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**TO EACH MEMBER OF THE
CHILDREN'S SERVICES OVERVIEW & SCRUTINY COMMITTEE**

08 May 2018

Dear Councillor

**CHILDREN'S SERVICES OVERVIEW & SCRUTINY COMMITTEE - Tuesday 22 May
2018**

Further to the Agenda and papers for the above meeting, previously circulated, please find attached the following additional report(s):-

10. Pupil Attainment Task Force Report – Rent Plus Scheme,
Supporting Information

To receive a report detailing recommendations for improvement following a task force investigation.

Should you have any queries regarding the above please contact Governance Services on
Tel: 0300 300 4193

Yours sincerely

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Rentplus – the real life stories behind affordable rent to buy

Rentplus is the leading provider of affordable rent-to-buy housing. Designed to offer aspirant working households an accessible route to home ownership. Particularly those who can't afford to buy without some assistance and are unable to save for the deposit necessary to buy using other affordable home ownership, routes such as shared ownership or Help to Buy products. However, our families are registered on local authority waiting lists; they may just not be deemed high priority for any type of traditional social or affordable rented housing.

With Rentplus, tenants pay an Affordable intermediate rent – at 80% market rent or LHA at initial let including service charges – giving them the opportunity to save significantly more than if they were paying market rent to buy their home. We give tenants the opportunity to purchase their home at 5, 10, 15 or 20 years, depending on their circumstances, assisting them with their purchase with a 10% gifted deposit.

Rentplus works in partnership with Registered Providers who manage our homes on a 20 year FRI Lease and provide local landlord services. The homes are let on 5 year renewable Assured Shorthold tenancies and the tenants are given the first opportunity to purchase.

Rentplus currently has new homes in Plymouth, Devon, Dorset, Gloucestershire and Oxfordshire, with more in construction in Plymouth, across Devon and Cambridgeshire. We have major plans to deliver many more this year including schemes in Somerset, Northamptonshire, Essex and Buckinghamshire.

The response to our first schemes proves that there is a huge unmet demand for the Rentplus' affordable rent-to-buy homes. Hopeful prospective tenants have made direct contact with our offices and our RP partners in other parts of the country to ask when we will have schemes in their area.

Over 1,800 people, across the country have recently registered their interest in the Rentplus model, via social media.

The evidence from our first rent-to-buy developments demonstrates the power of the Rentplus model and how Rentplus is assisting local authorities to meet housing need in their areas as well as enabling the homeownership dreams of ordinary working people to come true:

- In Plymouth, 60% of Rentplus tenants have been housed from the local authority waiting list; whilst the number of tenants who are housed from waiting lists varies across our schemes, all tenants are allocated their homes based on the agreed local lettings plan with the local authority to assist them in meeting their housing priorities
- Also in Plymouth, more than 30% of Rentplus tenants were previously living in social housing thus freeing up much needed affordable homes for other families in need; again, this number varies across our scheme depending on the allocations process, however, in the Cotswolds this increased to 50%
- Other tenants have moved from high cost private rented properties, living with families, or leaving the armed forces
- Some have been homeless, having had s21 Notices served on them by their private landlords, others are disabled or have learning difficulties, many are single parents
- Often poor credit history prevents families from accessing home ownership and private rented housing

Rentplus's RP partners work closely with the tenants to improve their credit rating and savings whilst they are renting their home, so they are ready to buy at the appropriate time.

1. Palmerston Heights, Plymouth



Rentplus' first rent-to-buy homes at Persimmon's Palmerston Heights site, are part of the new Seaton Neighbourhood in Plymouth. There are 19 rent-to-buy homes on the first phase of the development. Tamar Housing, our partner, received 257 applications for one of the properties with demand far outstripping supply in this scheme.

The success at Palmerston Heights are those families and couples who are now on the pathway to homeownership. They include:

Muhammed and Marina

After 7 years stuck in the private rental sector in Stoke in Plymouth, the Rafiq family finally have a home to call their own. Before moving into their new two bedroom Rentplus home, Muhammed and his wife Marina found it impossible to save for a deposit.

Muhammed and his family are not alone - saving for a deposit continues to be one of the biggest obstacles to home ownership.

Research from Shelter reveals that 86% of people say they would like to own their home, but 75% of renters are unable to save more than £100 a month towards a deposit.

The Rafiq family have set a goal of purchasing their new home in five years; they plan to save the difference between their private sector rent and their affordable Rentplus rent to ensure they can

put more towards the 10% gifted deposit from Rentplus and to cover their other purchase costs.

Muhammed said: "Our dream has long been to own our own home but with the high costs of renting combined with the need to save thousands of pounds for a deposit it's never been in reach for us. This model is ideal for our needs as we have the certainty of living in the home which we will one day own and the reduction in rent is making a huge difference to our lives.

"We love living in Plymouth – our daughter attends a local nursery and both the sea and local countryside are on our doorstep. Our quality of life has vastly improved".

"Owning your own home is one of the greatest things in life – knowing that we won't have to move again because of rising rents or at a landlord's discretion ensures that we can plan ahead and establish real roots in the local community."



according to the ONS Index of Private Housing Rental Prices.

When they found out about Rentplus and the homes at Palmerston Heights they described it as “a dream come true”. They now have a two bedroom house with a spacious garden that they are looking to buy in 15 years’ time. The couple said they never thought they would get the chance to own their own home.

A

A is an administrator at a local hospital in Plymouth. Following the break-up of a long-term relationship she could no longer afford her monthly rent and was forced to move back in with her parents. This gave her the opportunity to begin saving for a deposit to purchase a home of her own; however, as prices continued to rise she struggled to find anywhere that would be affordable for her.

Rentplus’ rent-to-buy model has given her the opportunity to get on to the property ladder. The house is close to where she works and she has even taken on a second job to increase the amount she saves each month to reduce the size of her eventual mortgage. Her plan is to buy in five years’ time.



S and S

S and S are both 25 years old and have a six month old son. S works full time and S is currently on maternity leave, but is set to return to work in the coming months. Prior to moving in to their Rentplus home they were living in social housing. Their former home was a cramped one bedroom flat that was filled with the baby’s things and left little room for the young couple.

Their spacious new two bedroom house is ideal for the young family. They have opted for a long-term twenty year tenancy which will give them plenty of time to save up to buy the property while paying an affordable rent. The home has a garden which is perfect for their son to grow up in and they say their quality of life is already improving as a result of the security that comes with knowing one day they will own their house.

N and L

Like the Rafiq family, N, L and their two young sons found themselves stuck in poor quality private rented accommodation. Their home was cold and damp and they were desperate to move. However, despite both having fulltime jobs, saving for a deposit and getting on to the housing ladder in their own right seemed a distant possibility.

Therefore they couldn’t believe their luck when they found out about Rentplus’ rent-to-buy homes. They jumped at the “chance of a lifetime” that owning their own home represented. They believe the Affordable rent they pay each month will give them breathing room to save, and with the gifted deposit from Rentplus put them in the position to purchase the property.

