: Office for National Statistics (ONS), Year ending September 2021

- 2.3 The median house prices in all the Western Berkshire HMA authorities and the South East have been consistently higher than that of England overall. As is clear from the Figure below, over the last 10 years median house price growth has been particularly strong in Wokingham (65% increase), Bracknell Forest (64%) and Reading (65%). All three authorities experienced house price growth above the South East pace at 62%. In comparison, house price growth in West Berkshire was slow in relative terms over the 10 year period – below the national rate of growth – at around 54%.

Figure 2.1: Median House Price Trends, 2011-21

Source: Icen analysis of ONS data, Year ending September 2021

- 2.4 When assessed by property type, median house prices for larger properties (i.e. detached and semi-detached properties) in West Berkshire sit below those in all authorities in the HMA. At £560,000 for detached and £364,500 for semi-detached, median house prices in the District were however above or in line with the wider South East. The exception to this in West Berkshire is the cost of flatted properties which was notably below the wider comparators at £205,000; indicating a lack of relative demand for this type of property in the District.

Table 2.2 Median House Price by Type

	Detached	Semi-Detached	Terraced	Flats	All
West Berkshire	£560,000	£364,500	£300,000	£205,000	£380,000
Reading	£590,000	£370,000	£300,000	£240,000	£322,500
Bracknell Forest	£565,500	£415,000	£320,000	£222,750	£370,000
Wokingham	£590,000	£425,000	£355,500	£233,750	£450,000
South East	£550,000	£365,000	£300,000	£219,000	£365,000
England	£399,950	£254,000	£227,500	£240,000	£285,000

Source: Icen analysis of ONS data, Year ending September 2021

- 2.5 Drilling into the sub-area geographies, variations can be seen across the District. The AONB sub-area sees the highest median price at £467,733 followed by the Eastern sub-area which is in part influenced by the nature of housing stock in two principally rural areas (i.e. housing profile is more focussed towards larger non-terraced properties). The Newbury and Thatcham sub-area has the

lowest median house price at £341,563 – an area which has a higher proportion of flatted stock and larger town centres.

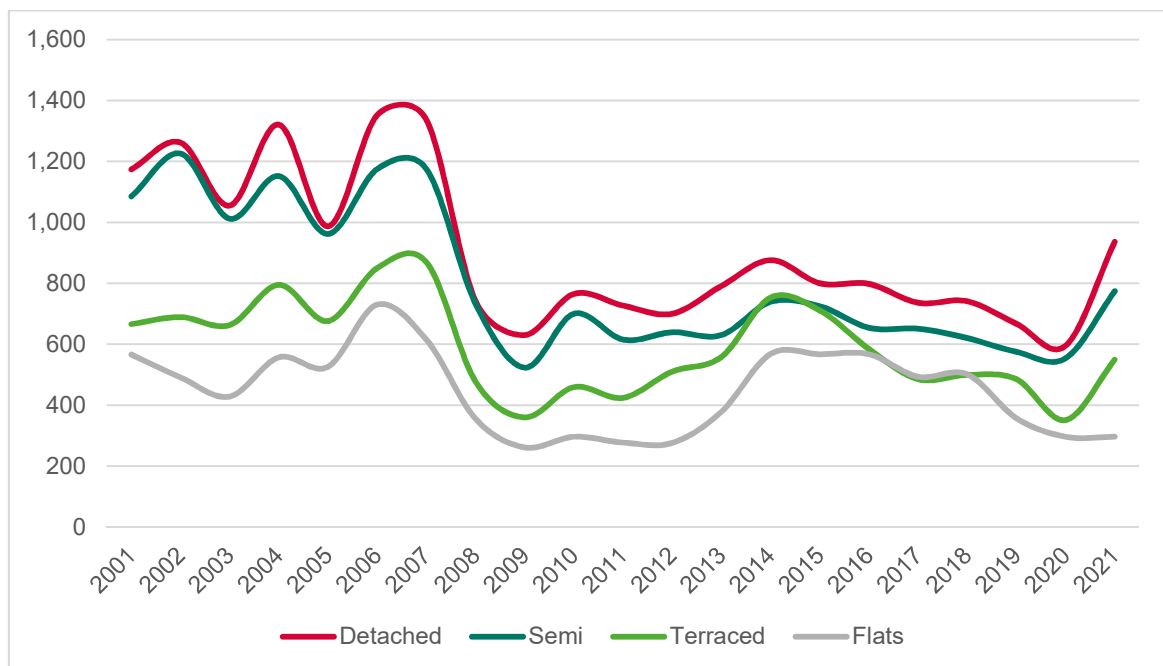
Table 2.3 Median House Price by Sub Area (September 2021)

Sub Area	Median House Price
West Berkshire District	£380,000
North Western Downs AONB	£467,733
Eastern Area	£388,825
Newbury and Thatcham	£341,563

Source: IcenI analysis of ONS data, Year ending September 2021

2.6 The Figure below shows the change in the number of property sales over time. As is clear, there was a notable dip in the sales of all types of properties in 2008 as a result of the economic downturn with a particularly notable decline in non-terraced properties. Over the period 2010-15, sales recovered to some extent before falling once more and to some extent lower than at the lowest point of the economic downturn. Over the last year however, sales for all forms of housing except flats have increased significantly. The flatted market has evidently struggled in West Berkshire.

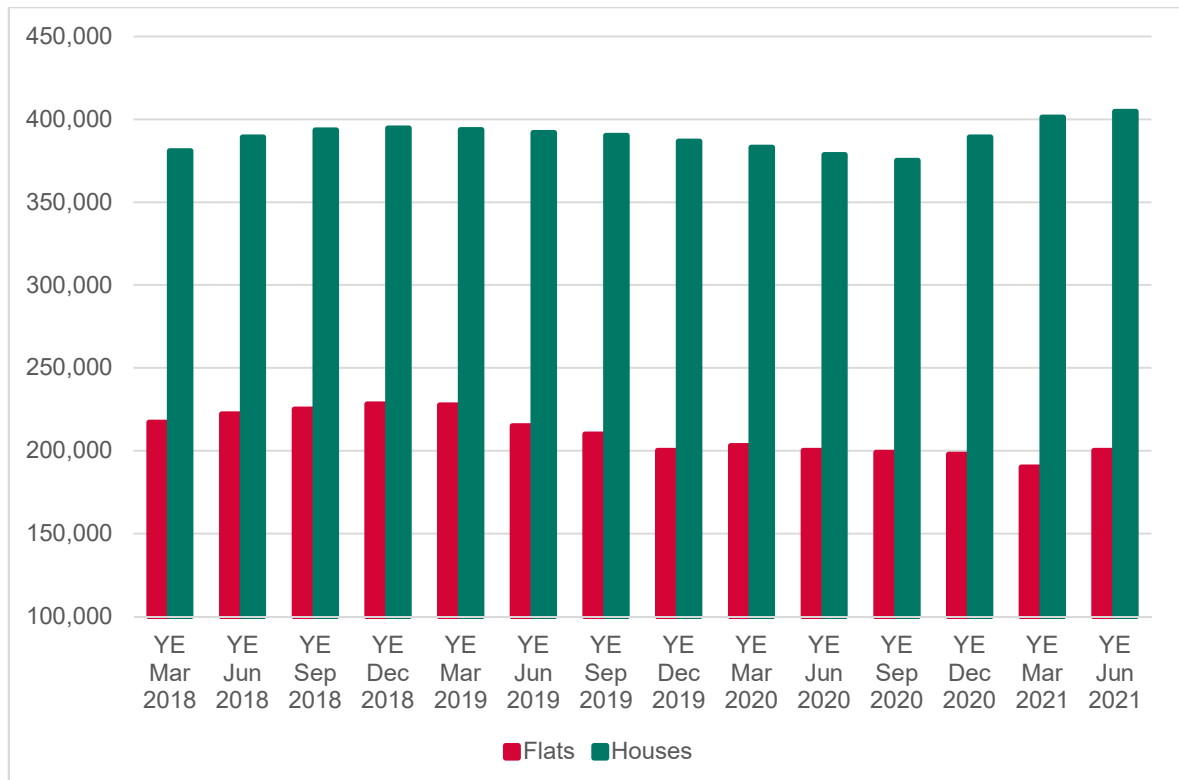
Figure 2.2: West Berkshire Sales Trends by Type, 2001-2021



2.7 The Figure below sets out an overview of the median values of flats and houses in the District over various monitoring periods. As is clear, prices for both property types declined from the year ending March 2019 onwards and rate of decline was exacerbated by the emergence of the COVID-19 pandemic which is picked up from the year ending June 2020 data onwards.

2.8 However, over the period from the year ending March 2020 to March 2021, flatted prices declined by £37,500 whereas house prices increased by £7,583 with an upturn after the first lockdown restrictions were lifted. This aligns with the narrative at a national level of a move away from flatted properties to suburban / rural housing with outdoor space. Over the last two monitoring periods, prices for both types have increased with house prices at a particularly high rate whilst flatted prices remain low in relative terms; thus demonstrating overall demand.

Figure 2.3: Flat and House Prices Comparison



Source: Icen analysis of ONS data. "YE" = year end.

2.9 Through consultation with local agents, we have been able to drill into the data and better understand some of the existing market drivers and conditions that impact sales in West Berkshire. Icen have engaged with agents across a number of areas in the District in order to accurately reflect variances. This includes the following agents:

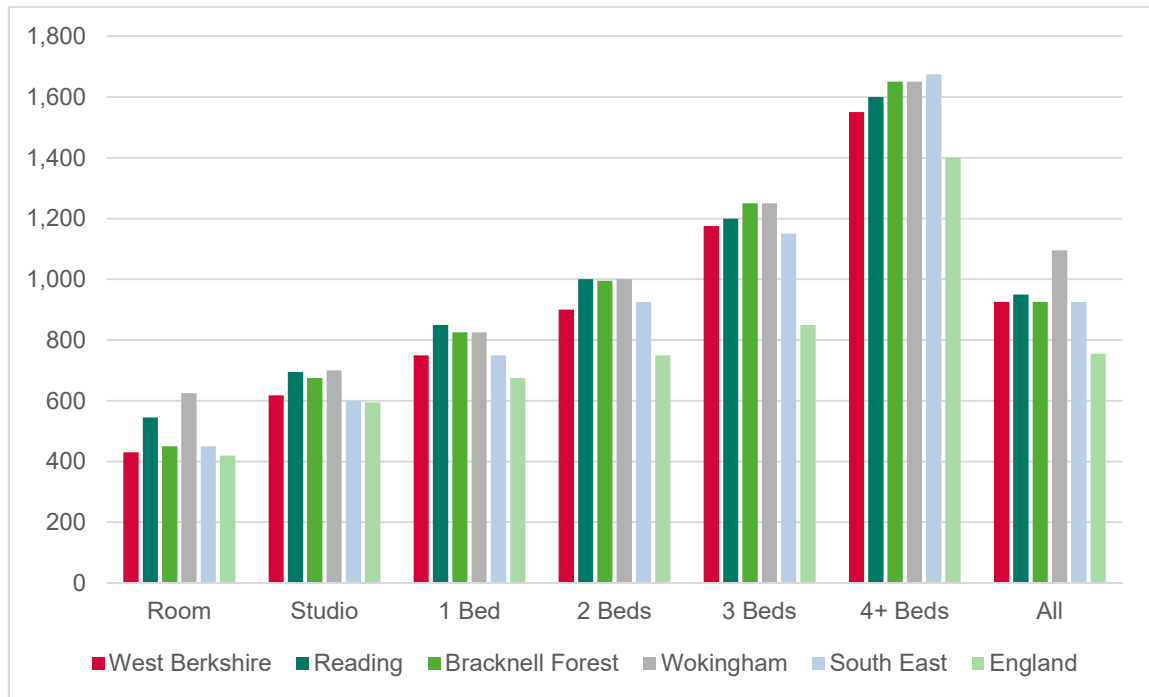
- Jones Robinson working across Marlborough and Lambourn
- Chancellors based in Newbury
- Winkworth based in Newbury
- Parkers based in Theale
- Knight Frank based in Hungerford

- 2.10 Overall, agents reported a particularly active market that had certainly been boosted by the now ceased Stamp Duty holiday. Although agents generally felt that since the holiday ended, they had not been as busy, they still felt comfortably active with many still looking to sell and buy, especially post-Christmas. In terms of the profile of buyers, most agents reported an increase in those moving out from London looking for larger properties and more outdoor space whilst retaining a rail link into London. This is supported by the data with an increase in house sales as opposed to flats.
- 2.11 Agents told us about more recent house price growth in the District with one agent describing immigration from London as a driver of this – effectively, incoming buyers were typically able to afford more. The demand from first-time buyers was considered strong and more affordable properties (around 2-3 bedroom in size) were described as always popular.
- 2.12 In the urban areas of Newbury and Thatcham, buyers were described as younger families searching for properties with more space (including extra bedrooms or an office for home working). In the rural sub-areas, agents differentiated the typical buyer as someone older looking for a more peaceful location that still has links to friends and family.
- 2.13 Specifically, in the AONB sub-area, Hungerford was considered popular as well as smaller towns and villages with reasonable transport connections. In the Eastern Area, whilst Theale was reported as the main location for potential buyers, both Burghfield and Aldermaston were also considered popular.

Rental Market

- 2.14 Rental market data can also show indicators of overall market demand in an area. The Figure below sets out median rental costs per calendar month (“PCM”) split by size of property for the year ending September 2021 –at which point the median rental value capturing all sizes in West Berkshire was £925 PCM. As is clear, rental values for all sizes of property were lower in West Berkshire than all other authorities in the HMA.
- 2.15 Set against the South East picture, West Berkshire was broadly in line with median values for all properties except for larger four or more bedroom homes with the District achieving a lower monthly value at £1,550 PCM than the South East at £1,675 PCM.

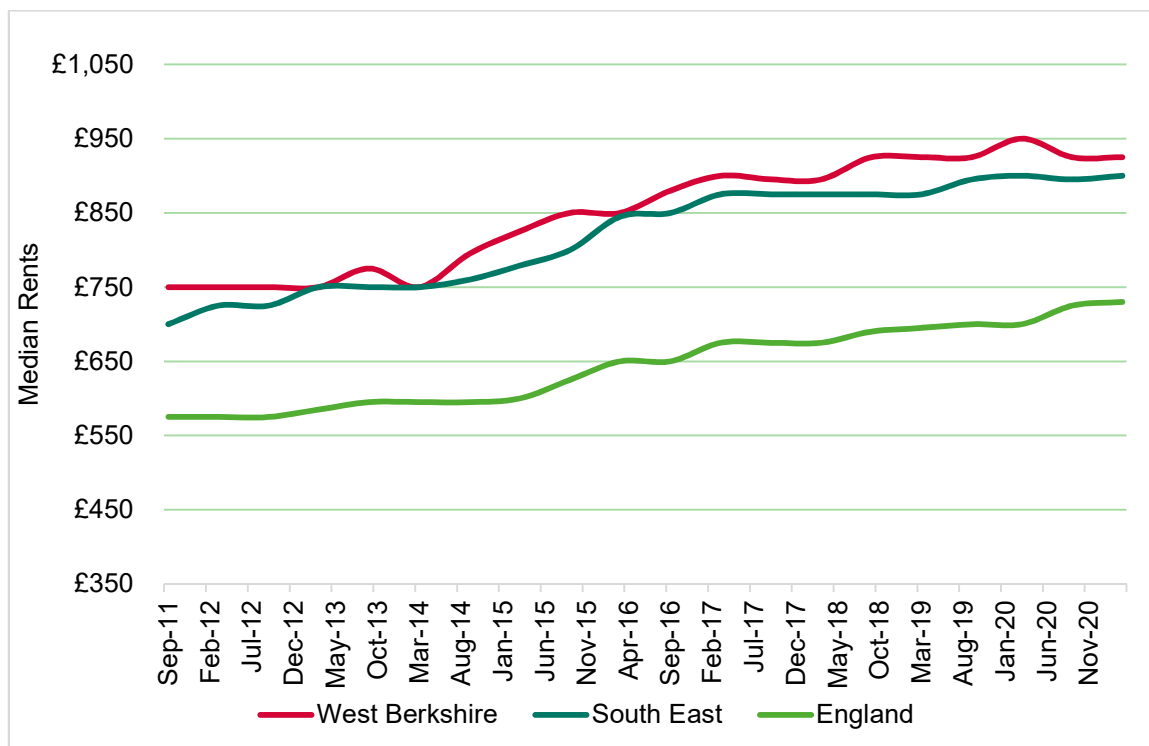
Figure 2.4: Median Rental Prices by Type



Source: Icen analysis of ONS data, Year ending September 2021

2.16 The Figure below demonstrates the change in median rental costs PCM over time. Across all areas rental costs have increased with West Berkshire’s median rent at £925 PCM sitting above the wider South East at £900 PCM.

Figure 2.5: Median Rental Trends, 2011-20



- 2.17 In order to move beyond the data analysis, Icenii have sought to consult lettings agents in West Berkshire with the aim of understanding the current market conditions and the impact that COVID-19 has had on the lettings market. The letting agents consulted were the same as the estate agents referenced in paragraph 2.9.
- 2.18 All agents confirmed that despite pandemic restrictions, the lettings market in the area has remained very strong with the majority of properties letting within a matter of days. Agents are always looking for new stock and noted that many tenants are choosing to stay in the property instead of moving elsewhere. Across the District, new tenants were generally seeking properties with a larger living space in order to work from home. Properties with outside space were popular in most places but not considered essential - particularly in Newbury.
- 2.19 The profile of tenants remains very similar to that pre-pandemic centred on younger families and professionals. Newbury was considered a particularly popular location alongside Theale. Although this was stated to have always been the case, one agent believed that this had become more noticeable. Particularly as these areas - much like in the sales market - had seen an increase in the number of prospective tenants moving out of London whilst retaining the ability to travel into the City.
- 2.20 It was made clear that Buy to Let investment is no more apparent now than pre-COVID - particularly with many smaller investors choosing to sell properties where tax changes have made Buy-to-Let less profitable as it once was. Despite this, it is still considered that demand exists for Buy-to-Let properties.