A and R

A and R spent several years languishing in the private rented sector. The home they lived in was damp and did not have a garden. They desperately wanted to move, but as a consequence of rising rents in Plymouth they couldn’t afford to find somewhere new to rent. Their story is not unusual; many tenants are increasingly priced out of moving to better accommodation within the rental market. In the South West alone average rents had grown by at least 2.5% in the previous 12 months



2. Flanders Close, Bicester

Our first scheme in Bicester, Oxfordshire has been a huge success. Sixty expressions of interest were received when the 10 flats were first advertised and all were let within a matter of weeks.

Harrow Churches HA, our Rentplus partner, worked closely with Cherwell DC to allocate the properties to households in housing need in the Bicester area. The majority of the new tenants were living with families, unable to gain access to affordable housing of any description. Particularly pleasing is that we have been able to assist a range of different households whose circumstances include disabilities, learning difficulties, ex-armed forces, and single parents.

Zoe Bloomer moved into their new Rentplus home with her partner and four month old baby. She said: "Before moving into our new Rentplus home we were living in a two bedroom bungalow with my partner's father.

With so many of us in the house it was getting way

too cramped and we really wanted a space of our own. To date, we've just not been able to afford getting onto the property ladder in the traditional way.

"I first heard about Rentplus and their rent-to-buy homes through the council. As well as being affordable, the location really attracted me- it is so close to town and we have good schools right on our doorstep, which means that we won't have to rely on public transport.

"We are aiming to buy our new home after 5 years. The affordable rent means that we are able to save at the same time so we will be able to put more towards the deposit than the 10% Rentplus will give us then."

The following personal stories explain the circumstances and backgrounds of the tenants at Flanders Close:

S is a 45 year old disabled man who has been allocated a ground floor 2 bedroom apartment.

He is going through a divorce and is sorting out his finances. He has a clear plan to pay off all related debts and enter the next chapter of his life. He recently moved jobs and he is training in the civil service and is expecting a promotion once his probation is over. This will enable him to buy his home in 10 years.

K is a 39 year old single father to a 13 year old boy who has been allocated a ground floor 2 bed apartment.

K was previously privately renting and unable to save but really wanted to get onto the property ladder; Rentplus gives him that opportunity to save and later purchase his home.

S is a 30 year old single mother to a 14 month old who has been allocated a first floor 2 bed apartment.

S was living with her parents and was desperate for her independence. She is studying to be a social worker. Once her child is in full time education she will return to full time employment. Rentplus gives her the opportunity to gain her independence and plan for her future.

S and R age 31 and 38 have recently had a child and were living with parents. They have been allocated a first floor 2 bed apartment.

Rentplus gives them an opportunity to move in together and live as a family. They will be able to save their deposit and buy once S returns to full time employment when her child is a bit older.

A is a 32 year old single man with learning difficulties who has been allocated a 2nd floor 2 bed apartment.

A works part time and also volunteers with the British Heart Foundation. He was living with his parents. Having a Rentplus home means he is independent and can plan for his future without

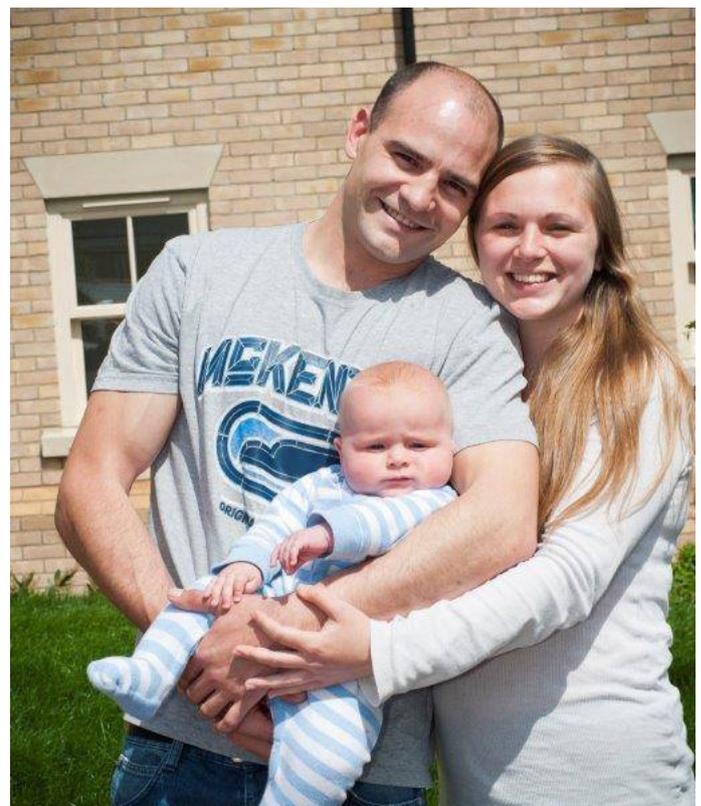
the support of his parents. He has a trust fund that will allow him to buy outright in 5 years' time.

Z and J are 23 and 28 have recently had a child and were living with parents. They have been allocated a 2nd floor 2 bed apartment.

Rentplus allowed them to move into their own home and be totally independent. Their ambition is to own their own property in five years. J has a daughter from a previous relationship and the location of his new home makes it easier for him to visit and care for his daughter. Their own space means she can also come and visit which was not possible before. The scheme will bring their whole family together and they are very excited about the opportunity they have been given.

L and T are 31 and 38 have recently had a child but were living apart with parents. They have been allocated a ground floor 2 bed apartment .

Rentplus gives them an opportunity to move in together and unite as a family for the first time. They will be able to save their deposit and buy once T returns to full time employment.



T and N are 32 and 31. They have recently had a child and were renting privately. They have been allocated a 1st floor 2 bed apartment.

Rentplus allows them to move into their own home with their independence and own their home in due course.

D and H are 26 and 25. They have a 4 year old and were previously in Armed Forces accommodation. They have been allocated a 1st floor 2 bed apartment.

D has recently left the Army to start his own locksmith business and therefore had to vacate his tied accommodation with the Army. Having a Rentplus home has prevented them from becoming homeless as they were subject to eviction and will allow D to build his new business and save.

This is a great opportunity to support him and his family now when it is most needed and will give him and his partner an opportunity to save, secure their finances and eventually buy their home.

E is a 52 year old single mother who has been allocated a 2nd floor 2 bed apartment.

E works full time and has a grown daughter who is living with her. Rentplus gives her the opportunity to purchase the property with her daughter in the future.





3. Saxon Fields, Cullompton

After moving house on average every 18 months, the Hornsey family were sick of living out of boxes and ready to finally find somewhere they could call their own.

However despite having a combined income of £35,000 and saving for a deposit for over five years, Damien, an Office Manager at a local electrical company, and his partner Kristy, a Care Worker, were not able to pull enough together to buy a home.

Their children, Lennon and Elsie now eleven and five, were fed up with having to share magnolia coloured rooms, and were desperate to have a space of their own that they could decorate to their own taste.

Damian Hornsey comments: "Despite saving for years we found that we just could not keep up with the house price growth in our area. It always felt like we were near the finish line, but every time we looked to buy we just didn't have quite enough for a deposit."

After googling options of affordable housing in their area, Damien and Kristy came across Rentplus' affordable rent-to-buy model, applied to Cornerstone (the housing association partner managing the Rentplus homes in Cullompton) for one of the 10 available homes, and in June 2017 they moved into their new home in Saxon Fields, Cullompton. Through Rentplus they will have the opportunity to buy their new home in 5 years. In the meantime they will benefit from an affordable intermediate rent set at 80% of local private rented homes. The Hornsey Family will also have no maintenance costs or service charges to pay while they rent and will receive a 10% gifted deposit from Rentplus when they come to buy.

Damian Hornsey continues: "For us the Rentplus model is perfect, and it feels fantastic to be living somewhere which we will eventually own. Our new three bedroom house is a real upgrade from the two bedroom flat we were renting, yet we are saving an additional £30 a month, on top of what we are already setting aside, to put towards our deposit.

“The house itself is also great. We were previously living just off a very busy main road and I was always worried about letting the children play outside near so much traffic. However Saxon Heights feels like a really safe community, and the kids are able to go out and play with other kids on the street without us having to worry about them.” Their new reduced rental and running costs means that Damian and his partner Kirsty are able to save more each month compared to the market rent they were paying before. These additional savings will be added towards the money they have already have set aside for their deposit and purchase costs, as well the 10% gifted deposit they will receive from Rentplus when they have the opportunity to buy their home.

Living in a Rentplus home also gives the Hornseys security of tenure – they won’t have to move again as they have a five year tenancy agreement with Cornerstone, who are also responsible for carrying out any repairs to the property until the Hornseys buy their home.



Location	Sherbourne, Dorset
Number of Homes	33
Housing association partner	Tamar Housing
Background of tenants	Age range 21-48 Majority of households have children and there are a number of single parents Monthly gross income ranges from £1,700 - £5,400 8 families moved from housing association properties, 18 previously rented in the private sector and 6 lived with family Employment sectors include healthcare, education, retail, manufacturing, construction, admin, catering, agriculture and engineering. 10 households have some savings; 20 have a level of debt

Location	Lechlade, Costwolds
Number of Homes	6
Housing association partner	GreenSquare
Background of tenants	Age range 32-48 All households have children Monthly gross income ranges from £2,100 to £5,100 2 tenants are self-employed; the range of employment includes care, engineer and public service 4 families have debt; 2 have some savings 3 families moved from housing association properties; the other 3 from the private sector 4 were allocated from Gloucester HomeChoice (CBL)



More information

For more information on Rentplus and our upcoming rent-to-buy developments please visit our website: www.rentplus-uk.com.

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Executive Summary

Rentplus is the leading provider of privately funded affordable rent to buy homes nationally. We have ambitions to deliver 5,000 affordable rent to buy homes by 2020 without any public subsidy. The Rentplus model offers aspirant home owners security of tenure with the opportunity to rent, save, and then purchase their own home.

We welcome the Government's commitment to address the serious and systemic issues facing the country in order to fix the broken housing market; the delivery of more homes of all tenures is an absolute priority if we are to achieve this ambition. We share the Government's concerns about the increasing unaffordability of many housing options and particularly for those who are struggling to get by. It was for this reason that Rentplus was established, in order to provide a new and innovative affordable housing option for those who are otherwise excluded.

As a hybrid tenure which is both affordable rent (for the period that the tenant is saving to buy) and affordable home ownership, the Government's Rent to Buy programme and other privately funded affordable rent to buy models (such as the Rentplus model) do not neatly fit within any of the proposed affordable housing definitions. Indeed, providers of affordable rent to buy housing already have had experience of local authorities not accepting them as affordable housing due to this confusion of definition. Without explicit reference to rent to buy in the NPPF definitions, this situation will continue and opportunities to deliver genuinely more affordable homes will be lost.

In addition to responding to the questions posed in the Housing White Paper, we highlight a number of areas where we seek clarification of the Government's intentions behind the policy proposals.

Set out below is a summary of our main queries:

i. Does the Government wish to encourage private institutional investment into a range of affordable tenures or only in private rented housing and shared ownership (through housing associations).

ii. Will support for people to buy their own home be limited to the Help to Buy and Starter Homes programmes or will other models of affordable home ownership be included within the scope of this policy.

iii. There are several references to 'Rent to Buy' throughout the White Paper; it is unclear whether this means only the Government's Rent to Buy programme or whether this also includes privately funded models of affordable rent to buy.

iv. The clear policy expectation that housing sites deliver a minimum of 10 % affordable home ownership units is welcome; are both the Government's Rent to Buy programme and other models of affordable rent to buy considered an affordable home ownership product for these purposes.

v. Will the Starter Homes Land Fund sites requirement to include both starter homes and other types of affordable home ownership products include privately funded affordable rent to buy in addition to shared ownership and Rent to Buy (the presumption being this refers to Government's Rent to Buy programme).

Notwithstanding the points of clarification set out above, the single most important proposition that we make in our response is that the Government includes a new additional definition of 'Affordable rent to buy' within the revised NPPF affordable housing definition.

Proposed definition of Affordable rent to buy housing:

"Affordable rent to buy housing is housing that is made available at a rent level which is at least 20% below market rent (including service charges where applicable) and later made available to the tenant living at the property to buy at a cost which may be less than market value. Provision should be made for receipts or a proportion thereof to be recycled for alternative affordable housing provision if the subsidy is withdrawn. Eligibility is determined with regard to local incomes and local house prices"



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Affordable rent to buy homes Proposed methodology for assessment of need

Rentplus

November 2017

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1.0 Introduction

- 1.1 This report has been prepared by Lichfields on behalf of Rentplus, and it accompanies representations being made by Rentplus on the Government's proposed new standard housing need methodology. The report provides a proposed approach for assessing the need for a new housing tenure known as "affordable rent to buy" at a local authority level.
- 1.2 "Affordable rent to buy" housing provides a route to home ownership for people who are currently unable to purchase a property on the open market but are not considered a priority for social or affordable rented accommodation.
- 1.3 The proposed methodology within this report is based upon the housing product offered by Rentplus but its principles are applicable to the affordable rent to buy tenure as a whole.