3. OVERALL HOUSING NEED

- 3.1 This section considers overall housing need in District. It considers the basis of the current housing requirement; and then considers what current national policy means regarding the (unconstrained) local housing need in West Berkshire and the potential for a higher housing requirement.

Standard Method for Calculating Local Housing Need

- 3.2 In 2018, the Government amended the NPPF and released new Planning Practice Guidance (PPG) to introduce the 'standard method' for calculating local housing need. This replaced the approach to defining Objectively Assessed Needs ("OAN") set out in the 2014 Planning Practice Guidance.
- 3.3 The Government's intention in doing so was to introduce a standardised approach using consistent data sources for all local authorities nationally to calculate housing need. Its ambitions were to make the process of doing so simpler, quicker and more transparent, with the intention of speeding up plan-making.
- 3.4 The NPPF (2021, paragraph 61) now sets out in that to determine the minimum number of homes needed, "strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach¹ which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any need that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for."

The Current Standard Method

- 3.5 The standard method set out at the time of writing in the PPG adopts a four- stage approach. The four-step process is set out in the Figure below.

¹ The glossary definition of local housing need in the NPPF sets out that use of a justified alternative approach can only be taken forwards in the context of preparing strategic policies.

Figure 3.1: Overview of the Current Standard Method for Calculating Local Housing Need

3.6 Step One, in considering housing need against the standard method is to establish a demographic baseline. This baseline is drawn from the 2014-based Household Projections and should be the annual average household growth over a ten- year period, with the current year being the first year i.e. 2022 to 2032.

3.7 Step Two is to consider the application of an affordability uplift to the demographic baseline, to take account of market signals (i.e. the relative affordability of housing). The adjustment increases the housing need where house prices are high relative to workplace incomes. It uses the published ONS workplace-based median house price to median earnings ratio for the most recent year for which data is available. The latest (workplace-based) affordability data is currently for 2021 and was published by ONS in March 2022.

3.8 The PPG states that for each 1% increase in the ratio of house prices to earnings, where the ratio is above 4, the average household growth should be increased by a quarter of a per cent, with the calculation being as follows:

$$[\text{Adjustment Factor} = ((\text{local affordability ratio} - 4)/4) \times 0.25]$$

3.9 Step Three is to consider whether a cap should be applied to the affordability adjustment to ensure that the figure which arises through the first two steps does not exceed a level which can be delivered. There are two situations where a cap is applied; however, it is the second which is relevant in West Berkshire.

- The first is where an authority has reviewed its plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the Local Development Plan.

- The second situation affects plans and evidence that are more than five years old. In such circumstances, a cap may be applied at 40% of the higher of the projected household growth or the housing requirement in the most recent plan, where this exists.
- 3.10 A final, step four, was introduced by the Government through an amendment to the standard method as set out in the PPG on 16th December 2020. This additional step applies only to Cities and urban centres which fall within the top 20 largest in England and it is therefore not relevant for the purpose of assessing housing need in West Berkshire.
- 3.11 The Table below outlines the calculation of the minimum local housing need using the methodology above, as set out currently in the PPG, drawing on the three relevant steps for West Berkshire. A minimum local housing need of 513 homes per annum is derived based on average household growth of 378 per annum with an affordability uplift of 136% applied.

Table 3.1 Minimum Local Housing Need, Standard Method

Local Authority	West Berkshire
Setting the Baseline:	
Household Growth (p.a.) over next 10 years, 2022-32	378
Affordability Adjustment:	
Median workplace-based affordability ratio, 2021	9.73
Adjustment Factor	136%
Step 2 Housing Need Figure	513
Cap:	
Date of plan adoption	July 2012
Plan more than 5 years old	Yes
Housing requirement in last adopted plan*	525
Higher Cap @ 40% above the household growth figure	735
Minimum Local Housing Need (p.a.)	513

Wider Considerations in Assessing Housing Need

3.12 The PPG sets out that the standard method does not predict the impact that future national Government policies, changing economic circumstances or other factors may have. The PPG² states that there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates. It outlines the circumstances where this may be appropriate, which include:

- Where funding is in place to promote and facilitate additional growth (i.e. Housing Deals, City Growth Deals, etc.); or
- Where strategic infrastructure improvements are likely to drive an increase in the homes needed locally; or
- An authority agreeing to take on unmet need from neighbouring authorities, as set out in a Statement of Common Ground.

3.13 The PPG³ also requires consideration to be given to the inter-relationship with the assessed need for affordable housing. It sets out that:

“The total affordable housing need [once assessed] can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing led developments. An increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes.”

Economic Growth and Growth Funding

3.14 In West Berkshire District, there is currently no funding, Housing Growth Deals or other forms of deals in place to facilitate additional housing growth. As such, there is no basis to increase local housing need on account of this.

3.15 The Council has an Economic Development Strategy looking over the period 2020-23 which was adopted in early 2020. In recognition of the confirmed changes and potential implications of the COVID-19 pandemic, a refresh was commissioned, and an update document adopted in June 2021 with a focus on recovery. This strategy document includes a commitment to being “open for

² Paragraph: 010 Reference ID: 2a-010-20190220

³ Paragraph: 024 Reference ID: 2a-024-20190220

business” and is supported by a Delivery Plan with detailed actions. However, there is no measure or action proposed in the Council’s strategy which would drive the need to increase overall housing need.

Strategic Infrastructure Improvements

- 3.16 There are two strategic infrastructure projects which should be noted in West Berkshire District – (1) the electrification of the rail line between Reading and Newbury which has aimed to increase passenger capacity and decrease journey time and (2) the ongoing smart motorway upgrades on the M4.
- 3.17 In respect of the electrification of the rail line, this work was completed in January 2019. The works have resulted in an increase to three trains an hour, journey time improvements of around five minutes and a more consistent service throughout the day – with two fast services an hour running through to London Paddington. The works were part of a wider project led by Network Rail to electrify the Great Western Main Line.
- 3.18 Fundamentally however, in the context of considering whether the project has driven the need for additional housing provision, it should be recognised that the rail service enhancements have not introduced new railway stations. The impact has been to improve the number of carriages and journey times; and there is no evidence to suggest that these improvements have driven demand for homes locally.
- 3.19 In respect of the ongoing smart motorway upgrades on the M4, work between Junctions 8/9 and 12 was completed in February 2022 whilst other improvements are ongoing (e.g. Junction 3 and 8/9) – the entire upgrade project will cover Junction 3 and 12. The motorway now uses smart sensors on the road to monitor traffic and introduce variable speed limits at certain times to smooth out traffic. In addition, the hard shoulder has been converted to a new fourth traffic lane in each direction, boosting capacity by a third.
- 3.20 As is clear, the focus of the strategic improvements are on alleviating traffic congestion and improving road safety with a focus on monitoring traffic flow and set speed limits. It is expected that the improvements will support economic growth within the region by providing additional capacity; however, this will be considered through the Council’s economic growth forecasts.
- 3.21 There are other infrastructure projects such as the delivery of a Kings Road Link Road in Newbury which is creating a new direct link between the A339 and the Hambridge Road industrial area; however, these projects are aimed at unlocking existing housing growth sites (e.g. new access roads to Sandleford Park) and improving access to employment areas. The projects are not proposed with the objective of driving overall housing delivery.

Affordable Housing Need

- 3.22 The emerging West Berkshire Local Plan Review under Policy SP19 considers affordable housing provision on development sites. It states that on development sites of between 5 and 9 homes, 20% of homes will be sought as affordable. On sites with 10 homes or more (or over 0.5ha), 30% of homes will be sought on previously developed sites with 40% on greenfield sites.
- 3.23 The PPG⁴ outlines that an increase in the total housing figures included within a Local Plan should be considered where it could help deliver the required number of affordable homes. The analysis in this report at Section 4 shows a total need for 697 affordable homes per annum. This equates to 136% of the standard method local housing need figure – a level which is unrealistic to achieve and would ultimately constrain the delivery of market housing.
- 3.24 Furthermore, taking the Council's adopted affordable housing policy at 40% on greenfield sites as an example input, overall housing need would have to be equal to around 1,740 homes per annum if the full extent of affordable housing need was to be met.
- 3.25 Icenl considers that neither of these scenarios are realistic and ultimately, it is inappropriate to use a mechanical relationship to consider how affordable housing provision and overall housing need relate to one another. The affordable housing need is a point-in-time assessment based on current housing costs relative to earnings and takes account of current supply. The reality is that many households with an affordable housing need, including those who aspire to own a home, are existing households living in the private rented sector.
- 3.26 It is also the case that the intention behind the affordability uplift in the standard method is to improve the affordability of market housing over time. This envisages reducing the cost of market housing relative to earnings, and in doing so would reduce the affordable housing need.

Unmet Housing Need

- 3.27 The Council is fully exploring issues of unmet housing need through the plan-making process with the West Berkshire HMA authorities as well as other authorities. At present, there is a modest unmet need of 230 homes arising from Reading Borough (10 homes per annum) over its plan period, 2013-36.
- 3.28 The HMA authorities have signed a Memorandum of Understanding on Reading's Housing Needs which agrees: (1) the quantum of unmet need, (2) that this arises in the second half of Reading's plan period (2026-36), (3) that it should be met within the Western Berkshire HMA, and (4) that the

⁴ PPG ID: 2a-024-20190220

HMA authorities will work together to collectively address the HMA's needs in full, including the unmet need from Reading.

- 3.29 The HMA authorities are at different stages of the plan-making process making it difficult to resolve how the unmet need is best met at the current time. Bracknell Forest Borough Council is the most advanced and has included an element of flexibility in the Local Plan's land supply to accommodate some of the need, should it not be possible to identify sites closer to Reading. The position is therefore evolving and the conclusion of the process will have to be reflected in due course.

4. AFFORDABLE HOUSING NEEDS

- 4.1 This section provides an assessment of the need for affordable housing in West Berkshire and the three sub-areas. The analysis specifically considers general needs housing, with further analysis of specialist housing (e.g. for older people) being discussed later in the report.
- 4.2 The analysis 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.
- 4.3 The analysis also considers First Homes, which looks likely to become a new tenure (potentially replacing other forms of affordable home ownership). Further information about First Homes was set out in PPG in May 2021⁵.

Methodology Overview

- 4.4 The method for studying the need for affordable housing has been enshrined in national Government PPG 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) – it is considered that this group will mainly be a target for rented affordable homes (social/affordable rented) and therefore the analysis looks at need for ‘*affordable housing for rent*’ as set out in Annex 2 of the NPPF. 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

⁵ PPG First Homes: <https://www.gov.uk/guidance/first-homes>

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

- 4.5 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.
- 4.6 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.
- 4.7 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. 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.
- 4.8 This widened definition has been introduced by the Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 20 years or so. The 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.
- 4.9 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).
- 4.10 Additionally, information drawn from local surveys previously undertaken by JGC across the country has been used to look at potential prevalence rates for some elements of need where comprehensive local data is lacking. This includes considering what proportion of households in the private rented sector might have a need due to potential loss of accommodation (e.g. tenancies ending) although again such rates are applied to local information about the size of the sector.

- 4.11 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 Examinations⁶ 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).
- 4.12 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 Price and Rents

- 4.13 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).
- 4.14 The analysis below considers the entry-level costs of housing to both buy and rent across the District. The approach has been to analyse Land Registry and ONS data to establish lower quartile prices and rents. Using a lower quartile figure is consistent with the PPG⁷ and reflects the entry-level point into the market recognising that the very cheapest properties may be of sub-standard quality.
- 4.15 Data from the Land Registry for the year to September 2021 shows estimated lower quartile property prices by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £170,000 for a second-hand flat and rising to £440,000 for a detached home. Looking at the lower quartile price across all dwelling types, the analysis shows a lower quartile price of £295,000. The figures are all based on cost of existing homes in the market although newbuild prices are considered later in this section when looking at potential costs of affordable home ownership properties.

⁶ e.g. Liverpool, Guildford, Reading, Windsor & Maidenhead, North Warwickshire and Oxford

⁷ Housing and Economic Development Needs Assessment, Paragraph: 021 Reference ID: 2a-021-20190220

Table 4.1 Estimated Lower Quartile (LQ) cost of housing to buy by type (existing dwellings)

	Lower quartile price
Flat/maisonette	£170,000
Terraced	£265,000
Semi-detached	£315,000
Detached	£442,500
All dwellings	£295,000

Source: Land Registry, year to September 2021

- 4.16 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). The analysis suggests a lower quartile price of about £150,000 for a 1-bedroom home, rising to £485,000 for homes with 4-bedrooms.

Table 4.2 Estimated LQ cost of housing to buy by size (existing dwellings)

	Lower quartile price
1-bedroom	£150,000
2-bedrooms	£225,000
3-bedrooms	£350,000
4-bedrooms	£485,000
All Dwellings	£295,000

Source: Land Registry and Internet Price Search, year to September 2021

- 4.17 A similar analysis has been carried out for private rents using ONS data – this covers a 12-month period to September 2021. 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 £800 per month.

Table 4.3 LQ Market Rents

	Lower Quartile rent, pcm
Room only	£380
Studio	£550
1-bedroom	£700
2-bedrooms	£850
3-bedrooms	£1,050
4-bedrooms	£1,395
All properties	£800

Source: ONS year to September 2021

- 4.18 It is of interest for this study to see how prices and rents vary by location. The table below shows an estimate of the overall lower quartile house price and private rent in each of the sub-areas; this is

based on Land Registry data for prices and analysis of online data on available lettings which has then been adjusted⁸ to be consistent with the data from ONS. The analysis shows some variation in prices and rents, with prices estimated to be highest in the AONB. The lowest prices and rents were found to be in Newbury-Thatcham.

Table 4.4 Lower Quartile Prices and Market Rents, by sub-area

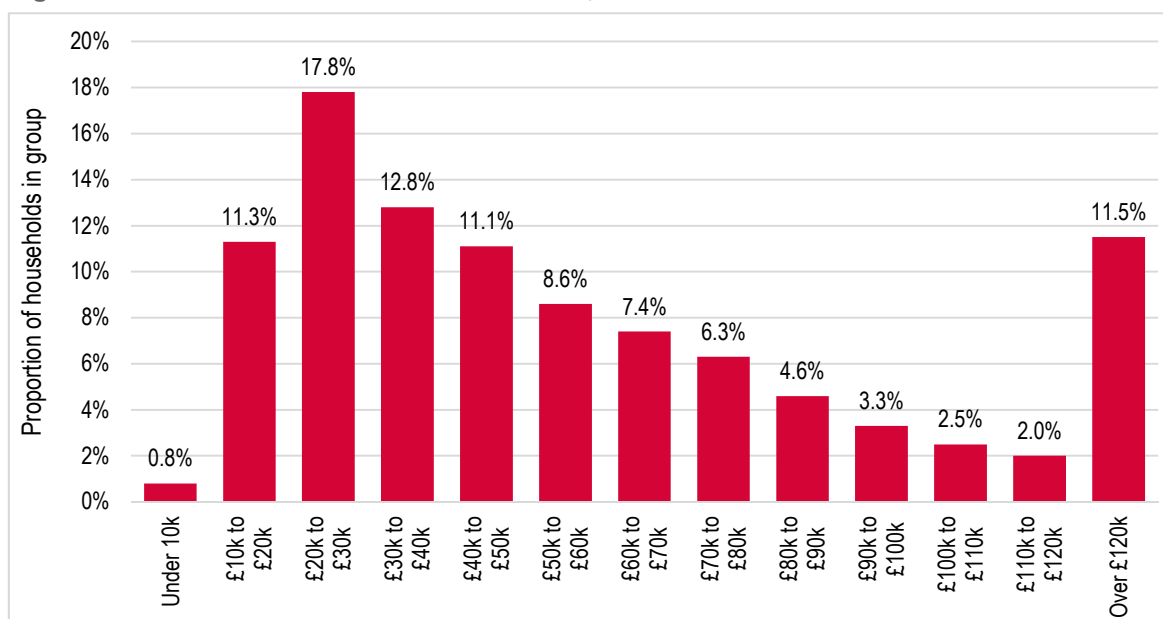
	LQ price (existing dwellings)	LQ rent, PCM
Newbury and Thatcham	£271,000	£730
Eastern Area	£307,000	£860
North Western Downs AONB	£321,000	£855
All properties	£295,000	£800

Source: Internet private rental cost search and Land Registry

Household Incomes

- 4.19 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.
- 4.20 Drawing all of this data together an income distribution for the whole District has been constructed for 2021. The figure below shows that around an eighth of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. Overall, the average (mean) household income is estimated to be around £61,300, with a median income of £46,600; the lower quartile income of all households is estimated to be £26,900.

⁸ Adjustment to align with overall District rental values

Figure 4.1 Distribution of Household Income, 2021

Source: Derived from a range of data as discussed

- 4.21 Analysis has also been undertaken to estimate how incomes vary by sub-area, with the table below showing the estimated median household income in each area, the table also shows the variance in incomes from the District average. There is some variation in the estimated incomes by area, median figures ranging from £45,100 in Newbury and Thatcham, up to £47,600 in the Eastern Area – overall however the data does not point to significant differences between locations.

Table 4.5 Estimated Average (median) Household Income by Sub-Area

	Median income	As a % of Borough average
Newbury and Thatcham	£45,100	97%
Eastern Area	£47,600	102%
North Wessex Downs AONB	£47,400	102%
All households	£46,600	-

Source: Derived from a range of data as discussed (mid-2021 estimate)

Affordability Thresholds

- 4.22 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).