The Rentplus affordable rent to buy model

- 1.4 The Rentplus model provides an accessible route to home ownership for those who cannot currently purchase a house on the open market for a variety of reasons, including the inability to provide a deposit¹, but who would otherwise not be considered a priority, or qualify for social or affordable rented homes.
- 1.5 Rentplus has provided the following details regarding its affordable rent to buy product:
- 1 Rentplus homes are made available on five year renewable assured shorthold tenancies (AST) at an affordable rent and are managed by a housing association, which also provide a full repair and maintenance service. Prospective tenants/purchasers are assessed for eligibility for a Rentplus home based on their current income and future prospects. This is also used to determine when they will have the opportunity to buy their home at either 5, 10, 15 or 20 years at which time it is expected the home will be purchased by the tenant at open market value with a benefit of a 10% gifted deposit from Rentplus to add to their own savings.
 - 2 The Rentplus model aims to assist purchasers in saving for their purchase costs and to add to the Rentplus deposit as well as improving the credit rating by paying a reduced (affordable) rent rather than a private market rent for the duration of the tenancy. The rent charged on a Rentplus property is an Affordable Rent and is set at the lower of 80% open market rent or LHA and includes services charges. Tenants have no repair or maintenance responsibilities whilst they are renting the property.
 - 3 If the tenant is not able to buy their home at the date agreed at the start of the tenancy arrangements are in place to manage this. Either Rentplus will substitute the planned purchase with that of a tenant who originally planned to buy their home at a later date but is able to bring forward the purchase of their own home. This allows the first tenant to remain in their home with a further five year AST and more time to prepare for their purchase. If this is not possible, Rentplus will offer the property for sale to the managing housing association with a 10% discount on the open market value. The housing association will then determine the most suitable use for the property as an affordable home, which could be to continue to rent to the current tenant or to offer the home under a shared ownership model. If neither the tenant nor the housing association purchases the property, the property will be sold on the open market and 10% of the sales proceeds net of Rentplus' costs will be paid to the local authority to reinvest in new affordable housing provision.

¹ Rentplus website, FAQs

Policy context

- 1.6 Paragraph 50 of the National Planning Policy Framework (NPPF) requires local planning authorities to, inter alia:
- 1 Widen opportunities for home ownership;
 - 2 Plan for a mix of housing based on factors such as demographic and market trends ; and,
 - 3 Identify the tenure of housing that is required in particular locations, reflecting local demand.
- 1.7 The Planning Practice Guidance (PPG) further emphasises the importance of planning for a mix of housing types and tenures that reflects local demand (ID: 2a-021):
- “Plan makers should look at the household types, tenure and size in the current stock and in recent supply, and assess whether continuation of these trends would meet future needs.”*
- 1.8 Affordable rent to buy housing can contribute towards these NPPF requirements by offering an additional route to home ownership, a type of housing that responds to demographic and market trends, and a new tenure option that reflects local demand.

2.0 Methodology

PART A: Current situation

2.1 Affordable rent to buy housing is likely to be particularly attractive to those aged 25-34, given that the majority of first-time buyers are within this cohort.

2.2 An analysis of the average age of tenants at six Rentplus affordable rent to buy developments within the south of England² indicates the following age distribution:

Table 2.1 Demographic profile of tenants at six Rentplus developments: age of oldest household member

Age group	% of total households
18-24	7%
25-34	64%
35+	26%
Unknown	2%
Average age	32.6 years

Source: Lichfields analysis of Rentplus data (provided October 2017)

2.3 This analysis indicates that 71% of tenants at the identified affordable rent to buy developments were aged below 34, with 64% falling into the 25-34 age cohort which is known to have been most severely affected by affordability constraints.

2.4 The problem of declining affordability for younger households is acknowledged within the Explanatory Notes supporting the new Housing and Planning Act 2016 (paragraphs 7 and 8):

“Although now abated, the long-term downward trend in owner occupation has disproportionately affected younger households. Of those households that do own their home 75% are over the age of 45 and nearly half (46%) of households in the 25-34 age group live in the private rented sector (only 21% were renting privately in 2003-04). Over the last twenty years, the proportion of under 40 year olds who own their home has fallen by over a third from 61% to 38% and, in 2014, the Office for National Statistics (ONS) reported that 3.3 million people between the ages of 20 and 34 were still living with their parents (accounting for 26% of the age group).

“The number of first-time buyers since the financial crash of 2007-08, as measured by the number of mortgages issued to first-time buyers, has fallen significantly. Throughout the 1980s and 1990s the number of mortgages to this group averaged over 400,000 per year but between 2008 and 2014 the average annual number of loans has been fewer than 300,000”.

2.5 This evidence reflects that set out in the English Housing Survey which notes that the average age of a first-time buyer in England was 32 in 2015/16. Nearly two thirds (64%) of first-time buyers were aged 25-34 and 29% were older (aged 35+)³. Although it would be too simplistic to suggest that the number of young people (and households) can be taken to reflect the need for affordable rent to buy housing in an area, it is likely that the need will be greater in an area with more young adults and where the existing housing supply is oriented towards larger and more expensive properties.

² Palmerston Heights, Plymouth; Corelli Estate, Sherbourne, Dorset; Moorgate, Lechlade; Flanders Close, Bicester; Saxon Fields, Cullompton; and Knighton Road, Wembury.

³ English Housing Survey 2015/16, Table AT1.8

- 2.6 The English Housing Survey indicates that the average (mean) deposit for first-time buyers in England was £48,831 in 2015/16, and two thirds (65%) of first time buyers were earning in the top 40% of all households⁴. Whilst house prices and hence the level of deposit required varies across the country, it is notable that households living at five Rentplus developments⁵ had average savings of just over £2,000, demonstrating that saving for a deposit represents a major barrier to home ownership for many people.

Demographic and household profile

- 2.7 An assessment of need for any type of affordable rent to buy housing should commence with an overview of the current situation within the local area in respect of the demographic profile, housing stock and market signals. Consideration of existing and projected future population levels and household need and composition provides a baseline through which key pressure points can be identified and drawn out by further research. The key metrics that should be considered are summarised below:

Table 2.2 Demographic and housing profile metrics

Metric	Issues to consider	Data sources
Population by age cohort	<ul style="list-style-type: none"> Total population in local authority Number of persons by age cohort Proportion of total population within different age cohorts 	ONS Mid-Year Population Estimates
Population projections	<ul style="list-style-type: none"> Projected level (and proportion) of future population change Projected level (and proportion) of future change in different age cohorts 	ONS Sub National Population Projections
Household composition	<ul style="list-style-type: none"> Profile of households by type (e.g. single person, couple, family with dependent children, family with non-dependent children, other) Profile of households by age of head of household 	2011 Census data
Household occupancy	<ul style="list-style-type: none"> Level of over and under-occupancy of housing within local authority, in terms of number of spare bedrooms within property) 	2011 Census data
Projected household growth	<ul style="list-style-type: none"> Projected number of additional households expected in next 20-25 years Projected change in household composition (age and occupancy structure) 	CLG Household projections

Housing stock

- 2.8 The current stock of housing will influence the ability of newly forming households to access a suitable property. Indicators such as the overall housing stock, number of new completions, and the size, type and average cost of housing will all be relevant and should be considered by way of

⁴ English Housing Survey 2015/16, Table AT1.8 and AT1.9

⁵ Palmerston Heights, Plymouth; Corelli Estate, Sherbourne, Dorset; Flanders Close, Bicester; Saxon Fields, Cullompton; and Knighton Road, Wembury. No household savings information is available for the scheme at Moorgate, Lechlade.

background to the assessment of need for affordable rent to buy housing. The key metrics that should be considered are summarised below:

Table 2.3 Housing stock metrics

Metric	Issues to consider	Data sources
Dwelling stock	<ul style="list-style-type: none"> Number of houses in local authority Number of recent housing completions 	CLG Live Tables 100 and 253 Local Authority Annual Monitoring Report
Housing Type and size	<ul style="list-style-type: none"> Profile of dwelling stock (e.g. detached, semi-detached, terraced, flats) Profile of dwelling stock by number of bedrooms and number of habitable rooms 	2011 Census data 2001 Census data (to provide comparison of change over time)
House Prices	<ul style="list-style-type: none"> Median and lower quartile house prices Change in house prices over time Median and lower quartile house prices per type of dwelling 	HM Land Registry Data ONS House Price Statistics for Small Areas
Sales Turnover	<ul style="list-style-type: none"> Number of transactions in local authority by year and type of dwellings 	HM Land Registry Data
Affordability	<ul style="list-style-type: none"> Ratio of median income to median house prices 	CLG Live Table 576
Rental Levels	<ul style="list-style-type: none"> Average rental value for different house sizes 	VOA Private Market Rental Statistics

PART B: Assessment of need

- 2.9 The assessment of the need for all types of affordable rent to buy home should be undertaken within the context of the full objectively assessed housing need (FOAN) for the relevant local authority area. The identification of the FOAN is therefore the starting point when calculating the need for this tenure. This position will not change following any revision to the NPPF and PPG in response to the Government's new standardised housing need methodology.

Full objectively assessed housing need

- 2.10 The current process for calculating FOAN is established within the NPPF and PPG. The FOAN represents a level of housing delivery that meets the needs associated with population and household growth, addresses the needs for all types of housing, including affordable housing, and caters for housing demand (NPPF 159). Plan makers should not apply constraints to the overall assessment of need (PPG ID: 2a-004).
- 2.11 The starting point is for Local Plans to meet the FOAN of their area in full (NPPF 16, 17, 47, 156 and 158). The assessment should be viewed within the context of the NPPF requirement for local planning authorities to “*boost significantly the supply of housing*” (NPPF 47).
- 2.12 The current versions of the NPPF and PPG require the following key steps to be taken in order to arrive at a robustly evidenced and objective assessment of housing need:
- 1 The most recent housing projections published by DCLG should provide the starting point for any estimation of housing need but adjustments should be made to reflect local demography, household formation rates, market signals and the need for affordable housing (PPG ID: 2a-015, 2a-020 and 2a-029).

- 2 Consideration should also be given to the likely level of future growth in employment. Particular consideration should be given to the scale and location of new housing where the labour force supply is less than projected job growth (PPG ID: 2a-018).
- 3 Where an authority is unable to meet its objectively assessed development needs, it must be demonstrated under the statutory duty-to-cooperate that the unmet need will be met by other local authorities in order to fully meet development requirements across housing market areas (NPPF 179 and 182).

2.13 In addition, High Court and appeal decisions have determined that:

- 1 A distinction exists between FOAN (“policy-off”) and housing requirements (“policy-on”)⁶.
- 2 The FOAN should not be constrained. Consideration of constraints is only acceptable when assessing the ability of an area to satisfy the FOAN, but this should be dealt with through the Local Plan process⁷.
- 3 The “policy-on” exercise that is undertaken as part of the assessment of housing requirements does not have any bearing upon the FOAN but rather upon the extent to which this need can be satisfied⁸.
- 4 In assessing the FOAN for any area, economic considerations, migration trends, second homes and vacancy rates should all be taken into account. Judgment is required in respect of these matters but such judgment does not constitute a policy-on decision⁹.
- 5 Rather than the inclusion of employment trends within the FOAN calculation being policy-on, quite the opposite is true, such that failing to accommodate the additional workers drawn to an area by increased employment opportunities would be a policy-on decision which would affect adjoining authorities¹⁰.
- 6 Consideration should be given to the need for affordable housing in seeking to ascertain the FOAN¹¹.

2.14 The appropriate process that should be followed when seeking to determine the FOAN can be summarised as follows.

⁶ (1) Gallagher Homes Limited and (2) Lioncourt Homes Limited v Solihull Metropolitan Borough Council [2014] EWHC 1283.

⁷ Hunston Properties v Secretary of State for CLG and St Albans City and District Council (2013) EWHC 2678, and R v City and District of St Albans (2013) EWCA Civ 1610.

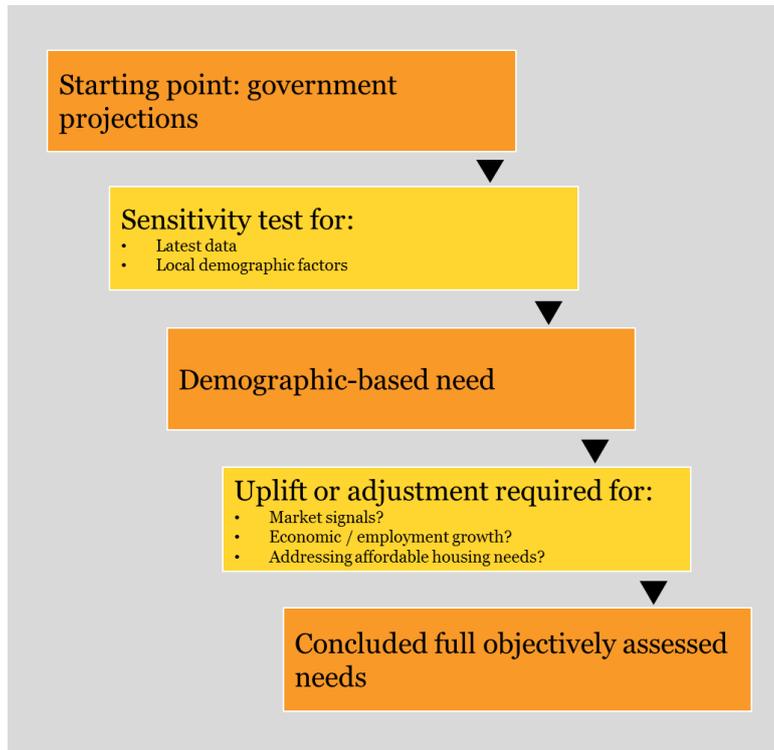
⁸ Ibid.

⁹ Land at Pulley Lane, Newland Road and Primsland Way, Droitwich Spa (APP/H1840/A/13/2199085) and Land north of Pulley Lane, Newland Road and Primsland Way, Droitwich Spa (APP/H1840/A/13/2199426) (2 July 2014).

¹⁰ Oadby and Wigston Borough Council v Secretary of State for Communities and Local Government and Bloor Homes Ltd (2015). EWHC 1879.

¹¹ Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government and Elm Park Holdings Ltd. (2015). EWHC 2464.