- 4.23 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. The Government's Strategic Housing Market Assessment (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 depending on local housing costs.
- 4.24 At £800 per calendar month, lower quartile rent levels in West Berkshire are typically above average in comparison to those seen nationally (a lower quartile rent of £585 for England in the year to September 2021). 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%). On balance, it is considered that a threshold of 30% is reasonable in a local context, to afford an £800 pcm rent this would imply a gross household income of about £32,000 (and in net terms the rent would likely be around 37% of income).
- 4.25 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. Owing to the eligibility criteria applied by the Council, this assessment includes people who would not have access to affordable rented properties.
- 4.26 Generally, the gross 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.
- 4.27 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 salary. These assumptions are considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis.
- 4.28 The table below shows the estimated incomes required to both buy and rent (privately) in each sub-area. This shows a notable 'gap' in all areas across the study area, particularly locations with higher house prices. The information in the table below is taken forward into further analysis in this section to look at affordable needs in different locations.

Table 4.6 Estimated Household Gross Income to Buy and Privately Rent

	To buy	To rent (privately)	Income gap
Newbury and Thatcham	£54,200	£29,200	£25,000
Eastern Area	£61,400	£34,400	£27,000
North Wessex Downs AONB	£64,200	£34,200	£30,000
District wide	£59,000	£32,000	£27,000

Source: Based on Housing Market Cost Analysis

Need for Social/Affordable Rented Housing

4.29 The sections below work through the various stages of analysis to estimate the need for social/affordable housing in the District and sub-areas. 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

4.30 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).

Table 4.7 Main sources for assessing the current need for affordable housing

	Source	Notes
Homeless households (those in temporary accommodation)	Department for Levelling Up, Housing and Communities (DLUHC) 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]

4.31 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household

moved). The data available does not enable analysis to be undertaken to study the impact of this and so it is possible that the figures presented include a small element of double counting (although this is likely to be small). Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need.

- 4.32 The table below shows the initial estimate of the number of households within each sub-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 3,900 households living in unsuitable housing (or without housing).

Table 4.8 Estimated Number of Households Living in Unsuitable Housing

	Homeless/ concealed households	Households in overcrowded housing	Existing affordable housing tenants in need	Households from other tenures in need	Total
Newbury and Thatcham	268	687	86	512	1,553
Eastern Area	169	309	37	264	778
North Wessex Downs AONB	288	596	73	659	1,616
District	725	1,591	196	1,435	3,947

Source: MHCLG Live Tables, Census 2011 and Data Modelling

- 4.33 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.
- 4.34 A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households (not really an issue in West Berkshire) – 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). Once these households are removed from the analysis, the remainder are taken forward for affordability testing.
- 4.35 The tables below show it is estimated that there are around 2,100 households living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers) in West Berkshire.

Table 4.9 Unsuitable Housing by Tenure and Number to Take Forward into Affordability Modelling

	In Unsuitable Housing	Number to Take Forward for Affordability Testing
Owner-occupied	938	94
Affordable housing	991	0
Private rented	1,293	1,291
No housing (homeless/concealed)	725	725
Total	3,947	2,110

Source: MHCLG Live Tables, Census 2011 and Data Modelling

- 4.36 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. To consider this, the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the average household income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure of 42% has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing.
- 4.37 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).
- 4.38 The figures have been based on analysis of the English Housing Survey (mainly looking at relative incomes of households in each of the private and social rented sectors) as well as consideration of similar information collected through household surveys across the country by JGC. These modelling assumptions are considered reasonable and have not been challenged through the Local Plan process in other locations (where the same assumptions have been used).
- 4.39 Overall, just over 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 across the District. The table below shows how this is estimated to vary by sub-area.

Table 4.10 Estimated Current Affordable Housing Need: Social/Affordable Rent

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Newbury and Thatcham	808	47.4%	383
Eastern Area	376	56.6%	213
North Wessex Downs AONB	926	51.5%	477
District	2,110	50.9%	1,073

Source: DCLG Live Tables, Census 2011 and Data Modelling

- 4.40 The estimated figures shown above 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 this report typically looks at needs in the period from 2021 to 2039, the need is annualised by dividing by 18 (to give an annual need for 60 dwellings across all areas). 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.

Newly Forming Households

- 4.41 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.
- 4.42 The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent with the Government’s 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.
- 4.43 The number of newly forming households has been estimated through demographic modelling (linked to the 2018-based SNPP and 2014-based HRRs). This is considered to provide the best view about trend-based household formation in West Berkshire.
- 4.44 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).

- 4.45 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.
- 4.46 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 401 newly forming households will have a need per annum on average across the study area – the table below provides a breakdown by sub-area.

Table 4.11 Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (p.a.)

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Newbury and Thatcham	384	37.8%	145
Eastern Area	196	42.7%	84
North Wessex Downs AONB	406	42.5%	173
District	985	40.7%	401

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

- 4.47 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 well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.
- 4.48 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)*'. Following the analysis through suggests a need arising from 76 existing households each year across the District. The table below breaks this down by sub-area.

Table 4.12 Estimated Need for Social/Affordable Rented Housing from Existing Households Falling into Need (p.a.)

	Total Additional Need	% of Total
Newbury and Thatcham	32	42.4%
Eastern Area	15	19.4%
North Wessex Downs AONB	29	38.2%
District TOTAL	76	100.0%

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

Supply of Social/Affordable Rented Housing Through Relets

- 4.49 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.
- 4.50 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.
- 4.51 On the basis of past trend data it has been estimated that 207 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.

Table 4.13 Analysis of Past Social/Affordable Rented Housing Supply, 2017/18 – 2019/20 (average p.a.)

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
2017/18	323	95.0%	307	70.0%	215
2018/19	427	79.9%	341	63.9%	218
2019/20	378	88.4%	334	56.3%	188
Average	376	87.1%	327	63.1%	207

Source: CoRe/LAHS

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

Table 4.14 Estimated Supply of Affordable Housing from Relets of Existing Stock by Sub-Area (p.a.)

	Annual supply	% of supply
Newbury and Thatcham	91	44.1%
Eastern Area	39	18.8%
North Wessex Downs AONB	77	37.1%
District TOTAL	207	100.0%

Source: CoRe/LAHS/Census (2011)

- 4.53 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).
- 4.54 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

- 4.55 The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 330 dwellings per annum across the area – an affordable need is seen in all sub-areas. The net need is calculated as follows:

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

Table 4.15 Estimated Need for Social/Affordable Rented Housing by Sub-Brea (p.a.)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Newbury and Thatcham	21	145	32	199	91	108
Eastern Area	12	84	15	110	39	71
North Wessex Downs AONB	27	173	29	228	77	152
District TOTAL	60	401	76	537	207	330

Source: Range of sources as discussed

- 4.56 Whilst the need above is provided down to sub-area level, it should be remembered that affordable need can be met across the District as and when opportunities arise, and so specific sub-area data should not be treated as a local target.

The Relationship Between Affordable Need and Overall Housing Need

- 4.57 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'

- 4.58 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.

- 4.59 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.

- 4.60 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.

- 4.61 The analysis estimates an annual need for 330 rented affordable homes, which is notionally 64% of a Local Housing Need of 513 dwellings per annum (as calculated using the Standard Method). 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).

- 4.62 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 224 homes per annum across the study area – notionally 44% of the Standard Method. 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.
- 4.63 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 30 per annum (current need) 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.

Table 4.16 Estimated Need for Affordable Housing (social/affordable rented) excluding households already in accommodation

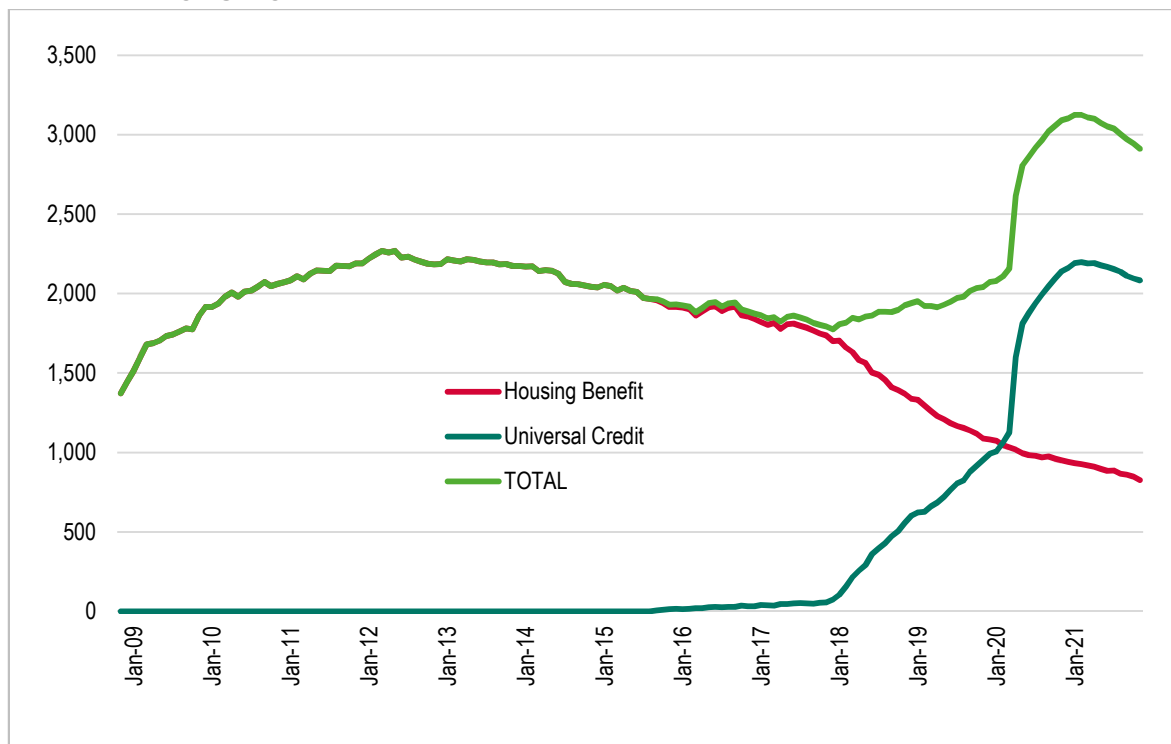
	Excluding existing households	Including existing households
Current need	30	60
Newly forming households	401	401
Existing households falling into need	0	76
Total Gross Need	431	537
Re-let Supply	207	207
Net Need	224	330

Source: Range of sources as discussed

- 4.64 Additionally, it should be noted that the need estimate is on a per annum basis and should not be multiplied by the plan period to get a total need. Essentially, the estimates are for the number of households who would be expected to have a need in any given year (i.e. needing to spend more than 30% of income on housing). In reality, some (possibly many) households would see their circumstances change over time such that they would ‘fall out of need’ and this is not accounted for in the analysis.
- 4.65 One example would be a newly forming household with an income level that means they spend more than 30% of income on housing, as the household’s income rises they would potentially pass the affordability test and therefore not have an affordable need. Additionally, there is the likelihood when looking over the longer-term that a newly-forming household will become an existing household in need and would be counted twice if trying to multiply the figures out for a whole plan period.

- 4.66 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.
- 4.67 Whilst the 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. The 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.
- 4.68 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.
- 4.69 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 November 2021, it is estimated that there were around 2,900 benefit claimants in the private rented sector in West Berkshire. 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.
- 4.70 The figure below shows the trend in the number of claimants in the District. This shows there has been a notable increase since March 2020, which is likely to be related to the Covid-19 pandemic. However, even the more historical data shows a substantial number of households claiming benefit support for their housing in the private sector (typically around 1,800-2,000 households).

Figure 4.3 Number of Housing Benefit claimants in the private rented sector – West Berkshire



Source: Department of Work and Pensions

- 4.71 Whilst housing delivery through the Local Plan Review can be expected to secure additional affordable housing it needs to be noted that delivery of affordable housing through planning obligations is an important, but not the only means, of delivery affordable housing; and the Council should also work with housing providers to secure funding to support enhanced affordable housing delivery on some sites and through use of its own land assets.
- 4.72 In summary, in the context of overall local housing need, it should be noted that it is difficult to link the need for affordable housing to local housing need calculated through the standard method. 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.
- 4.73 Whilst there is no direct link between the affordable need and overall housing need, it is the case that the levels of affordable need across areas can feed into considerations about the distribution of housing for different areas, along with an understanding of demographic trends and economic growth as well as a range of other key inputs including, but not limited to, climate change, flood risk, AONB, accessibility and infrastructure.

4.74 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 across the District. This document provides the Council with an evidential starting point to establish an affordable housing target through the Local Plan Review – a responsibility which lies with the Council. It is invariable that the amount of affordable housing delivered will be limited to the amount that can viably be provided; however, the evidence does suggest that affordable housing delivery should be maximised where opportunities arise.

Split Between Social and Affordable Rented Housing

4.75 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.

4.76 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, although typically close to 80% of lower quartile figures.

Table 4.17 Comparison of rent levels for different products, 2020/21

	Social rent	Affordable rent (AR)	LQ market rent	Median market rent	AR as % of LQ	AR as % of median
1-bedroom	£425	£538	£700	£750	77%	72%
2-bedrooms	£515	£660	£850	£900	78%	73%
3-bedrooms	£561	£781	£1,050	£1,175	74%	66%
4-bedrooms	£627	£829	£1,395	£1,550	59%	54%
All	£516	£662	£800	£925	83%	72%

Source: RSH and ONS

4.77 For the affordability test, a standardised average rent for each product has been used. The table below suggests that around 35% of households who cannot afford to rent privately could afford an affordable rent, with a further 32% being able to afford a social rent (but not an affordable one). A total of 33% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).

Table 4.18 Estimated Need for Affordable Rented Housing (% of households able to afford)

	% of households able to afford
Afford affordable rent	35%
Afford social rent	32%
Need benefit support	33%
All unable to afford market	100%

Source: Affordability analysis

- 4.78 The Council's draft Policy SP19 in the Local Plan Review on the split between affordable rent and social rent aims to prioritise the delivery of social rented properties and specifies a tenure mix weighted at 70% social rent and 30% affordable rent. The finding that only 35% of households can afford an affordable rent supports this draft policy and justifies the Council in requesting social rented properties as a starting point in case-by-case negotiations.
- 4.79 There will be a series of considerations both at a strategic level and for specific schemes. In viability terms, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided. However, as noted, there is clear justification for social rent being the priority as set out in the Council's draft Local Plan Review under Policy SP19.
- 4.80 In conclusion, the Council is justified in seeking to secure social rents as a starting point for negotiations on S106 Agreements. Doing so would ensure that affordable homes are delivered for those on the lowest incomes.

Establishing a Need for Affordable Home Ownership

- 4.81 The PPG 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.
- 4.82 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.
- 4.83 The analysis has been developed in the context of First Homes with the Government proposing that 25% of all affordable housing secured through developer contributions should be within this tenure. A definition of First Homes (from the relevant PPG (70-001)) can be found later in this document.

Gross Need for Affordable Home Ownership

- 4.84 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.
- 4.85 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 39% 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.
- 4.86 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).
- 4.87 The table below shows an estimate of the proportion of households living in the private rented sector who are able to afford different housing products by sub-area. This shows a higher proportion of households in the rent/buy gap in the North Wessex Downs AONB, although differences between areas are quite slight.

Table 4.19 Estimated proportion of households living in Private Rented Sector able to buy and/or rent market housing

	Can afford to buy OR rent	Can afford to rent but not buy	Cannot afford to buy OR rent
Newbury and Thatcham	35%	29%	36%
Eastern Area	32%	28%	41%
North Wessex Downs AONB	29%	30%	40%
District	32%	29%	39%

Source: Derived from Housing Market Cost Analysis and Affordability Testing

- 4.88 The finding that a large number 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).

- 4.89 To study current need, an estimate of the number of household living in the 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 8,600 households living in the sector across the study area. Data from the English Housing Survey (EHS) suggests that since 2011, the number of households in the PRS has risen by about 19% - if the same proportion is relevant to West Berkshire then the number of households in the sector would now be around 10,200.
- 4.90 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (6,100 households if applied to West Berkshire) and of these some 40% (2,400 households) would expect this to happen in the next 2-years. These figures are taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.
- 4.91 As noted above, on the basis of income it is estimated that around a third of the private rented sector sit in the gap between renting and buying (varying by location). Applying this proportion to the above figures would suggest a current need for around 721 affordable home ownership units (40 per annum if annualised over an 18-year period).
- 4.92 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 352 dwellings (292 from newly forming households and 60 from existing households in the private rented sector).
- 4.93 Bringing together the above analysis suggests that there is a need for around 393 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum across the study area. This is before any assessment of the potential supply of housing is considered.

Table 4.20 Estimated Gross Need for Affordable Home Ownership by sub-area (p.a.)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Newbury and Thatcham	15	113	22	150
Eastern Area	6	55	9	71
North Wessex Downs AONB	19	124	28	172
District	40	292	60	393

Source: Range of sources as discussed

Potential Supply of Housing to Meet the Affordable Home Ownership Need and Net Need

- 4.94 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.
- 4.95 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 26 resales per annum across the study area (based on data for the 2016-19 period). These properties would be available for these households and can be included as the potential supply.
- 4.96 The table below therefore shows an estimate of the net need for affordable home ownership. This suggests a need for around 367 dwellings per annum, with a need being shown in all areas.

Table 4.21 Estimated Need for Affordable Home Ownership by Sub-Area (p.a.)

	Total Gross Need	Low Cost Home Ownership supply	Net need
Newbury and Thatcham	150	11	139
Eastern Area	71	3	67
North Wessex Downs AONB	172	11	160
District	393	26	367

Source: Range of sources as discussed

An Alternative View of the Supply of Affordable Home Ownership Properties

- 4.97 The analysis above has looked at the supply of resales of affordable housing. However, it should be noted that the analysis to consider need 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.
- 4.98 According to the Land Registry, in West Berkshire there were a total of 2,521 resales (i.e. excluding newly-built homes) in the last year (year to September 2021) and therefore around 630 would be priced below the lower quartile. This is 630 homes that would potentially be affordable to the target

group for affordable home ownership products and is a potential supply that is in excess of the level of need calculated. The table below shows the estimated number of sales and the number at or below a lower quartile price for each sub-area.

Table 4.22 Number of Sales of Existing Dwellings) and number at or below LQ

	Number of sales	Sales at or below LQ
Newbury and Thatcham	889	222
Eastern Area	511	128
North Wessex Downs AONB	1,112	278
Unknown	9	2
District	2,521	630

Source: Land Registry, year to September 2021

- 4.99 If a further supply of dwellings below lower quartile were taken from the estimated need then it would be suggested that there is actually a surplus of affordable home ownership properties (of around 263 per annum). This figure should be treated as theoretical, 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). However, it is clear that looking at a wider definition of supply does make it difficult to conclude what the need for affordable home ownership (AHO) is (and indeed if there is one).

Implications of the Analysis

- 4.100 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 this conclusion is based on only considering supply from resales of affordable housing (notably shared ownership). If supply estimates are expanded to include market housing for sale below a lower quartile price then the need for AHO is less clear-cut.
- 4.101 Regardless, it does seem that there are many households in West Berkshire 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 70% from 2001 to 2011 (with the likelihood that there have been further increases since). Over the same period, the number of owners with a mortgage dropped by 8%. 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).
- 4.102 On this basis, and as previously noted, it seems likely in West Berkshire that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well

as potentially some mortgage restrictions (e.g. where employment is temporary) rather than simply being due to the cost of housing to buy (although this will be a factor).

- 4.103 The National Planning Policy Framework (NPPF) (last updated in July 2021) gives 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) and it is now the case 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 Councils being able to specify the requirement for any remaining affordable housing (subject to at least 10% of all housing being for AHO).
- 4.104 Firstly regarding the 10%, it is not clear that this is the best solution in the study area. The NPPF does provide some examples of where the 10% might not be required (paragraph 65), most notably that the 10% would be expected unless this would '*significantly prejudice the ability to meet the identified affordable housing needs of specific groups*'. In West Berkshire, the clear need for additional rented housing would arguably mean that providing the affordable home ownership would 'prejudice the ability' to meet the needs of the 'specific group' requiring rented accommodation.
- 4.105 Regarding the 25% of affordable housing as First Homes, it is not clear 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. It is possible that provision of First Homes could squeeze out other forms of LCHO such as shared ownership, although it is likely that there will still be a role for this type of housing given typically lower deposit requirements.
- 4.106 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.
- 4.107 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 authorities have 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).
- 4.108 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.

- 4.109 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?

- 4.110 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, the Council is likely to need to consider some additional homes on larger sites as some form of affordable home ownership (AHO).
- 4.111 The analysis below focusses on the cost of discounted market sale (which would include 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.
- 4.112 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.

Discounted Market Sales Housing (focussing on First Homes)

- 4.113 In May 2021, the Government published new PPG regarding First Homes. The key parts of this guidance are set out below:

First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

a) must be discounted by a minimum of 30% against the market value;

b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);

c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,

d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).

First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.

4.114 In terms of eligibility criteria, a purchaser should be a first-time buyer with a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) and a mortgage needs to fund a minimum of 50% of the discounted purchase price. Local authorities can set their own eligibility criteria, which could for example involve lower income caps, a local connection test, or criteria based on employment status. Regarding discounts, a First Home must be sold at least 30% below the open market value. However, local authorities do have the discretion to require a higher minimum discount of either 40% or 50% (if they can demonstrate a need for this).

4.115 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 gross 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 2-bedroom home:

- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in West Berkshire is £850 per month;
- On the basis of a household spending no more than 30% of their income on housing, a household would need a gross income of around £2,833 per month to afford (£850/0.30) or £34,000 per annum; and
- With an income of £34,000, it is estimated that a household could afford to buy a home for around £170,000. This is based on assuming a 10% deposit (mortgage for 90% of value) and a four and a half times mortgage multiple – calculated as $£34,000 \times 4.5/0.9$.

4.116 Therefore, £170,000 is a suggested purchase price for a 2 bedroom home to make First Homes affordable for households in the rent/buy gap in West Berkshire. It is the responsibility of the Council

to set a purchase price for First Homes through policy. The figure of £170,000 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.

- 4.117 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 and the relevant private rented figure (for a 2-bedroom home this is £225,000, giving a midpoint of £197,500). 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).
- 4.118 In setting the purchase price, the Council will need to consider a range of factors including not just the need for this form of housing and the price households could afford to purchase a home but also viability. In order for a 2 bedroom home to be affordable, our analysis shows that the price point will clearly have to be lower than the nationally directed cap of £250,000; however, in return, a lower number of First Homes – and other forms of affordable housing - will be delivered.
- 4.119 To estimate what levels of discount these prices might equate to it is necessary to estimate the likely cost of a home prior to any discount; calculating the Open Market Value (OMV). This is not straightforward as housing costs will vary depending on location and the type of scheme, however, it is the case that homes will be newbuild and are likely to attract a newbuild premium.
- 4.120 The table below shows the lower quartile cost of existing and new homes by type from Land Registry data; to boost the sample of new homes data from the last 5-years has been used. The analysis clearly identifies that newbuild homes are more expensive than existing homes in the stock although the overall average 'premium' (of minus 2%) will be heavily influenced by the profile of homes. When looking at flats (which are the main type of newbuild) it can be seen that the premium is around 38%, although for detached homes (the main volume of resales) the premium is only 8%.
- 4.121 If the figures for different dwelling types are standardised on the basis of the volume of sales in different categories then it is estimated that the typical newbuild premium in the District is around 20% - this figure has therefore been used in calculations of OMV and against which a discount can be judged.

Table 4.23 LQ Cost of Housing to Buy (Existing and Newly-Built Dwellings)

	Existing dwellings	Newly-built dwellings	New-build premium
Flat/maisonette	£165,000	£228,000	38%
Terraced	£255,000	£365,000	43%
Semi-detached	£300,000	£349,000	16%
Detached	£423,000	£455,000	8%
All dwellings	£274,000	£268,000	-2%

Source: Land Registry, 5-years to September 2021

- 4.122 The table below therefore sets out a suggested purchase price for affordable home ownership/First Homes. The tables also show an estimated OMV and the level of discount likely to be required to achieve affordability. As noted, the OMV is based on taking the estimated lower quartile price by size and adding 20%. It should be noted that the 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 £300,000 (rather than the modelled £270,000) then the discount would be in the range of 34% and 43%.
- 4.123 On the basis of the specific assumptions used, the analysis points to a discount of up to 40% for 2-bedroom homes and a figure of up to 50% for larger (3+-bedroom) properties. Given there is a cap of £250,000 on the purchase price (and looking at the estimated pricing below), it may be difficult for 3+-bedroom homes to be provided as First Homes. Given that a single discount figure is likely to be needed for plan making purposes it is suggested that a 40% discount is reasonable, with the expectation that most First Homes will be 2-bedroom.
- 4.124 It will however be important for the local authority to ensure that any discount above 30% does not prejudice the viability of provision of rented forms of affordable housing (for which there is a more acute need). A discount of 40% will clearly be more affordable; however, this should be weighed up alongside other viability factors whereby less First Homes and other forms of affordable housing would be provided overall.

Table 4.24 Affordable Home Ownership Prices

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£140,000-£145,000	£180,000	19%-22%
2-bedrooms	£170,000-£197,500	£270,000	27%-37%
3-bedrooms	£210,000-£280,000	£420,000	33%-50%
4+-bedrooms	£279,000-£382,000	£582,000	34%-52%

Source: Derived from a range of sources as described, data for year to September 2021

- 4.125 It should also be noted that the analysis above is for the whole of the local authority area; the pricing of housing does vary across the District and therefore adjustments to the figures might be appropriate

in some instances. That said, affordable needs can be met anywhere in the authority (where opportunities arise) and so using an expectation of an authority-wide affordability calculation should ensure affordable products on sites regardless of location.

Shared Ownership

- 4.126 Whilst the Government has a clear focus on First Homes, they also see a continued role for Shared Ownership, launching a 'New Model for Shared Ownership' in early 2021 (following a 2020 consultation) – this includes a number of proposals, with the main one for the purposes of this assessment being the reduction of 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.
- 4.127 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.
- 4.128 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 £100 per month⁹ for flatted development (assumed to be 1- and 2-bedroom homes); and

⁹ An estimate based on a range of service charges via the Help to Buy website [<https://www.help2obuyagent3.org.uk/>]

- 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;

4.129 The table below shows that to make shared ownership affordable, equity shares in the region of no more than about 20% could work for 2-bedroom homes. On the face of it, the analysis suggests that delivery of shared ownership properties with 3 or more bedrooms would be challenging; however, in 2021/22, delivery was 23% in favour of 3 bedroom properties. The Council should continue to monitor this and could consider additional rented homes of these sizes where it is difficult to make homes genuinely affordable.

4.130 As with conclusions on First Homes, 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 area 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.

Table 4.25 Estimated Affordable Equity Share by Size

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
OMV	£180,000	£270,000	£420,000	£582,000
Share	42%	20%	8%	4%
Equity Bought	£76,300	£53,500	£35,500	£25,000
Mortgage Needed	£68,700	£48,100	£31,900	£22,500
Monthly Cost of Mortgage	£363	£254	£169	£119
Retained Equity	£103,700	£216,500	£384,500	£557,000
Monthly Rent on Retained Equity	£238	£496	£881	£1,276
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£700	£850	£1,050	£1,395

Source: Data based on Housing Market Cost Analysis

4.131 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 20% equity share for 2-bedroom home, this is based on a specific set of assumptions. Were a scheme to come forward with a 20% share, but a total cost in excess of £850 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.

Rent to Buy

- 4.132 A further affordable option is Rent to Buy; this is a national 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.
- 4.133 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.
- 4.134 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 gross 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.

Essential Local Workers

- 4.135 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*'.
- 4.136 To give an indication of the number of essential workers in West Berkshire, 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 24% of resident workers are considered 'essential workers' in the District – this figure is lower than seen regionally and nationally.

Table 4.26 Number and Proportion of Essential Workers in a Range of Areas

	West Berkshire		South East	England
	Resident workers	% of workers	% of workers	% of workers
Agriculture, energy and water	2,241	2.7%	2.1%	2.3%
Manufacturing	6,449	7.9%	7.2%	8.9%
Construction	6,358	7.7%	8.0%	7.7%
Distribution, hotels and restaurants	16,606	20.2%	20.6%	21.5%
Transport and communication	11,712	14.3%	10.7%	9.1%
Financial, Real Estate, Professional & Administration	15,162	18.5%	18.6%	17.5%
Public administration, education and health	19,409	23.6%	27.7%	28.2%
Other	4,212	5.1%	5.1%	5.0%
All industries	82,149	100.0%	100.0%	100.0%

Source: 2011 Census

- 4.137 The table below shows how the number of essential workers¹⁰ varies across sub-areas – there is little difference between locations, and all see proportions below regional and national averages.

Table 4.27 Number and Proportion of Essential Workers – Sub-Areas

	Resident essential workers	% of workers in area	% of resident workers
Newbury and Thatcham	6,880	22.9%	35.4%
Eastern Area	4,344	25.3%	22.4%
North Wessex Downs AONB	8,185	23.4%	42.2%
District	19,409	23.6%	100.0%

Source: 2011 Census

- 4.138 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 whole District.

¹⁰ Public, administration, education and health industries

Table 4.28 Housing tenure by industry of employment (2011) – West Berkshire

	Owner-occupied	Social rented	Private rented
Agriculture, energy and water	64%	10%	26%
Manufacturing	77%	8%	14%
Construction	75%	12%	13%
Distribution, hotels and restaurants	65%	15%	20%
Transport and communication	77%	6%	17%
Financial, Real Estate, Professional and Administration	77%	7%	16%
Public administration, education and health	71%	10%	20%
Other	61%	11%	28%
All industries	72%	10%	18%

Source: 2011 Census

- 4.139 It is also possible to consider the affordability of housing for essential workers by considering local salaries. An online assessment of local jobs (across Berkshire) for nurses, firefighters, teachers, police officers and childcare was undertaken in April 2022. This showed a range of salaries, but typically in the range of about £25,000 to £35,000 per annum. The average salary was around £30,000 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.
- 4.140 With a salary of £30,000, an individual might be able to buy a home for around £150,000 (based on a 10% deposit and 4.5 times mortgage multiple) and with two salaries at this level would be able to afford around £300,000. This latter figure would allow the household to afford to buy a home across much of the study area, but the single income would make home ownership difficult (particularly in higher value locations), and this population could be a potential target for affordable home ownership products.
- 4.141 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 lower part of the workforce as is the case in many areas they are about as likely to be owner-occupiers as 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.
- 4.142 The PPG on First Homes indicates that essential workers can be supported through the local First Homes policy. The Council are proposing to address this by ensuring its First Homes local eligibility criteria supports workers with a local connection to the District. This policy will then be kept under review to identify the success of the policy is enabling essential workers to access housing. This is considered to be a positive response to supporting key workers.

Summary

- 4.143 Analysis has been undertaken to estimate the need for affordable housing in the 2021-39 period. The analysis is split between a need for social/affordable rented accommodation and is based on households unable to buy or rent in the market and the need for affordable home ownership (AHO) – this includes housing for those who can afford to rent privately but cannot afford to buy a home and will include the potential market for First Homes.
- 4.144 The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at rented needs, consideration is given to estimates of the supply of social/affordable rented housing. For AHO, consideration is given to the potential supply of resales of low-cost home ownership properties (such as shared ownership).
- 4.145 When looking at rented needs, the analysis suggests a need for 330 affordable homes per annum across the whole study area, with a need shown for all individual sub-areas. This provides the Council with an evidential starting point to establish an affordable housing target through the Local Plan Review.

Table 4.29 Estimated Need for Social/Affordable Rented Housing by Sub-Area (p.a.)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Newbury and Thatcham	21	145	32	199	91	108
Eastern Area	12	84	15	110	39	71
North Wessex Downs AONB	27	173	29	228	77	152
District	60	401	76	537	207	330

Source: Derived from a range of sources as set out below

- 4.146 Despite the level of need being high, it is not considered that this would necessarily point to any requirement for the Council to increase the Local Plan Review 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).
- 4.147 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 arguably be double counting. That said, the level of affordable need across areas can form part of the consideration of

the distribution of housing for different location, along with an understanding of demographic trends and economic growth.

- 4.148 The analysis supports the Council's draft Policy SP19 set out in the Local Plan Review which seeks a tenure split of the affordable housing on each development site of 70% social rented. There will inevitably be a series of considerations both at a strategic level and for specific schemes. In viability terms, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided.
- 4.149 Nevertheless, there is clear justification for the Council seeking to secure social rents as a starting point for negotiations on S106 Agreements as the priority affordable housing tenure in case-by-case negotiations. Doing so would ensure that affordable homes are delivered for those on the lowest incomes.
- 4.150 When looking at the need for AHO products, the analysis also suggests a need across the study area for 367 per annum. In interpreting this figure, it should however be noted that there could be a significant additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a much more limited need for AHO.
- 4.151 Analysis does suggest that there are many households in West Berkshire who are being excluded from the owner-occupied sector (as evidenced by reductions in owners with a mortgage and increases in the size of the private rented sector). This suggests that a key issue in the study area is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.
- 4.152 The study also considers different types of AHO (notably First Homes and shared ownership) as each will have a role to play – shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.
- 4.153 In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).

5. SPECIALIST HOUSING NEEDS

- 5.1 This section studies the characteristics and housing needs of the older person (i.e. aged 65 and over) population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. It responds to PPG on *Housing for Older and Disabled People* published by the Government in June 2019. It includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).

Understanding the Implications of Demographic Change

- 5.2 The population of older persons is increasing, and this will potentially drive a need for housing which is capable of meeting the needs of older persons. Initially below a series of statistics about the older person population of West Berkshire are presented.

Current Population of Older People

- 5.3 The table below provides baseline population data about older persons in West Berkshire and compares this with other areas. The population data has been taken from the published 2020 ONS mid-year population estimates (MYE). The table shows that West Berkshire has a similar age structure when compared with other areas; 20% of the population being aged 65 and over, this compares with 20% regionally and 19% nationally.

Table 5.1 Older Persons Population, 2020

	West Berkshire	South East	England
Under 65	80.4%	80.3%	81.5%
65-74	10.8%	10.3%	9.9%
75-84	6.4%	6.5%	6.1%
85+	2.4%	2.8%	2.5%
Total	100.0%	100.0%	100.0%
Total 65+	19.6%	19.7%	18.5%
Total 75+	8.9%	9.4%	8.6%

Source: ONS Mid-Year Population Estimates

- 5.4 The table below shows the same information for sub-areas, this shows some small variation in the proportion of people aged 65 and over, but generally a similar profile in all locations.

Table 5.2 Older Persons Population, 2020 – Sub-Areas

	Newbury and Thatcham	Eastern Area	North Wessex Downs AONB	TOTAL
Under 65	81.2%	79.7%	80.0%	80.4%
65-74	10.2%	11.5%	10.9%	10.8%
75-84	6.0%	6.6%	6.8%	6.4%
85+	2.6%	2.2%	2.4%	2.4%
Total	100.0%	100.0%	100.0%	100.0%
Total 65+	18.8%	20.3%	20.0%	19.6%
Total 75+	8.6%	8.9%	9.1%	8.9%

Source: ONS Mid-Year Population Estimates

Projected Future Change in the Population of Older People

- 5.5 Population projections can next be used to provide an indication of how the number of older persons might change in the future with the table below showing that West Berkshire is projected to see a notable increase in the older person population. With provision of 513 dwellings per annum the increase in the population aged 65 and over is around 42% - the population aged Under 65 is in contrast projected to decline by 2.1%.
- 5.6 In total population terms, the projections show an increase in the population aged 65 and over of 13,500 people. This is against a backdrop of an overall increase of 10,900 – population growth of people aged 65 and over therefore accounts for over 100% of the total projected population change.