Figure 2.1 NPPF and PPG Approach to Objectively Assessing Housing Need

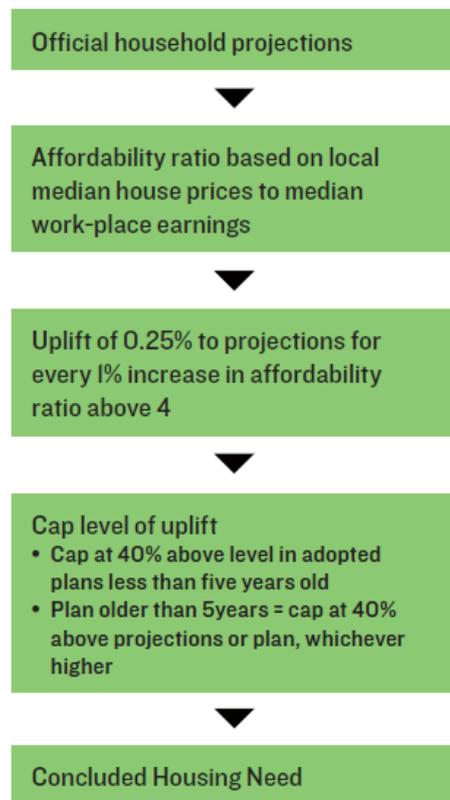


Source: Lichfields based on NPPF / PPG

2.15

The Government's new proposed methodology for the assessment of housing need is summarised below in figure 2.2. This approach is substantially simplified. It also starts with the latest official household projections, then considers whether an uplift should be applied based on local levels of affordability.

Figure 2.2 Department for Communities and Local Government: Proposed new housing need methodology



Source: Lichfields

- 2.16 Whilst this proposed change to the current arrangements for the assessment of FOAN would not affect the suggested methodology below, it may have an impact on the assessed level of need for affordable rent to buy homes in different areas of the country. Hence, it is important to establish the local context for any assessment of need for affordable rent to buy (see Part A above) and to test the appropriateness of the assessed need for each local area.

Need for affordable rent to buy

- 2.17 Once the FOAN has been established, the PPG requires local planning authorities to provide a breakdown of total housing need by tenure (ID: 2a-002). The determination of need for affordable rent to buy housing would therefore form a part of this assessment. The assessment should be performed at a local authority level, in order to align with the FOAN, as a reasonable proxy for the number of newly-forming households in the area.
- 2.18 The consultation document that accompanies the standardised methodology for assessing housing need also requires consideration to be given to disaggregate the total need for housing to different types and tenures in the area, including affordable housing. Accordingly, the need to have a robust approach to assessing the need for affordable rent to buy housing (and other housing products) will remain even following the introduction of the standard methodology. This proposed methodology is reliant upon available data sources containing information at a local authority level. Further refinement of this approach may be appropriate if additional data becomes available in order to better reflect local circumstances and the needs of first-time buyers.

Newly-forming households able to afford open market housing

2.19 Affordable rent to buy housing is aimed at households that are unable to purchase a home on the open market. Those that are already able to buy an open market property should not be included in the assessed need for this tenure. Therefore, it is first necessary to identify the number of households in this category in order that they can be removed from the need figure.

Step 1: Identify median house price

2.20 Whilst the PPG details the process for assessing the number of households specifically in need of affordable housing, there is no standardised approach for assessing the number of households that can afford to access property on the open market. One of the tests for affordable housing need is to set household income against lower quartile house prices (ID: 2a-25). However, it should not be assumed that all households with the necessary incomes to support the purchase of a lower quartile priced home will be able or willing to do so. There is a general correlation between house prices and sizes, the implication of which is that the cheapest properties that might be within the reach of those on lower incomes may be too small to meet the needs of some households (e.g. those with families), and many will require refurbishment, which a large proportion of first-time buyers will be unable to finance.

2.21 In the light of this, for an affordable rent to buy assessment, it is more appropriate to assess the ability of a first-time buyer household to purchase a property on the open market against the median house price for the area. Median house prices can be identified from ONS's ratio of house price to residence-based earnings data. This data is provided at a local authority level.

2.22 This approach in testing affordability against median house prices is also consistent with DCLG's proposed standard housing need methodology, which applies an affordability ratio based on median earnings and median house prices.

Step 2: Gross household income required for open market purchase

2.23 This stage undertakes an affordability test for those able to purchase a home on the open market at the median price for the local authority area. In order to understand what income would be required to sustain ownership or occupation of such properties, it is necessary to consider how much households can afford to spend on their housing.

2.24 The former CLG SHMA Guidance (2007; now revoked) sets out that a household can be considered able to afford to buy a home if it costs 3.5 times the gross household income for a single earner or 2.9 times the gross household income for a dual-income household. In December 2016, the Council of Mortgage Lenders identified that the average income to loan multiple for purchases was 3.57. Given that this is a more up-to-date source, it is considered to be preferable.

2.25 Using this figure, it is possible to calculate the gross household income required to support the purchase of a property at the median house price identified in Step 1. In so doing, an assumption would need to be applied regarding the scale of deposit that such households might have, and this could be subject to sensitivity testing. We would suggest that a range of figures between 10% and 25% should be applied.

Step 3: Gross household income distribution analysis (open market purchase)

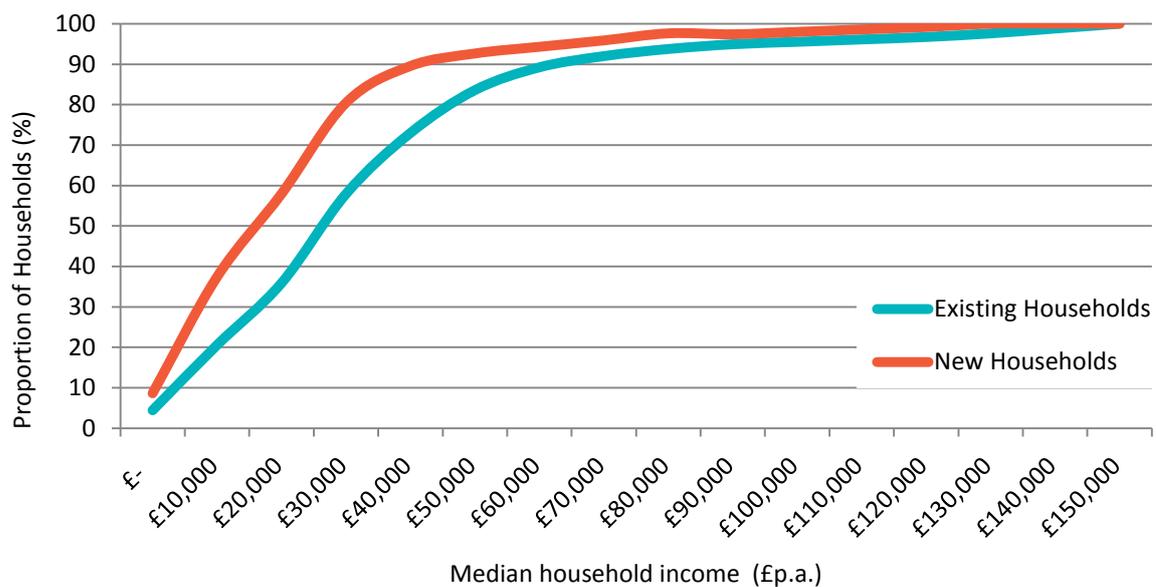
2.26 In order to calculate the number of newly-forming households that are in receipt of the minimum gross household income identified in Step 2, it is necessary to analyse the gross income distribution for households in the relevant local authority area.