Table 5.3 Projected Change in Population of Older Persons, 2021 to 2039

	2021	2039	Change in population	% change
Under 65	126,930	124,269	-2,661	-2.1%
65-74	17,208	21,382	4,174	24.3%
75-84	10,673	16,149	5,476	51.3%
85+	3,941	7,810	3,869	98.2%
Total	158,752	169,610	10,858	6.8%
Total 65+	31,822	45,341	13,519	42.5%
Total 75+	14,614	23,959	9,345	63.9%

Source: Demographic Projections linked to the standard method

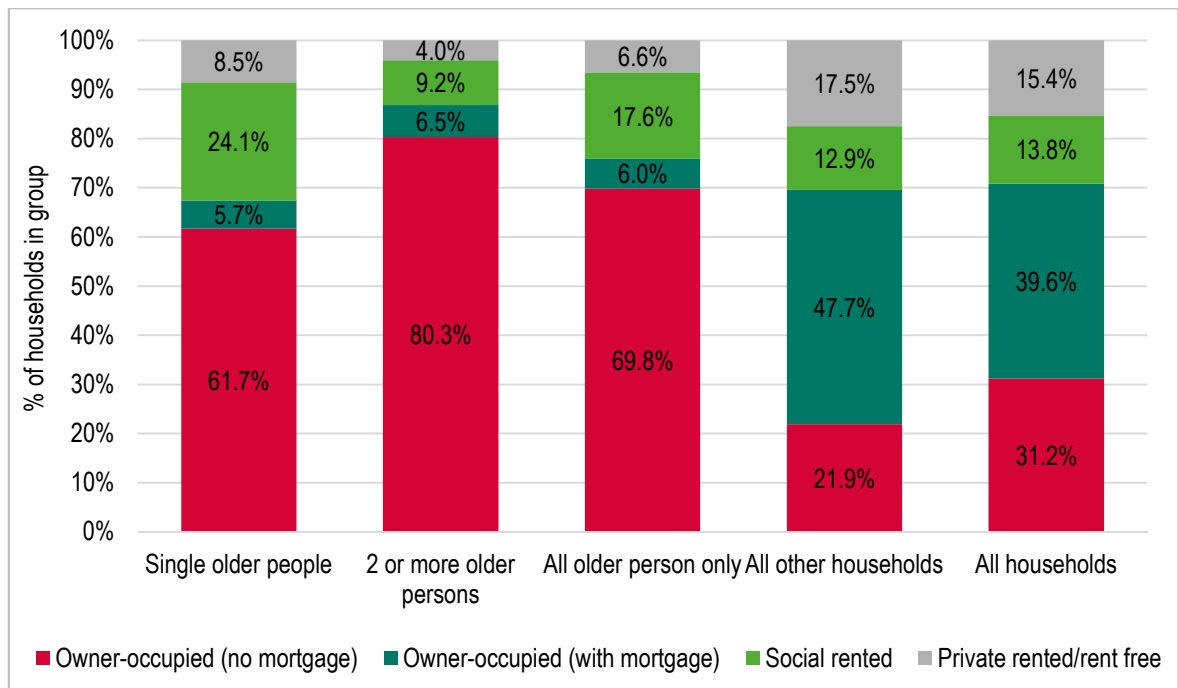
Characteristics of Older Person Households

- 5.7 The figure below shows the tenure of older person households. The data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that the majority of older persons households are owner occupiers (76% of older person households), and indeed most are owner occupiers with no mortgage and thus may

have significant equity which can be put towards the purchase of a new home. Some 18% of older persons households across the District live in the social rented sector; the proportion of older person households living in the private rented sector is relatively low (about 7%).

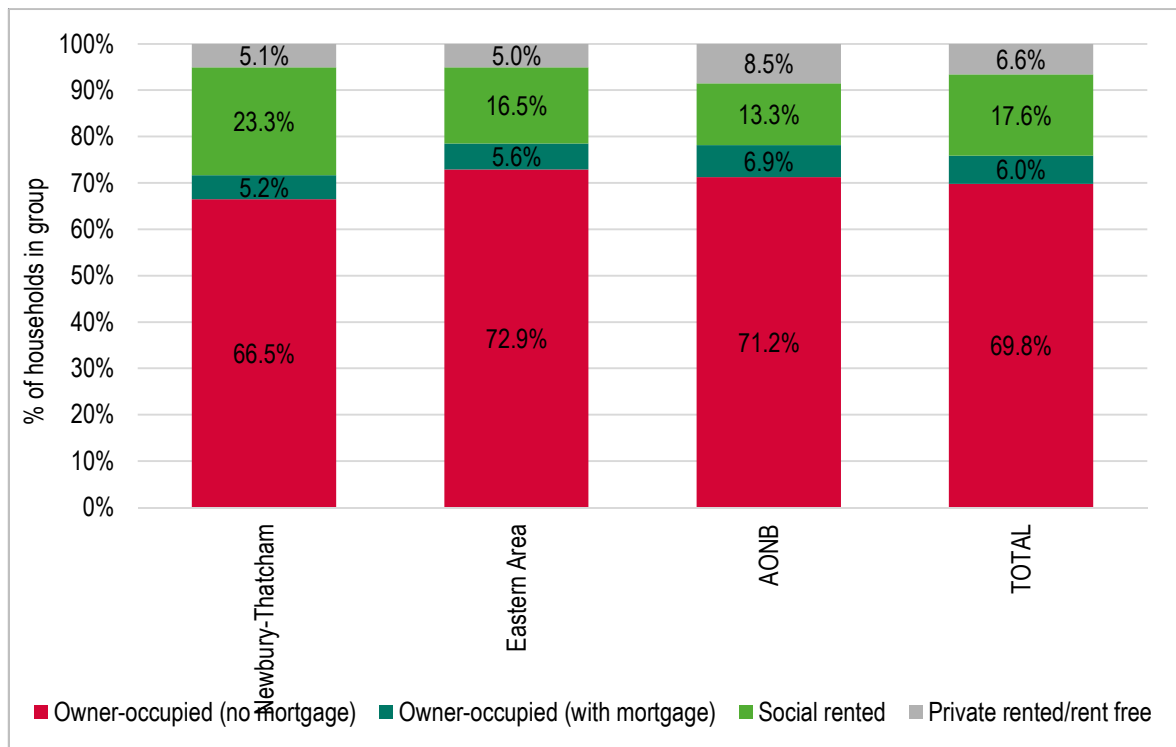
5.8 There are also notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

Figure 5.1: Tenure of Older Persons Households in West Berkshire, 2011



Source: 2011 Census

5.9 The figure below shows the same information for sub-areas – the data is provided for all older person households. The data shows that the tenure profile of older person households varies slightly across the study area; a key observation is the lower level of owner-occupation amongst older people in Newbury and Thatcham and the higher proportion in the social rented sector – 23% of older person households in this area are social renters.

Figure 5.2: Tenure of Older Persons Households in West Berkshire, 2011 – Sub-Areas

Source: 2011 Census

Prevalence of Disabilities

- 5.10 The table below shows the proportion of people with a long-term health problem or disability (LTHPD) drawn from 2011 Census data, and the proportion of households where at least one person has a LTHPD. The data suggests that some 26% of households in West Berkshire contain someone with a LTHPD. This figure is lower than seen in other areas (compares with a figure of 33% across England). The figures for the population with a LTHPD also typically show a proportion above other areas – some 13% of the population having a LTHPD.

Table 5.4 Households and People with a Long-Term Health Problem or Disability, 2011

	Households Containing Someone with a Health Problem		Population with a Health Problem	
	No.	%	No.	%
West Berkshire	16,002	25.7%	20,278	13.2%
South East	1,048,887	29.5%	1,356,204	15.7%
England	7,217,905	32.7%	9,352,586	17.6%

Source: 2011 Census

- 5.11 The analysis also shows some differences between different parts of the study area, with the AONB seeing a slightly lower proportion of the population and households with a LTHPD.

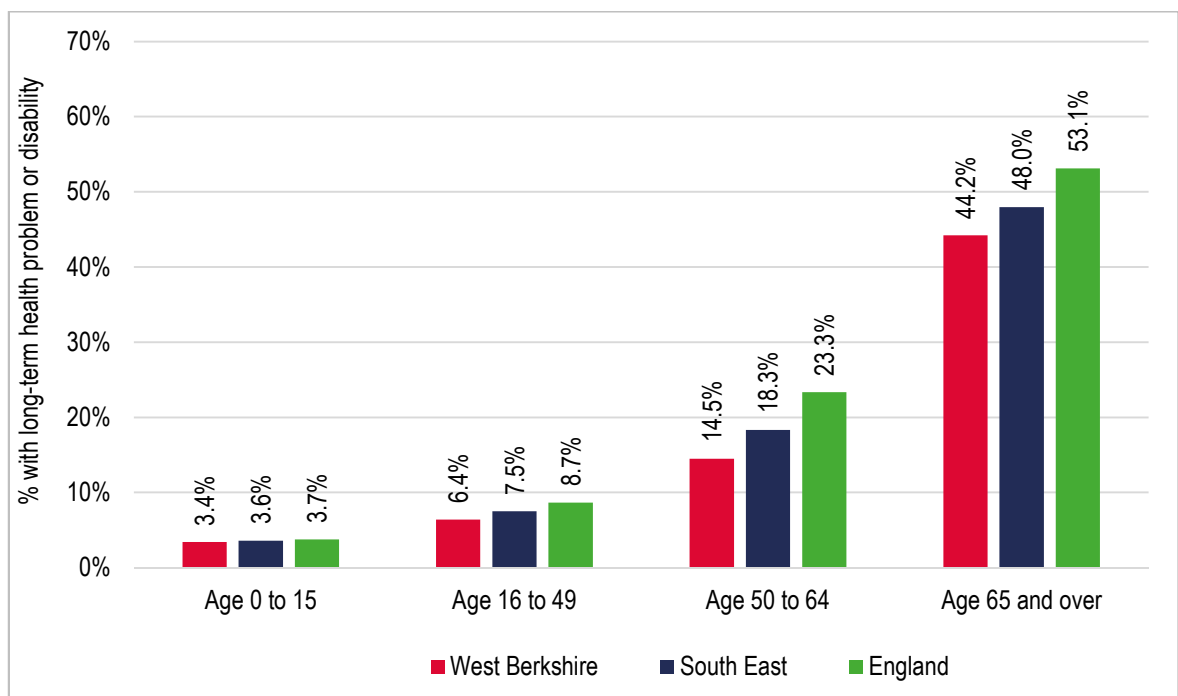
Table 5.5 Households and People with a Long-Term Health Problem or Disability, 2011 – Sub-Areas

	Households Containing Someone with a Health Problem		Population with a Health Problem	
	No.	%	No.	%
Newbury and Thatcham	6,201	27.0%	7,831	14.1%
Eastern Area	3,331	25.9%	4,149	13.0%
North Wessex Downs AONB	6,470	24.4%	8,298	12.5%
District TOTAL	16,002	25.7%	20,278	13.2%

Source: 2011 Census

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

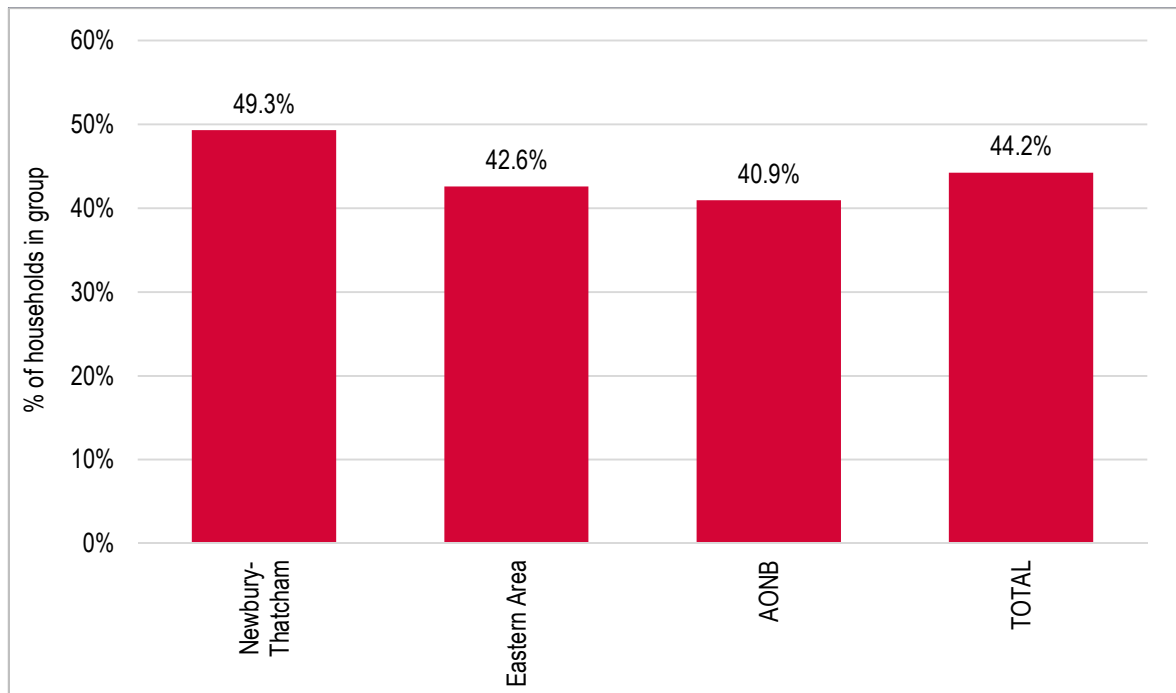
Figure 5.3: Population with Long-Term Health Problem or Disability by Age



Source: 2011 Census

5.13 The Figure below shows the proportion of the population aged 65 and over with a LTHPD by sub-area – this shows notably higher levels of disability in Newbury and Thatcham, with a lower figure in the AONB.

Figure 5.3: Proportion of population aged 65 and over with a Long-Term Health Problem or Disability – Sub-Areas



Source: 2011 Census

Health Related Population Projections

- 5.14 The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population.
- 5.15 The analysis undertaken covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. Adjustments have been made to take account of the age specific health/disabilities previously shown.
- 5.16 Of particular note are the large increases in the number of older people with dementia (increasing by 67% from 2021 to 2039 and mobility problems (up 57% over the same period). Changes for younger age groups are smaller (negative), reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related back to the total projected change to the population, the increase of people aged 65+ with a mobility problem represents 25% of total projected population growth. This reinforces the need for delivering accessible new-build homes to reduce reliance on retrospective adaptations.
- 5.17 It should be noted that there will be an overlap between categories (i.e. some people will have both dementia and mobility problems). Hence the numbers for each of the illnesses/disabilities should not be added together to arrive at a total.

Table 5.6 Projected Changes to Population with a Range of Disabilities

Disability	Age Range	2021	2039	Change	% Change
Dementia	65+	1,777	2,973	1,195	67.2%
Mobility problems	65+	4,742	7,428	2,686	56.6%
Autistic Spectrum Disorders	18-64	633	628	-5	-0.8%
	65+	250	357	107	42.9%
Learning Disabilities	15-64	1,648	1,628	-19	-1.2%
	65+	553	781	228	41.2%
Challenging behaviour	15-64	30	30	0	-1.4%
Impaired mobility	16-64	3,835	3,651	-184	-4.8%

Source: POPPI/PANSI and Demographic Projections linked to standard method

- 5.18 Invariably, there will be a combination of those with disabilities and long-term health problems that continue to live at home with family, those who chose to live independently with the possibility of incorporating adaptations into their homes and those who choose to move into supported housing.
- 5.19 The projected change shown in the number of people with disabilities provides clear evidence justifying delivering 'accessible and adaptable' homes as defined in Part M4(2) of Building Regulations, subject to viability and site suitability.
- 5.20 The Council should ensure that the viability of doing so is also tested as part of drawing together its evidence base although the cost of meeting this standard is unlikely to have any significant impact on viability and would potentially provide a greater number of homes that will allow households to remain in the same property for longer. In due course, the Local Plan Viability Assessment will provide evidence to consider whether this is feasible to include in the Review.

Need for Specialist Accommodation for Older Persons

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

Definitions of Different Types of Older Persons' Accommodation

Age-restricted general market housing: This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.

Retirement living or sheltered housing (housing with support): This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest

room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.

Extra care housing or housing-with-care (housing with care): This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

Residential care homes and nursing homes (care bedspaces): These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

Source: *Planning Practice Guidance [63-010]*

- 5.22 The need for specialist housing for older persons is typically modelled by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is no standard methodology for assessing the housing and care needs of older people. The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. Additionally, the extent to which new homes are built to accessible and adaptable standards may over time have an impact on specialist demand (given that older people often want to remain at home rather than move to care) – this will need to be monitored.
- 5.23 There are a number of ‘models’ for considering older persons’ needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages.
- 5.24 Whilst there are no definitive rates, the PPG [63-004] notes that *‘the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool)’*. The PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since the PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known.

- 5.25 The SHOP@ tool was originally based on data in a 2008 report (More Choice Greater Voice) and in 2011 a further suggested set of rates was published (rates which were repeated in a 2012 publications). In 2016, Housing LIN published a review document which noted that the 2008 rates are 'outdated' but also noting that the rates from 2011/12 were 'not substantiated'. The 2016 review document therefore set out a series of proposals for new rates to be taken forward onto the Housing LIN website.
- 5.26 Whilst the 2016 review rates do not appear to have ever led to an update of the website, it does appear from reviewing work by Housing LIN over the past couple of years as if it is these rates which typically inform their own analysis (subject to evidence based localised adjustments).
- 5.27 For clarity, the table below shows the base prevalence rates set out in the various documents described above. For the analysis in this report the age-restricted and retirement/sheltered have been merged into a single category (housing with support).

Table 5.7 Range of suggested baseline prevalence rates from a number of tools and publications

Type/Rate	SHOP@ (2008) ¹¹	Housing in Later Life (2012) ¹²	2016 Housing LIN Review
Age-restricted general market housing	-	-	25
Retirement living or sheltered housing (housing with support)	125	180	100
Extra care housing or housing-with-care (housing with care)	45	65	30-40 ('proactive range')
Residential care homes	65	(no figure apart from 6 for dementia)	40
Nursing homes (care bedspaces), including dementia	45		45

Source: Range of sources as identified

- 5.28 In interpreting the different potential prevalence rates it is clear that:
- The prevalence rates used should be considered and assessed taking account of an authority's strategy for delivering specialist housing for older people. The degree for instance which the Council want to require extra care housing as an alternative to

¹¹ Based on the More Choice Greater Voice publication of 2008 (https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf). It should be noted that although these rates are from 2008, they are the same rates as were being used in the online toolkit when it was taken offline in 2019.

¹² https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Toolkit/Housing_in_Later_Life_Toolkit.pdf

residential care provision would influence the relative balance of need between these two housing types;

- The Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. It is more focused towards publicly commissioned provision. There is a degree to which the model and assumptions within it may not fully capture the growing recent private sector interest and involvement in the sector, particularly in extra care; and
- The assumptions in these studies look at the situation nationally. At a more local level, the relative health of an area's population is likely to influence the need for specialist housing with better levels of health likely to mean residents are able to stay in their own homes for longer

5.29 Icenii and JGC have therefore sought to consider these issues and the appropriate modelling assumptions for assessing future needs. Nationally, there has been a clear focus on strengthening a community-led approach and reducing reliance on residential and nursing care – in particular focussing where possible on providing households with care in their own home. This could however be provision of care within general needs housing; but also care which is provided in a housing with care development such as in extra care housing.

5.30 We consider that the prevalence rates shown in the 2016 Housing LIN Review is an appropriate starting point; but that the corollary of lower care home provision should be a greater focus on delivery of housing with care. Having regard to market growth in this sector in recent years, and since the above studies were prepared, we consider that the starting point for housing with care should be the higher rate shown in the SHOP@ report (this is the figure that would align with the PPG).

5.31 Rather than simply taking the base prevalence rates, an initial adjustment has been made to reflect the relative health of the local older person population. This has been based on Census data about the proportion of the population aged 65 and over who have a long-term health problem or disability (LTHPD) compared with the England average. In West Berkshire, the data shows slightly better health in the older person population and so the prevalence rates used have been decreased slightly (by an average of about 17%) – these figures are based on comparing the proportion of people aged 65 and over with a LTHPD in West Berkshire (44.2%) with the equivalent figure for England (53.1%).

5.32 A second local adjustment has been to estimate a tenure split for the housing with support and housing with care categories. This again draws on suggestions in the 2016 Review which suggests that less deprived local authorities could expect a higher proportion of their specialist housing to be in the market sector. Using 2019 Index of Multiple Deprivation (IMD) data, the analysis suggests

West Berkshire is the 289th most deprived local authority in England (out of 317) – i.e. a low level of deprivation – this suggests a greater proportion of market housing than an authority in the middle of the range. To be clear this is market housing within the categories described above (e.g. housing with support and housing with care).

- 5.33 The table below shows estimated needs for different types of housing linked to the population projections. The analysis is separated into the various different types and tenures although it should be recognised that there could be some overlap between categories (i.e. some households might be suited to more than one type of accommodation).
- 5.34 Overall, the analysis suggests that there will be a notable need for housing with support (in the market sector) and housing with care (particularly in the market sector), as well as some additional nursing and residential care bedspaces (although the analysis suggests a current balance of nursing care bedspaces). The analysis also shows a sizeable surplus of affordable housing with support, this reflects the high level of older persons sheltered housing within the current stock.

Table 5.8 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2021-39

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2039	Shortfall/surplus by 2039
Housing with support	Market	65	702	951	249	608	856
	Affordable	39	1,304	570	-734	365	-369
Total (housing with support)		104	2,006	1,521	-485	972	487
Housing with care	Market	27	103	399	296	255	551
	Affordable	10	144	148	4	95	99
Total (housing with care)		37	247	547	300	350	650
Residential care bedspaces		33	121	487	366	311	677
Nursing care bedspaces		37	542	547	5	350	355
Total bedspaces		71	663	1,034	371	661	1,032

Source: Derived from Demographic Projections linked to standard method and Housing LIN/EAC

- 5.35 It can be seen by 2039 there is an estimated need for 1,137 additional dwellings with support or care across the whole study area. In addition, there is a need for 1,032 additional nursing and residential care bedspaces. Typically for bedspaces it is conventional to convert to dwellings using a standard multiplier (1.80 bedspaces per dwelling for older persons accommodation) and this would therefore equate to around 573 dwellings. In total, the older persons analysis therefore points towards a need for around 1,710 units over the 2021-39 period (95 per annum) – the older person need equates to some 19% of all homes needing to be some form of specialist accommodation for older people.

- 5.36 The provision of a choice of attractive housing options to older households is a component of achieving good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes which no longer meet their housing needs or are expensive to run. The availability of housing options which are accessible to older people will also provide the opportunity for older households to 'rightsize' which can help improve their quality of life.
- 5.37 It should also be noted that within any category of need there may be a range of products. For example, many recent market extra-care schemes have tended to be focused towards the 'top-end' of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Council to seek a range of products that will be accessible to a wider number of households if needs are to be met.

Older Persons' Housing, Planning Use Classes and Affordable Housing Policies

- 5.38 The issue of use classes and affordable housing generally arises in respect of extra care/ assisted living development schemes. PPG defines extra care housing or housing with care as follows:

"This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses".

- 5.39 There is a degree to which different terms can be used for this type of development inter-changeably, with reference sometimes made to extra care, assisted living, continuing care retirement communities, or retirement villages. Accommodation units typically include sleeping and living accommodation, bathrooms and kitchens; and have their own front door. Properties having their own front doors is not however determinative of use.
- 5.40 The distinguishing features of housing with care is the provision of personal care through an agency registered with the Care Quality Commission, and the inclusion of extensive facilities and communal space within these forms of development, which distinguish them from blocks of retirement flats.

Use Classes

- 5.41 Use classes are defined in the Town and Country Planning (Use Classes) Order 1987 (as amended). Use Class C2: Residential Institutions is defined as "use for the provision of residential

accommodation and care to people in need of care (other than a use within class C3 (dwelling houses).” C3 (dwelling houses) are defined as “use as a dwelling house (whether or not as a sole or main residence) a) by a single person or by people living together as a family; or b) by no more than 6 residents living together as a single household (including a household where care is provided for residents).”

- 5.42 Care is defined in the Use Class Order as meaning “personal care for people in need of such care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder, and in class C2 also includes the personal care or children and medical care and treatment.”
- 5.43 Personal care has been defined in Regulations¹³ as “the provision of personal care for persons who, by reasons of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided.”
- 5.44 The Government released new PPG on *Housing for Older and Disabled People* in June 2019. In respect of Use Classes, Para 63-014 therein states that:

“It is for a local planning authority to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (Residential Institutions) or C3 (Dwelling house) of the Use Classes Order, consideration could, for example, be given to the level of care and scale of communal facilities provided.”

- 5.45 The relevant factors identified herein are the level of care which is provided, and the scale of communal facilities. It is notable that no reference is made to whether units of accommodation have separate front doors. This is consistent with the Use Class Order, where it is the ongoing provision of care which is the distinguishing feature within the C2 definition. In a C2 use, the provision of care is an essential and ongoing characteristic of the development and would normally be secured as such through the S106 Agreement.
- 5.46 A range of appeal decisions have addressed issues relating to how to define the use class of a development. These are fact specific, and there is a need to consider the particular nature of the scheme. What arises from this, is that schemes which have been accepted as a C2 use commonly demonstrate the following characteristics:

¹³ Schedule 1 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010.

- Occupation restricted to people (at least one within a household) in need of personal care, with an obligation for such residents to subscribe to a minimum care package. Whilst there has been debate about the minimum level of care to which residents must sign-up to, it is considered that this should not be determinative given that a) residents' care needs would typically change over time, and in most cases increase; and b) for those without a care need the relative costs associated with the care package would be off-putting.
- Provision of access to a range of communal areas and facilities, typically beyond that of simply a communal lounge, with the access to these facilities typically reflected in the service charge.

NPPF Policies on Affordable Housing

- 5.47 For the purposes of developing planning policies in a new Local Plan, use class on its own need not be determinative on whether affordable housing provision could be applied. In all cases we are dealing with residential accommodation. But nor is there a clear policy basis for seeking affordable housing provision or contributions from a C2 use in the absence of a development plan policy which seeks to do so.
- 5.48 The NPPF (July 2021) sets out in paragraph 34 that Plans should set out the contributions expected from development, including levels of affordable housing. Such policies should not undermine the deliverability of the Plan. Paragraph 63 states that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless off-site provision or a financial contribution can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.
- 5.49 Paragraph 64 states that affordable housing should not be sought from residential developments that are not major developments. Paragraph 65 sets out that specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students) are exempt from the requirement for 10% of homes (as part of the affordable housing contribution) to be for affordable home ownership. But neither of these paragraphs set out that certain types of specialist accommodation for older persons are exempt from affordable housing contributions.
- 5.50 The implication for West Berkshire is that:
- The ability to seek affordable housing contributions from a C2 use at the current time is influenced by how its current development plan policies were constructed and evidenced; and
 - If policies in a new development plan are appropriately crafted and supported by the necessary evidence on need and viability, affordable housing contributions could be sought

from a C2 use through policies in a new Local Plan.

- 5.51 Within the Local Plan Review, it would be possible to craft a policy in such a way that affordable housing could be sought on extra care housing from both C2 and C3 use classes and it should be noted that in July 2020 the High Court rejected claims that 'extra care' housing should not contribute affordable homes because it falls outside C3 use (CO/4682/2019¹⁴). It is however important to recognise that the viability of extra care housing will differ from general mixed tenure development schemes, and there are practical issues associated with how mixed tenure schemes may operate.

Viability

- 5.52 There are a number of features of a typical extra care housing scheme which can result in substantively different viability characteristics relative to general housing. In particular:

- Schemes typically include a significant level of communal space and on-site facilities, such that the floorspace of individual units might equate to 65% of the total floorspace, compared to 100% for a scheme of houses and perhaps 85% for typical flatted development. There is a significant proportion of space from which value is not generated through sales (although individual units may be smaller);
- Higher construction and fit out-costs as schemes need to achieve higher accessibility requirements and often include lifts, specially adapted bathrooms, treatment rooms etc. In many instances, developers need to employ third party building contractors are also not able to secure the same economies of scale as the larger volume housebuilders;
- Sales rates are also typically slower for extra care schemes, not least as older residents are less likely to buy 'off plan.' The combination of this and the limited ability to phase flatted schemes to sales rates can result in higher finance costs for a development.

- 5.53 There are a number of implications arising from this. Firstly, there is a need for viability evidence to specifically test and consider what level of affordable housing could be applied to different forms of older persons accommodation, potentially making a distinction between general market housing; retirement living/sheltered housing; and extra care/housing with care. It may well be that a differential and lower affordable housing policy is justified for housing with care. The Local Plan Review Viability Assessment should therefore provide evidence on this.

- 5.54 Secondly, developers of extra care schemes can struggle to secure land when competing against mainstream housebuilders or strategic land promoters. One way of dealing with this is to allocate sites specifically for specialist older persons housing, and this may be something that the Council wishes to consider through the preparation of a new Local Plan. There could be benefits of doing

¹⁴ <https://www.judiciary.uk/wp-content/uploads/2020/07/Rectory-Homes-v-SSHCLG-final-judgment-31-07-2020.pdf>

this through achieving relatively high-density development of land at accessible locations, and in doing so, releasing larger family housing elsewhere as residents move out.

Practical Issues

- 5.55 In considering policies for affordable housing provision on housing with care schemes, there is one further factor which warrants consideration relating to the practicalities of mixed-tenure schemes. The market for extra care development schemes is currently focused particularly on providers at the affordable and higher ends of the market, with limited providers currently delivering within the 'mid-market.' At the higher ends of the market, the level of facilities and services/support available can be significant, and the management model is often to recharge this through service charges.
- 5.56 Whilst recognising the benefits associated with mixed income/tenure development, in considering whether mixed tenure schemes can work it is important to consider the degree to which service charges will be affordable to those on lower incomes and whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, this has meant that authorities have accepted off-site contributions to affordable housing provision.

Wheelchair User Housing

- 5.57 The analysis below draws on a range of secondary data sources to estimate the number of current and future wheelchair users and to estimate the number of wheelchair accessible/adaptable dwellings that might be required in the future. Estimates of need produced in this report draw on data from the English Housing Survey (EHS) which provides a range of relevant data, but often for different time periods. The EHS data used includes the age structure of wheelchair users, information about work needed to homes to make them 'viable' for wheelchair users and data about wheelchair users by tenure.
- 5.58 The analysis below sets out estimates of the number of wheelchair users in the District; this has been based on estimating prevalence rates from the 2011-12 EHS (Annex Table 6.11) combined with Census data. At the time, the EHS showed there were 184,000 households with a wheelchair user (in England) and the oldest person in the household was aged under 60; the 2011 Census showed a household population of around 40.6 million people aged under 60 and therefore a base prevalence rate of 0.005 has been calculated for this group – essentially for every 1,000 people aged under 60 there are around 5 wheelchair user households. The table below shows data for a full range of age groups; it should be noted that whilst the prevalence rates mix households and population they will provide a reasonable estimate of the number of wheelchair user households.

Table 5.9 Baseline prevalence rates by age used to estimate wheelchair user households – England

	Number of wheelchair user households	Household population	Prevalence (per 1,000 population)
Under 60 years	184,000	40,562,000	5
60 - 74 years	205,000	7,668,000	27
75 - 84 years	191,000	2,832,000	68
85 years or over	146,000	997,000	146

Source: Derived from EHS (2011-12) and 2011 Census

5.59 The analysis also considers the relative health of the population of West Berkshire. For this, data has been taken from the 2011 Census for the household population with 'day to day activities limited a lot' by their disability. The table below shows this information by age in West Berkshire and England, and also shows the adjustment made to reflect differences in health between the areas. Due to the age bands used in the Census, there has been some degree of adjustment for the under 60 and 60-74 age groups. The data shows lower levels of disability for all age groups in West Berkshire, pointing to a slightly lower than average proportion of wheelchair user households.

Table 5.10 Proportion of people with day to day activities limited a lot (by age) – 2011

	% of age group with day to day activities limited a lot		West Berkshire as % of England	Prevalence rate (per 1,000 population)
	West Berkshire	England		
Under 60 years	2.4%	4.2%	58.3%	3
60-74 years	7.7%	13.9%	55.0%	15
75-84 years	22.1%	29.1%	76.0%	51
85 years or over	47.2%	52.3%	90.2%	132

Source: 2011 Census

5.60 The local prevalence rate data can be brought together with information about the population age structure and how this is likely to change moving forward. The data estimates a total of 1,708 wheelchair user households in 2021, and that this will rise to 2,505 by 2039 (an increase of about 800).

Table 5.11 Estimated number of wheelchair user households (2021-39) – West Berkshire – linked to Standard Method

	Prevalence rate (per 1,000 population)	Household population 2021	Household population 2039	Wheelchair user households (2021)	Wheelchair user households (2039)
Under 60 years	3	114,514	111,633	303	295
60 - 74 years	15	27,154	31,550	399	464
75 - 84 years	51	10,478	15,782	538	810
85 years or over	132	3,548	7,090	468	936
TOTAL		155,694	166,056	1,708	2,505

Source: Derived from a range of sources

- 5.61 The finding of an estimated current number of wheelchair user households does not indicate how many homes might be needed for this group – some households will be living in a home that is suitable for wheelchair use, whilst others may need improvements to accommodation, or a move to an alternative home. Data from the EHS (2014-15) shows that of the 814,000 wheelchair user households, some 200,000 live in a home that would either be problematic or not feasible to make fully ‘visitable’ – this is around 25% of wheelchair user households. Applying this to the current number of wheelchair user households and adding the additional number projected forward suggests a need for around 1,400 additional wheelchair user homes in the 2021-39 period – this equates to 13% of all housing need (as set out in the table below).

Table 5.12 Estimated Need for Wheelchair User Homes, 2021-39

	Current need	Projected need (2021-39)	Total current and future need	Housing need (2021-39)	% of Housing Need
West Berkshire	420	797	1,216	9,234	13.2%

Source: Derived from a range of sources

- 5.62 Furthermore, information in the EHS (for 2017/18) also provides national data about wheelchair users by tenure. This showed that, at that time, around 7.1% of social tenants were wheelchair users, compared with 2.7% of market households (owner-occupiers and private renters). Applying these national figures to the demographic change and need (as shown above) it is possible to estimate the potential need by tenure, as shown in the table below. This shows a need for around 10% of market homes to be M4(3) along with 27% of affordable.

Table 5.13 Estimated Need for Wheelchair User Homes by Tenure, 2021-39

	Market	Affordable
West Berkshire	10%	27%

Source: Derived from demographic projections and EHS prevalence rates

- 5.63 To meet the identified need, the Council could seek a proportion (maybe up to 10%) of all new market homes to be M4(3) compliant and potentially around a quarter in the affordable sector. These figures reflect that not all sites would be able to deliver homes of this type. In the market sector these homes would be M4(3)A (adaptable) and M4(3)B (accessible) for affordable housing.
- 5.64 As with M4(2) homes it may not be possible for some schemes to be built to these higher standards due to built-form, topography, flooding etc. Furthermore, provision of this type of property may not be viable or deliverable due to the reasonably high build out costs - see table below.
- 5.65 It is worth noting that the Government is currently consulting on changes to the way the needs of people with disabilities and wheelchair users are planned for as a result of concerns that in the drive to achieve housing numbers, the delivery of housing that suits the needs of the households (in particular those with disabilities) is being compromised on viability grounds¹⁵.
- 5.66 One of the policy options tabled in this document is to remove M4(1) altogether, so that all new homes will have to at least have the accessible and adaptable features of an M4(2) home. M4(3) would apply where there is a local planning policy in place in which a need has been identified and evidenced. This is consistent with the evidence presented in this report, although the trade-off identified in the consultation paper between viability and the need to deliver sufficient numbers of market homes to meet general housing needs is unavoidable.
- 5.67 The viability challenge is particularly relevant for M4(3)(B) standards. These make properties accessible from the moment they are built and involve high additional costs that could in some cases challenge the feasibility of delivering all or any of a policy target.