2.27 Whilst data on individual incomes can be obtained from the ONS Annual Survey of Hours and Earnings (ASHE), household income figures are not currently freely available. However, this

data can be purchased from economic forecasting companies, such as Experian. It may also be feasible to estimate gross household income using ASHE data on individual earnings, through the application of appropriate assumptions on the number of earners per household¹².

- 2.28 It is important to note that the income distribution of newly-forming households is different to that for all households, with earnings approximately 33% below those for existing households¹³. Therefore, the gross household income distribution should be adjusted to account for this difference. This can be illustrated on a graph that shows the proportion of new and existing households earning different amounts. An example graph is shown below.

Figure 2.3 Affordability modelling



Source: Experian income data, Rightmove, VOA and Lichfields analysis

- 2.29 *Step 4: Remove newly-forming households able to purchase open market housing*

- 2.30 Following on from the previous steps, it will be possible to identify the proportion of newly-forming households that earn enough to access a house on the private market and that would therefore not require affordable rent to buy housing. This number of households should be removed from the total FOAN in order to focus on the target market for the affordable rent to buy tenure.

Rental affordability

- 2.31 Affordable rent to buy housing is not suitable for every household that cannot afford to purchase its own home on the open market, and it does not replace the need for social rented homes, not least because it will be unaffordable for a proportion of households.

- 2.32 The next step in assessing the need for affordable rent to buy is therefore to undertake an affordability test, similar to that which is conducted in the calculation of affordable housing need outlined in the PPG (ID: 2a-025). This step identifies the minimum level of household income needed in order to support an affordable rent to buy home.

¹² Shelter Private Rent Watch Report one: Analysis of local rent levels and affordability (October 2011).

¹³ This comes from the 2004/05 English Housing Survey published in October 2006. This data is no longer collated but represents a buoyant point in the economy, there is no newer evidence and there is nothing to suggest that the situation for newly forming households has improved.

Step 5: Average annual rent for an affordable rent to buy home

- 2.33 In the case of the Rentplus product, the rent charged is set at “80% of the local market rents or the Local Housing Allowance (Housing Benefit) level whichever is the lower.” (Rentplus website FAQs). This level of rent could be taken as a proxy across the affordable rent to buy tenure.
- 2.34 In making this assumption, the affordable rent to buy assessment should first identify the annual median market rent for the relevant local authority, using Valuation Office Agency (VOA) Private Rental Market Statistics and then calculate 80% of this rent. This figure represents the approximate annual rent that could be charged for an affordable rent to buy property in the local area.
- 2.35 For the purposes of the assessment of need, it is more appropriate to apply 80% of the market rent than identifying an average level of Local Housing Allowance (LHA) within a local authority area, given that this allowance varies depending upon the size of the property and the Broad Rental Market Area in which the property is located.

Step 6: Gross household income required for affordable rent to buy

- 2.36 The next step is to calculate the level of household income required in order to access an affordable rent to buy home.
- 2.37 The 2015/16 English Housing Survey found that the national average proportion of gross household income (including state assistance) spent on rent was:
- 1 35% for the private rented sector;
 - 2 27.6% for those living in local authority housing; and,
 - 3 28.6% for those living in housing association properties¹⁴.
- 2.38 Other sources also suggest broad rules of thumb between 25% and 35% of gross income as being the appropriate threshold¹⁵.
- 2.39 The issue of how much households should be expected to pay for their housing as a proportion of their average income has also been considered by two recent Local Plan Inspectors. Whilst the focus of this consideration has been upon affordable housing need it is directly relevant to the determination of need for affordable rent to buy properties.
- 2.40 In paragraphs 17 and 18 of his report, the Inspector into the East Hampshire Joint Local Plan stated:

¹⁴ CLG English Housing Survey 2015/16, Annex Table 1.13

¹⁵ Shelter Private Rent Watch Report one: Analysis of local rent levels and affordability (October 2011).

“17. National guidance advises that, in assessing the need for affordable housing, plan makers should identify the minimum household income required to access lower quartile housing. The SHMA assumes that households will spend 25% of their income on renting a house, an assumption it says ‘draws upon widely established and utilised benchmarks’. The SHMA goes on to say that; ‘In some cases it may be that in the face of acute housing affordability pressures, households choose to stretch their finances in order to access housing. This may reduce the level of affordable housing need, suggesting affordable needs may be fully met even at lower levels of housing delivery.....albeit with adverse consequences for those households in terms of discretionary income’. The SHMA then goes on to recommend that a 30% income threshold would appear reasonable based on data that indicates that households are actually spending more than that on rent.

18. So, instead of planning positively to help assuage acute housing affordability pressures by, say increasing supply, the SHMA appears to advocate an approach which down plays demand. It may well be that, in order to live in a decent home; people are forced to spend more. However, it is not right, in my view, to plan on the basis that it is acceptable for those in need to have their already limited incomes squeezed just so they can live in a decent home (and the need for affordable housing reduced for the purposes of plan making). (Lichfields emphasis)

2.41 This issue was addressed by the Eastleigh Local Plan Examination Inspector’s report which states at paragraphs 32 and 33 that:

“The PUSH SHMA assumes (EBC/H4A, 8.6) 30% of gross income spent on housing is the threshold for households in need of affordable housing. Many developer interests consider that this is too high and highlight the reference to a 25% threshold in the 2007 DCLG SHMA Guidance. But that document has been cancelled. National Policy Guidance (the Guidance) does not specify a threshold. I note that 30% of the estimated income required to access market housing in Eastleigh would be (just) insufficient to rent an entry level two bedroom property. Three bedrooms would be out of reach. Thus a proportion of families would not be able to secure accommodation of adequate size when spending 30% of income on housing (SHMA Appendices, Table 23, p73 and Figure 18, p70). A 30% threshold should thus be seen as the upper end of a possible range.

“Using the SHMA methodology, a 25% income threshold would increase the identified need for affordable housing to about 624 dpa for Eastleigh (prior to any role assigned to the PRS). This highlights the sensitivity of the threshold used. Accordingly, the figure in the SHMA of 509 dpa should be seen as a baseline, with actual needs recognised as potentially greater. In this context, I see no justification for the Council assuming that more than 30% of income could reasonably be spent on housing. Some households may be forced to do so, but that does not make it a justified approach to assessing need” (Lichfields emphasis).