Table 5.14 Access Cost Summary

	1-Bed Apartment	2-Bed Apartment	2-Bed Terrace	3-Bed Semi Detached	4-Bed Semi-Detached
M4(2)	£940	£907	£523	£521	£520
M4(3)(A) – Adaptable	£7,607	£7,891	£9,754	£10,307	£10,568
M4(3)(B) – Accessible	£7,764	£8,048	£22,238	£22,791	£23,052

Source: EC Harris, 2014

¹⁵ Raising accessibility standards for new homes, a consultation paper, page 10

- 5.68 However, local authorities only have the right to request M4(3)(B) accessible compliance from homes for which they have nomination rights. They can, however, request M4(3)(A) adaptable compliance from the wider (market) housing stock.
- 5.69 A further option for the Council would be to consider seeking a higher contribution, where it is viable to do so, from those homes to which they have nomination rights. This would address any under delivery from other schemes (including schemes due to their size e.g. less than 10 units or 1,000 square metres) but also recognise the fact that there is a higher prevalence for wheelchair use within social rent tenures. This should be considered when setting policy.

Summary

- 5.70 A range of data sources and statistics have been accessed to consider the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. The analysis responds to PPG on Housing for Older and Disabled People published by the Government in June 2019 and includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).
- 5.71 The data shows that West Berkshire has a similar age structure and lower overall levels of disability compared with the national average – age specific rates of disability are notably lower than seen nationally. The older person population has some distinct characteristics, including a high representation in the owner-occupied sector and is projected to increase notably in the future. An ageing population means that the number of people with disabilities is likely to increase substantially. Key findings for the 2021-39 period include:
- A 42% increase in the population aged 65+ (potentially accounting for over 100% of total population growth);
 - A 67% increase in the number of people aged 65+ with dementia and a 57% increase in those aged 65+ with mobility problems;
 - A need for around 500 housing units with support (sheltered/retirement housing) – all within the market sector;
 - A need for around 650 additional housing units with care (e.g. extra-care) – split about 85% market and 15% affordable housing;
 - A need for additional nursing care bedspaces; and
 - A need for around 1,200 dwellings to be for wheelchair users (meeting technical standard M4(3)).

- 5.72 This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing. Given the evidence, the Council could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and around 10% of homes meeting M4(3) – wheelchair user dwellings (a higher proportion in the affordable sector).
- 5.73 Where the authority has nomination rights M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector they should be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.
- 5.74 The Council should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.
- 5.75 In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered as ‘homes for life’ and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.
- 5.76 In framing policies for the provision of specialist older persons accommodation, the Council will need to consider a range of issues. This will include the different use classes of accommodation (i.e. C2 vs. C3) and requirements for affordable housing contributions (linked to this the viability of provision). There may also be some practical issues to consider, such as the ability of any individual development being mixed tenure given the way care and support services are paid for.

6. HOUSING MIX

- 6.1 This section considers the appropriate mix of housing across West Berkshire, with a particular focus on the sizes of homes required in different tenure groups. This section looks at a range of statistics in relation to families (generally described as households with dependent children) before moving on to look at how the number of households in different age groups are projected to change moving forward.

Background Data

- 6.2 The number of families in West Berkshire (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 19,250 as of the 2011 Census, accounting for 31% of households; this proportion is slightly higher than the regional and national average; this being due to a high proportion of married couple households with children.

Table 6.1 Households with dependent children (2011)

	West Berkshire		South East	England
	No.	%	%	%
Married couple	12,344	19.8%	17.1%	15.3%
Cohabiting couple	2,379	3.8%	3.9%	4.0%
Lone parent	3,340	5.4%	6.1%	7.1%
Other households	1,187	1.9%	2.3%	2.6%
All other households	43,090	69.1%	70.6%	70.9%
Total	62,340	100.0%	100.0%	100.0%
Total with dependent children	19,250	30.9%	29.4%	29.1%

Source: Census (2011)

- 6.3 The table below shows the same information for each sub-area. It is also notable that the AONB sees a higher proportion of married couple households (with dependent children) and fewer lone parent households.

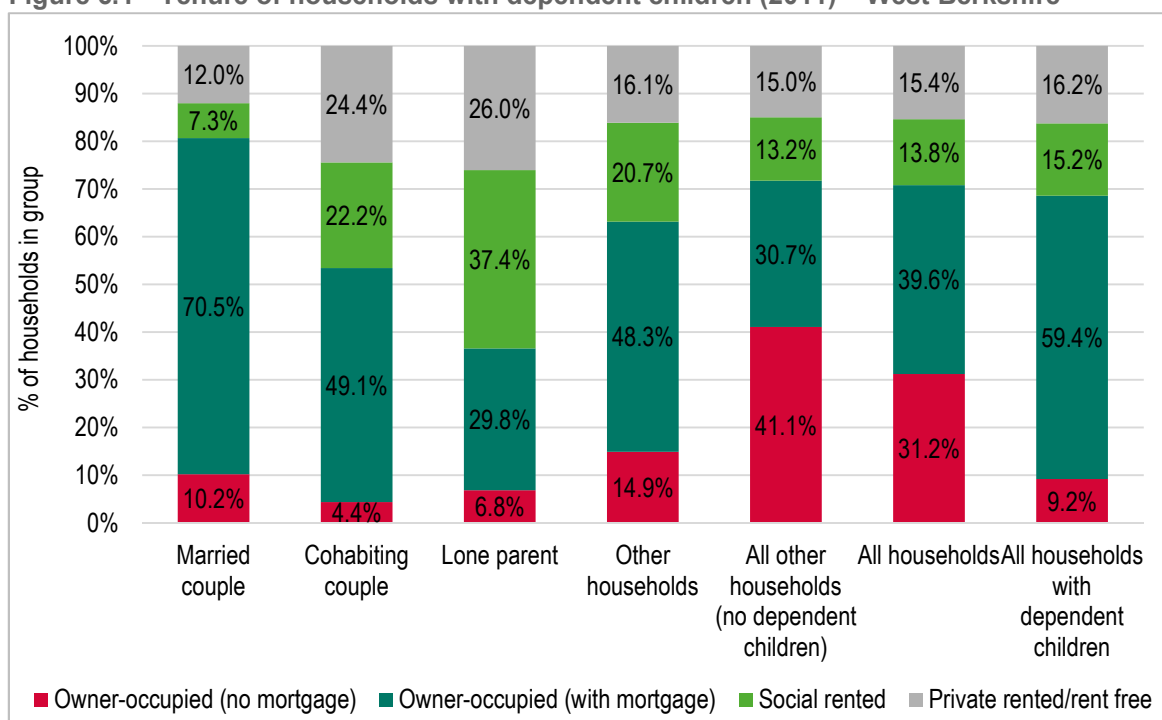
Table 6.2 Households with dependent children (2011) – sub-areas

	Newbury and Thatcham	Eastern Area	North Wessex Downs AONB	TOTAL
Married couple	18.6%	20.0%	20.7%	19.8%
Cohabiting couple	4.4%	3.5%	3.5%	3.8%
Lone parent	5.8%	6.0%	4.6%	5.4%
Other households	1.9%	2.1%	1.8%	1.9%
All other households	69.2%	68.3%	69.4%	69.1%
Total	100.0%	100.0%	100.0%	100.0%
Total with dependent children	30.8%	31.7%	30.6%	30.9%

Source: Census (2011)

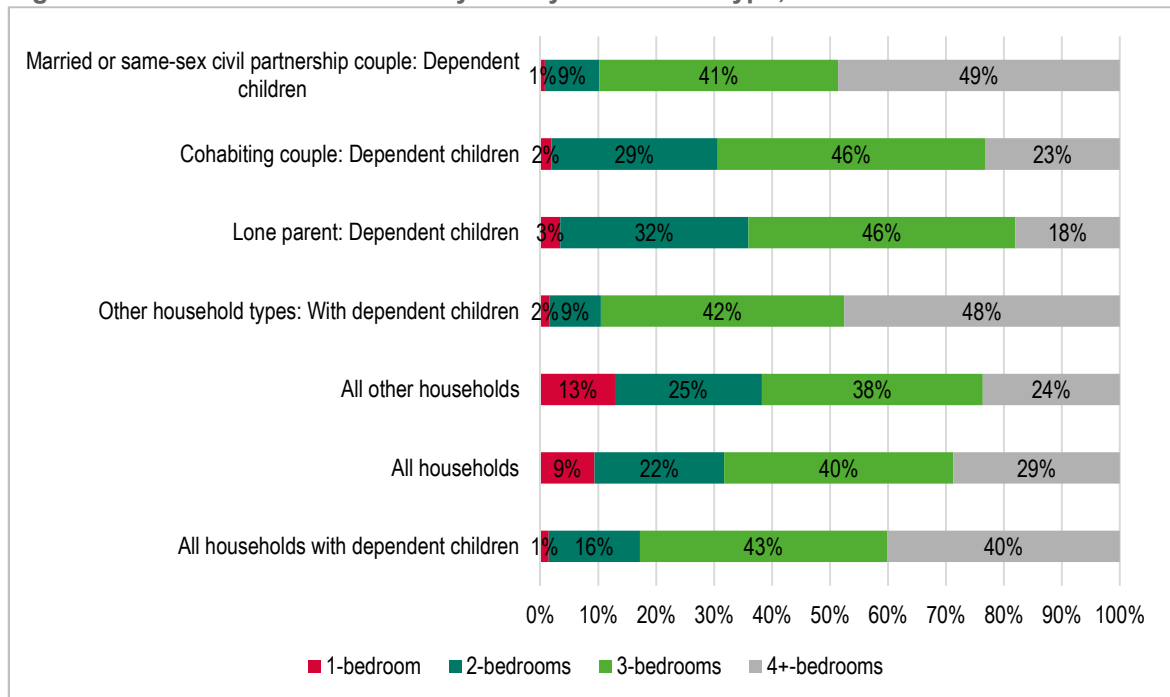
6.4 The figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. In West Berkshire, only 37% of lone parent households are owner-occupiers compared with 81% of married couples with children.

Figure 6.1 Tenure of households with dependent children (2011) – West Berkshire



Source: Census (2011)

6.5 The figure below shows the number of bedrooms for family households at the point of the 2011 Census. The analysis shows the differences between married, cohabiting and lone parent families. Across the study area, the tendency is for family households to occupy 3+-bedroom housing with variation depending on the household composition. The data also, unsurprisingly, highlights the small level of 1-bed stock occupied by families across the board. As a result, we could expect continued demand for 3+-bedroom homes from family households.

Figure 6.2 Number of Bedrooms by Family Household Type, 2011 – West Berkshire

Source: Census (2011)

The Mix of Housing

- 6.6 A model has been developed that starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using demographic projections linked to the local housing need calculated through the standard method, it is possible to see which age groups are expected to change in number, and by how much.
- 6.7 On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the assessment period to 2039 (from 2021).
- 6.8 An important starting point is to understand the current balance of housing in the area – the table below profiles the sizes of homes in different tenure groups across areas. The data shows a market stock (owner-occupied) that is dominated by 3+-bedroom homes (making up 79% of the total in this tenure group, a slightly higher proportion than seen in other locations). The profile of the social rented sector is broadly similar across areas as is the private rented sector – although West Berkshire has a lower proportion of 1-bedroom homes in a national context, however this is to some degree influenced by London. Observations about the current mix feed into conclusions about future mix later in this section.

Table 6.3 Number of Bedrooms by Tenure, 2011

		West Berkshire	South East	England
Owner-occupied	1-bedroom	4%	5%	4%
	2-bedrooms	17%	22%	23%
	3-bedrooms	42%	44%	48%
	4+-bedrooms	37%	30%	25%
	Total	100%	100%	100%
Social rented	1-bedroom	29%	32%	31%
	2-bedrooms	32%	33%	34%
	3-bedrooms	34%	31%	31%
	4+-bedrooms	4%	4%	4%
	Total	100%	100%	100%
Private rented	1-bedroom	18%	24%	23%
	2-bedrooms	37%	37%	39%
	3-bedrooms	33%	27%	28%
	4+-bedrooms	13%	12%	10%
	Total	100%	100%	100%

Source: Census (2011)

Overview of Methodology

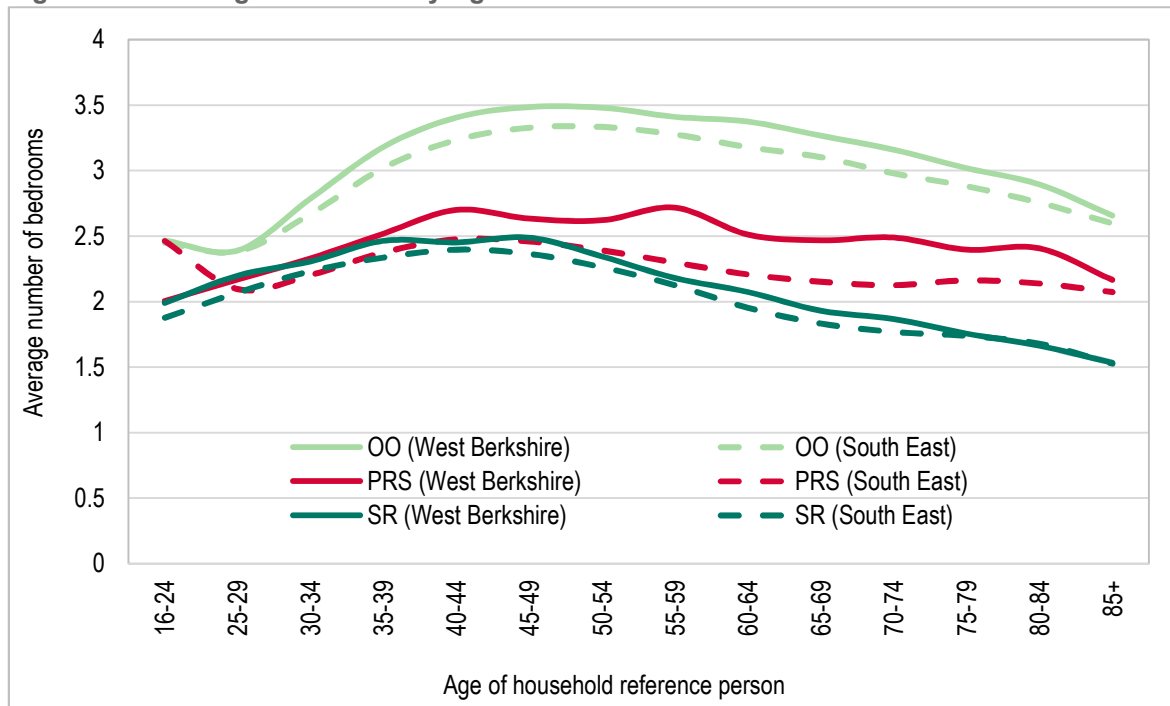
- 6.9 The method to consider future housing mix looks at the ages of the Household Reference Persons and how these are projected to change over time. The sub-sections to follow describe some of the key analysis.

Understanding How Households Occupy Homes

- 6.10 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 6.11 The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units.
- 6.12 That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller bungalows (say 2-bedrooms) would encourage older people to downsize but in

the absence of such accommodation these households remain living in their larger accommodation. It is also the case that this may not be viable or deliverable for many schemes.

- 6.13 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties which reflect the size of the household, although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing (e.g. those who can afford to pay the spare room subsidy ('bedroom tax')).
- 6.14 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).
- 6.15 The figures below show an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group for West Berkshire and the South East. In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 45-50; a similar pattern (but with smaller dwelling sizes and an earlier peak) is seen in both the social and private rented sector. After peaking, the average dwelling size decreases – as typically some households downsize as they get older. The analysis identifies some differences between West Berkshire and the region, with homes other than in the social rented sector generally being slightly larger in West Berkshire.

Figure 6.3 Average Bedrooms by Age and Tenure in West Berkshire and the South East

Source: Census (2011)

6.16 Replicating the existing occupancy patterns at a local level would however result in the conclusions being skewed by the existing housing profile. On this basis a further model has been developed that applies regional occupancy assumptions for the South East region. Assumptions are applied to the projected changes in Household Reference Person by age discussed below.

6.17 The analysis has been used to derive outputs for three broad categories. These are:

- **Market Housing** – which is taken to follow the occupancy profiles in the owner-occupied sector;
- **Affordable Home Ownership** – which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting); and
- **Rented Affordable Housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

Changes to Households by Age

6.18 The table below presents the projected change in households by age of household reference person, this shows growth as being expected in most age groups and in particular some older age groups.

The number of households headed by someone aged 40-59 is projected to see a decline over the period studied.

Table 6.4 Projected Change in Household by Age of HRP in West Berkshire – linking to Standard Method (513 dwellings per annum)

	2021	2039	Change in Households	% Change
16-24	1,163	1,175	12	1.1%
25-29	2,757	3,582	825	29.9%
30-34	3,641	4,253	611	16.8%
35-39	4,592	5,032	440	9.6%
40-44	5,523	5,450	-73	-1.3%
45-49	6,239	5,802	-438	-7.0%
50-54	7,182	5,990	-1,192	-16.6%
55-59	7,129	6,360	-769	-10.8%
60-64	6,167	6,252	85	1.4%
65-69	5,324	6,635	1,311	24.6%
70-74	5,673	7,264	1,591	28.0%
75-79	4,445	6,343	1,898	42.7%
80-84	3,142	5,005	1,863	59.3%
85 & over	2,999	5,799	2,800	93.4%
Total	65,977	74,943	8,965	13.6%

Source: Demographic Projections

Initial Modelled Outputs

- 6.19 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level. Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context.
- 6.20 The analysis for rented affordable housing can also draw on data from the local authority Housing Register with regards to the profile of need. The data has been taken from information provided by the Council from April 2022. Analysis has been carried out to look at all households on the register and also those who might be considered as having more acute needs (taken to be Bands A-C on the register). The data shows a pattern of need which is focussed on 1- and 2-bedroom homes but also showing around a third of households as requiring 3+- bedroom homes (including 7%-8% in the 4+- bedroom category). Households in Bands A-C, generally have an overall requirement for smaller homes than when looking at the 'all register' data..

Table 6.5 Size of Social/Affordable Rented Housing – Housing Register Information

	Band A-C		All Register	
	Number of households	% of households	Number of households	% of households
1-bedroom	202	44%	230	36%
2-bedrooms	113	25%	176	27%
3-bedrooms	109	24%	191	30%
4+-bedrooms	33	7%	50	8%
TOTAL	457	100%	647	100%

Source: Local Authority Housing Statistics, 2021

- 6.21 The tables below show the modelled outputs of need by dwelling size in the three broad tenures. Tables are provided below linking to local and regional occupancy patterns with a further table combining the outputs from the two models.

Table 6.6 Modelled Mix of Housing by Size and Tenure in West Berkshire (linked to local occupancy patterns)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	7%	31%	45%	18%
Affordable home ownership	19%	38%	33%	11%
Affordable housing (rented)	40%	31%	26%	3%

Source: Housing Market Model

Table 6.7 Modelled Mix of Housing by Size and Tenure in West Berkshire (linked to regional occupancy patterns)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	7%	36%	43%	14%
Affordable home ownership	25%	38%	26%	10%
Affordable housing (rented)	41%	31%	25%	3%

Source: Housing Market Model

Table 6.8 Modelled Mix of Housing by Size and Tenure in West Berkshire (combining methodologies)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	7%	33%	44%	16%
Affordable home ownership	22%	38%	30%	10%
Affordable housing (rented)	40%	31%	26%	3%

Source: Housing Market Model

Adjustments for Under-Occupation and Overcrowding

- 6.22 The analysis above sets out the potential need for housing if occupancy patterns remained the same as they were in 2011 (with differences from the current stock profile being driven by demographic change). It is however worth also considering that the 2011 profile will have included households who are overcrowded (and therefore need a larger home than they actually live in) and also those who under-occupy (have more bedrooms than they need).
- 6.23 Whilst it would not be reasonable to expect to remove all under-occupancy (particularly in the market sector) it is the case that in seeking to make the most efficient use of land it would be prudent to look to reduce this over time. Indeed, in the future there may be a move away from current (2011) occupancy patterns due to affordability issues (or eligibility in social rented housing) as well as the type of stock likely to be provided (potentially a higher proportion of flats). Further adjustments to the modelled figures above have therefore been made to take account of overcrowding and under-occupancy (by tenure).
- 6.24 The table below shows a cross-tabulation of a household's occupancy rating and the number of bedrooms in their home (for owner-occupiers). This shows a high number of households with at least 2 spare bedrooms who are living in homes with 3 or more bedrooms. There are also a small number of overcrowded households. Overall, in the owner-occupied sector in 2011, there were 38,400 households with some degree of under-occupation and just 425 overcrowded households.

Table 6.9 Cross-tabulation of occupancy rating and number of bedrooms (owner-occupied sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	10,858	13,099	23,957
+1	0	6,055	5,664	2,717	14,436
0	1,524	1,408	1,903	477	5,312
-1	81	139	125	44	389
-2	13	5	11	7	36
TOTAL	1,618	7,607	18,561	16,344	44,130

Source: Census (2011)

- 6.25 For completeness the tables below show the same information for the social and private rented sectors. In both cases there are more under-occupying households than overcrowded, but differences are less marked than seen for owner-occupied housing.

Table 6.10 Cross-tabulation of occupancy rating and number of bedrooms (social rented sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	851	99	950
+1	0	1,317	924	147	2,388
0	2,372	1,190	955	110	4,627
-1	129	254	201	16	600
-2	14	12	34	3	63
TOTAL	2,515	2,773	2,964	376	8,628

Source: Census (2011)

Table 6.11 Cross-tabulation of occupancy rating and number of bedrooms (private rented sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	1,576	537	2,113
+1	0	2,225	960	519	3,704
0	1,524	1,235	553	132	3,444
-1	136	94	39	9	278
-2	21	12	8	2	43
TOTAL	1,681	3,566	3,136	1,199	9,582

Source: Census (2011)

- 6.26 In using this data in the modelling an adjustment is made to move some of those who would have been picked up in the modelling as under-occupying into smaller accommodation. Where there is under-occupation by 2 or more bedrooms, the adjustment takes 25% of this group and assigns to a '+1' occupancy rating and a further 12.5% (i.e. an eighth) to a '0' rating. For households with one spare bedroom, 12.5% are assigned to a '0' rating (with the others remaining as '+1').
- 6.27 These do need to be recognised as assumptions, but can be seen to be reasonable as they do retain some degree of under-occupation (which is likely) but does also seek to model a better match between household needs and the size of their home. For overcrowded households a move in the other direction is made, in this case households are moved up as many bedrooms as is needed to resolve the problems.
- 6.28 The adjustments for under-occupation and overcrowding lead to the suggested mix as set out in the following tables. It can be seen that this tends to suggest a smaller profile of homes as being needed (compared to the initial modelling) with the biggest change being in the market sector – which was the sector where under-occupation is currently most notable.

Table 6.12 Adjusted Modelled Mix of Housing by Size and Tenure

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	13%	45%	33%	9%
Affordable home ownership	26%	42%	24%	8%
Affordable housing (rented)	42%	32%	22%	4%

Source: Housing Market Model (with adjustments)

Indicative Targets for Different Sizes of Properties by Tenure

6.29 The analysis below provides some indicative targets for different sizes of home (by tenure). The conclusions take account of a range of factors, including the modelled outputs, the survey data and an understanding of the stock profile in different locations. The analysis (for rented affordable housing) also draws on the Housing Register data as well as taking a broader view of issues such as the flexibility of homes to accommodate changes to households (e.g. the lack of flexibility offered by a 1-bedroom home for a couple looking to start a family).

Social/Affordable Rented Housing

6.30 Bringing together the above, a number of factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be younger single people).

6.31 As noted, the conclusions also consider the Housing Register, which did show a slightly higher proportion of households as needing larger homes than the modelled data above. The conclusions also take account of the current profile of housing in this sector (although for West Berkshire the stock profile looks to be fairly average in a regional and national context).

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

- 1-bedroom: 30-35%
- 2-bedroom: 35-40%
- 3-bedroom: 20-25%
- 4+-bedroom: 5-10%

Affordable Home Ownership

6.33 In the affordable home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. It is considered that the provision of affordable home

ownership should be more explicitly focused on delivering smaller family housing for younger households.

6.34 The mix of housing for affordable home ownership is typically for a slightly larger mix than the social/affordable rented sector. This recognises the way the likely target group (those in the PRS) currently occupy homes and will also allow for some households in this sector to buy with a bedroom more than their needs (which is typically allowable).

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

- 1-bedroom: 20-25%
- 2-bedroom: 45-50%
- 3-bedroom: 20-25%
- 4+-bedroom: 5-10%

Market Housing

6.36 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile (as well as observations about the current mix when compared with other locations and also the potential to slightly reduce levels of under-occupancy).

6.37 The conclusions have also slightly boosted figures for larger (4+-bedroom) homes to provide more flexibility and to recognise the potential for a general increase in home working (and therefore households seeking an extra room/bedroom to use as office space). This sees a slightly larger recommended profile compared with other tenure groups:

- 1-bedroom: 5-10%
- 2-bedroom: 40-45%
- 3-bedroom: 35-40%
- 4+-bedroom: 10-15%

6.38 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process (although it will be useful to include an indication of the broad mix to be sought across the study area) – demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.

6.39 The suggested figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the

area. The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council could expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character are also however relevant considerations the appropriate mix of market housing on individual development sites.

Smaller-area Housing Mix

6.40 The analysis above has focussed on overall District-wide needs; given differences between locations it is however worth considering the potential mix at a smaller-area level. The table below shows the profile of housing by tenure for the sub-areas. The analysis shows a few features, including a higher proportion of 4+-bedroom market homes in the AONB and generally slightly smaller homes in the Newbury and Thatcham area (across all tenures).

Table 6.13 Number of Bedrooms by Tenure, 2011 – sub-areas

		Newbury andThatcham	Eastern Area	North Wessex Downs AONB	TOTAL
Owner- occupied	1-bedroom	5%	4%	3%	4%
	2-bedrooms	19%	16%	16%	17%
	3-bedrooms	47%	43%	38%	42%
	4+-bedrooms	30%	37%	43%	37%
	Total	100%	100%	100%	100%
Social rented	1-bedroom	30%	36%	24%	29%
	2-bedrooms	35%	26%	32%	32%
	3-bedrooms	30%	34%	39%	34%
	4+-bedrooms	4%	4%	5%	4%
	Total	100%	100%	100%	100%
Private rented	1-bedroom	21%	14%	16%	18%
	2-bedrooms	41%	36%	35%	37%
	3-bedrooms	29%	35%	35%	33%
	4+-bedrooms	9%	15%	14%	13%
	Total	100%	100%	100%	100%

Source: 2011 Census

6.41 A modelling exercise has then been carried out using the same methodology as for District-wide data (but with some additional assumptions due to data availability) with the tables below showing the estimated mix of housing by tenure in each location.

Market Housing

- 6.42 Focussing on the market sector, and consistent with the analysis of current profiles, the analysis typically shows a very slightly higher need for larger homes in the AONB although differences between areas are slight. It is not considered that any differences are sufficiently clear-cut to suggest a different mix of housing at a sub-area level. If developments were provided in-line with the suggested mix in this report (District-wide), then over time there would be some degree of balancing the stock across areas, whilst still recognising the general role and function of different locations. That said, any specific developments could take account of the analysis below.

Table 6.14 Modelled Size Requirement by Sub-Area: Market Housing

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Newbury and Thatcham	14%	45%	34%	7%
Eastern Area	13%	44%	34%	9%
North Wessex Downs AONB	12%	45%	32%	10%
District TOTAL	13%	45%	33%	9%

Source: Housing Market Model

Affordable Home Ownership

- 6.43 The table below shows estimates of mix for affordable home ownership. There are again differences between locations, although all areas show a particular focus on the need for 2-bedroom homes in this sector. Again, it is not clear-cut that the data points to the need for a mix of housing which is substantially different locally than would be suggested by the District-wide analysis.

Table 6.15 Modelled Size Requirement by Sub-Area: Affordable Home Ownership

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Newbury and Thatcham	27%	44%	22%	6%
Eastern Area	24%	42%	26%	9%
North Wessex Downs AONB	25%	41%	26%	9%
TOTAL	26%	42%	24%	8%

Source: Housing Market Model

Social/Affordable Rented

- 6.44 In the social/affordable rented sector, the differences between areas are arguably fairly slight, and does not point to any different or specific mix as being needed in different locations. It should be noted that the analysis above for sub-areas does not take account of any information from the Housing Register. It is possible at any point in time that the register will be able to provide additional data about a suitable mix of rented housing and this should be considered at the relevant time for any specific applications.

Table 6.16 Modelled Size Requirement by Sub-Area: Social/Affordable Rented

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Newbury and Thatcham	42%	35%	20%	4%
Eastern Area	46%	29%	22%	4%
North Wessex Downs AONB	40%	32%	24%	4%
District TOTAL	42%	32%	22%	4%

Source: Housing Market Model

Sub-area conclusions

6.45 Overall, the analysis does not suggest that a substantially different mix should be proposed for smaller areas. There may however be a case on a site-by-site basis, or at a specific point in time for some minor adjustments to the overall conclusions. This is summarised below:

- a) Whilst there are modest differences in the stock profile in different locations this should not necessarily be seen as indicating particular surpluses or shortfalls of particular types and sizes of homes;
- b) As well as looking at the stock, an understanding of the role and function of areas is important. For example, higher priced areas are typically sought by wealthier families and therefore such areas would be expected to provide a greater proportion of larger homes;
- c) That said, some of these areas will have very few small/cheaper stock and so consideration needs to be given to diversifying the stock;
- d) The location/quality of sites will also have an impact on the mix of housing. For example, brownfield sites in urban locations may be more suited to flatted development (as well as recognising the point above about role and function) whereas a more suburban/rural site may be more appropriate for family housing. Other considerations (such as proximity to public transport) may impact on a reasonable mix at a local level;

6.46 Overall, it is suggested that Council should broadly seek the same mix of housing in all locations but would be flexible to a different mix where specific local characteristics suggest. The Council should also monitor what is being built to ensure that a reasonable mix is provided. Additionally, in the affordable sector it may be the case that Housing Register data for a smaller area identifies a shortage of housing of a particular size/type which could lead to the mix of housing being altered from the overall suggested requirement.

Built-form

6.47 A final issue is a discussion of the need/demand for different built-forms of homes. In particular this discussion focusses on bungalows and the need for flats vs. houses.

Bungalows

- 6.48 The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the District as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. Data from the Valuation Office Agency (VOA) does however provide estimates of the number of bungalows (by bedrooms) although no tenure split is available.
- 6.49 The table below shows a notable proportion of homes in West Berkshire are bungalows (8% of all flats and houses) with about 37% of these having 2-bedrooms, and a further 37% 3-bedrooms); a slightly higher proportion (9%) of homes across England are bungalows.

Table 6.17 Number of Dwellings by Property Type and Number of Bedrooms

	Number of bedrooms					All
	1	2	3	4+	Not Known	
Bungalow	730	2,090	2,070	770	10	5,670
Flat/Maisonette	4,800	6,000	390	50	40	11,290
Terraced house	760	4,300	7,460	980	10	13,500
Semi-detached house	210	3,290	12,990	2,190	10	18,690
Detached house	40	680	5,490	11,820	30	18,050
All flats/houses	6,540	16,360	28,400	15,810	100	67,200
Annexe	-	-	-	-	-	480
Other	-	-	-	-	-	830
Unknown	-	-	-	-	-	540
All properties	-	-	-	-	-	69,050

Source: Valuation Office Agency, March 2020

- 6.50 In general, discussions with local estate agents (discussions nationally) find that there is a demand for bungalows and in addition, analysis of survey data (in other locations) points to a high demand for bungalows (from people aged 65 and over in particular).
- 6.51 Bungalows are often the first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available (this is different from specialist accommodation for older people which would have some degree of care or support).
- 6.52 As a new build option, bungalows are often not supported by either house builders or planners (due to potential plot sizes and their generally low densities). There may, however, be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sight lines.

- 6.53 There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove very popular if they are well located in terms of access to facilities and services, and environmentally attractive (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 6.54 Overall, the Council should consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive.
- 6.55 Bungalows are likely to see a particular need and demand in the market sector and also for rented affordable housing (for older people as discussed in the next section of the report). Bungalows are likely to particularly focus on 2-bedroom homes, including in the affordable sector where such housing may encourage households to move from larger 'family-sized' accommodation (with 3+-bedrooms).

Flats vs. Houses

- 6.56 Although there are some 1-bedroom houses and 3-bedroom flats, it is considered that the key discussion on built-form will be for 2-bedroom accommodation, where it might be expected that there would be a combination of both flats and houses. At a national level, 81% of all 1-bedroom homes are flats, 35% of 2-bedroom homes and just 4% of homes with 3-bedrooms.
- 6.57 The table below shows (for 2-bedroom accommodation) the proportion of homes by tenure that are classified as a flat, maisonette or apartment in both West Berkshire and England. This shows a fairly average proportion of flats in West Berkshire (32% of all 2-bedroom homes), and this would point to the majority of 2-bedroom homes in the future also being houses. The analysis does however show a higher proportion of flats in the social and private rented sectors (around two-fifths of 2-bedroom homes in these sectors are flats).

Table 6.18 Proportion of 2-bedroom homes that are a flat, maisonette or apartment

	West Berkshire	England
Owner-occupied	21%	21%
Social rented	39%	48%
Private rented	46%	50%
All (2-bedroom)	32%	35%

Source: 2011 Census

- 6.58 As noted, this analysis would suggest that most 2-bedroom homes should be built as houses (or bungalows) rather than flats. However, any decisions will still have to take account of site

characteristics, which in some cases might point towards flatted development as being most appropriate and, in some cases, this is not always deliverable (e.g. brownfield town centre sites). The analysis would suggest that the affordable sector might be expected to see a higher proportion of flats than for market housing, although it is still the case that houses are likely to make up the majority of the need in this sector.

Summary

- 6.59 The proportion of households with dependent children in West Berkshire is fairly average with around 31% of all households containing dependent children in 2011 (very slightly higher than seen regionally and nationally). There are notable differences between different types of household, with married couples (with dependent children) seeing a high level of owner-occupation, whereas as lone parents are particularly likely to live in social or private rented accommodation.
- 6.60 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term (18-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population – the analysis also models for there to be a modest decrease in levels of under-occupancy (which in West Berkshire are very high in the market sector).

Table 6.19 Suggested Mix of Housing by Size and Tenure

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5-10%	40-45%	35-40%	10-15%
Affordable home ownership	20-25%	45-50%	20-25%	5-10%
Affordable housing (rented)	30-35%	35-40%	20-25%	5-10%

Source: Derived from a range of sources

- 6.61 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.
- 6.62 The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership (AHO) homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to

up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Council should also monitor the mix of housing delivered.

- 6.63 Analysis also suggests that the majority of units should be houses rather than flats, although consideration will need to be given to site specific circumstances (which may in some cases lend themselves to flatted development). Additionally, the Council should consider the role of bungalows within the mix – such housing can be particularly attractive to older person households downsizing and may help to release larger (family-sized) accommodation back into the market.
- 6.64 Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bedroom properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.