2.42 A number of local authorities have sought to argue that a higher proportion (35%) should be applied but it is worth noting that 35% of gross income would represent an even more significant proportion of net income which households actually receive, likely getting close to 50%. In the light of this, and on the basis of the above remarks, it is considered that 30% would be an appropriate starting point upon which to base the assessment of the ability of local people to access the housing market, although the precise figure should be selected on a case-by-case basis, taking account of local affordability issues. Indeed, eligible households may opt to “stretch” themselves to take advantage of the opportunity to secure a home that they will eventually own.

- 2.43 This threshold should be applied to the annual rent for an affordable rent to buy property in the local authority area (calculated in Step 5) in order to identify the gross household income required in order to access an affordable rent to buy home.

Step 7: Proportion of remaining newly-forming households able to access affordable rent to buy

- 2.44 Using the same gross household income data and approach applied in Steps 2 and 3, it is possible to identify the proportion of remaining¹⁶ newly-forming households that are in receipt of the required gross household income identified in Step 5. These households would therefore be able to access an affordable rent to buy home in the relevant local authority area. Any households earning less than this figure would not be able to afford a rent to buy home and so would not be included within the identified need.

Affordable rent to buy eligibility

Step 8: Remove any newly-forming households earning £80,000 pa or more

- 2.45 The Government's Help to Buy Shared Ownership eligibility criteria should be used as a proxy for eligibility for affordable rent to buy homes. Based on this criteria, any newly-forming households earning £80,000 pa or more (or £90,000 or more in London) should be removed from the total affordable rent to buy housing need figure. However, depending upon the location, it is not anticipated that there will be a large number of households that pass through Step 4 that would achieve this level of income.
- 2.46 The principle of this eligibility criteria is considered to be appropriate for all affordable rent to buy homes, given that the tenure is aimed at those households that are in need of financial support in order to access home ownership.

Summary

- 2.47 Table 2.4 provides a summary of the steps required in order to assess the need for affordable rent to buy housing in any given local authority area.

Table 2.4 Assessment of need for affordable rent to buy housing

Assessment stages	
Starting point: FOAN	
Newly-forming households able to afford open market housing	
1.	Identify median house price
2.	Gross household income required for open market purchase
3.	Gross household income distribution analysis (open market purchase)
4.	Remove newly-forming households able to afford open market housing
Rental affordability	
5.	Average annual rent for an affordable rent to buy home
6.	Gross household income required for rent to buy
7.	Proportion of remaining newly-forming households able to afford rent to buy
Affordable rent to buy eligibility	
8.	Remove any newly-forming households earning £80,000 pa or more

¹⁶ Following the removal of those that can afford open market housing in Step 4

2.48 The approach therefore starts with the determination of FOAN for the area (using the relevant approved methodology), before then identifying the number of households that can afford to access housing on the open market, and the proportion of households that could not afford an affordable rent to buy property and those that are ineligible for the tenure. The remaining number of households (that can access affordable rent to buy but cannot compete on the open market) represents the need that exists in the local area for an affordable rent to buy property.

2.49 This calculation can be summarised as follows:

Table 2.5 Assessment of need for affordable rent to buy housing (equation)

<p>FOAN <i>minus</i> newly-forming households able to afford open market housing <i>multiplied by</i> % of remaining newly-forming households able to access affordable rent to buy <i>minus</i> Newly-forming households earning £80,000 pa or more</p>
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3.0 Conclusion

3.1 In the foreword to the Housing White Paper, the Prime Minister stated:

“Our broken housing market is one of the greatest barriers to progress in Britain today. Whether buying or renting, the fact is that housing is increasingly unaffordable – particularly for ordinary working class people who are struggling to get by.

“Today the average house costs almost eight times average earnings – an all-time record. As a result, it is difficult to get on the housing ladder, and the proportion of people living in the private rented sector has doubled since 2000.

“These high housing costs hurt ordinary working people the most. In total more than 2.2 million working households with below-average incomes spend a third or more of their disposable incomes on housing.

...

“I want to fix this broken market so that housing is more affordable and people have the security they need to plan for the future.

“The starting point is to build more homes...

“We need to build many more homes, of the type people want, in the places they want to live. To do so requires a comprehensive approach that tackles failure at every point in the system.”

3.2 Following on from this recognition of the need to provide more homes, the DCLG’s consultation paper, *“Planning for the right homes in the right places”* highlights the importance of providing an appropriate housing mix at paragraph 88:

“It is important that local planning authorities do not just plan for the right number of homes, but also the different size, type, tenure and range of housing that is required in their area.”

3.3 The affordable rent to buy tenure provides an innovative solution to the challenges that faces the housing market in this country. By focusing upon aspiring home owners that are currently unable to compete within the open market and unable to save for a mortgage, it provides an alternative to the private rental sector which is characterised by high rents, an insecurity of tenure and below-average living conditions. Crucially, the model also provides an opportunity for households that would not qualify for affordable housing. Accordingly, it provides a response to recognised pressures at a number of points in the system in a way that is not otherwise being provided.

3.4 The potential contribution of affordable rent to buy can be most effectively understood through a demonstration of the level of need that exists for the product. This report has set out a robust methodological approach to undertake such an assessment of need. This approach draws upon the policy contained within the NPPF and guidance set out in the PPG, together with the conclusions of relevant High Court and Court of Appeal judgments and appeal decisions, and Lichfields’ considerable experience in assessing the overall need for housing in local authority areas (FOAN) and affordable housing need. It is an approach that draws upon readily available data sources and which benefits from transparency and clarity.

3.5 By demonstrating that a need exists for affordable rent to buy properties, and that this represents a distinct component of the overall housing need for an area, it will be possible to build a strong case in support of any planning application for development. This will be supplemented by an explanation of the economic and social benefits of this type of development,

which can be very significant to a local area and the people that will benefit from this innovative form of housing tenure.

- 3.6 The assessment of the need for affordable rent to buy housing should be undertaken within the context of the FOAN for each local authority area and should contribute towards meeting this overall need. In particular, affordable rent to buy homes are helping to address the specific needs of a given section of the population whose needs are currently not being met by the traditional housing tenures.

Appendix 1: Data sources

Information	Data sources
Population by age cohort	ONS Mid-Year Population Estimates
Population projections	ONS Sub National Population Projections
Household composition	2011 Census data
Household occupancy	2011 Census data
Projected household growth	CLG Household projections
Dwelling stock	CLG Live Tables 100 and 253 Local Authority Annual Monitoring Report
Housing type and size	2011 Census data 2001 Census data (to provide comparison of change over time)
House prices	HM Land Registry Data ONS House Price Statistics for Small Areas ONS ratio of house price to residence-based earnings data
Sales turnover	HM Land Registry Data
Affordability	CLG Live Table 576
Rental levels	Valuation Office Agency (VOA) Private Market Rental Statistics
Gross household income distribution	Economic forecasting companies, e.g. Experian ONS Annual Survey of Hours and Earnings (ASHE)

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