



# Strategic Housing Market Assessment

**Draft June 2013**

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# 1. Introduction

## Summary

- i) This study provides an update of the original SHMA undertaken in Ribble Valley in 2007 (finalised in 2008). It is required to check the suitability of the housing policies set out in the Council's Core Strategy which is soon to go through an Examination in Public. In addition the Coalition Government have made a range of changes to the housing sector, including the introduction of Affordable Rent - the scope of which needs to be established. The report will assess the local impact and the appropriate response within the current market conditions and new policy landscape.
- ii) The study will meet the requirements of paragraph 159 of the National Planning Policy Framework and adhere to the approach set out in the Strategic Housing Market Assessment – Practice Guidance.

## Purpose

- 1.1 A Strategic Housing Market Assessment (SHMA) was originally published for Ribble Valley in December 2008 based on secondary data available on the housing market. This SHMA examined the local housing market, setting out the level of housing need alongside the requirements of particular groups of the population and concluding with an overview of the type of housing required to sustain the local market.
- 1.2 The Council recognises that as the Core Strategy prepares to go through Examination in Public it would be beneficial to review the current housing policies within the Strategy against up-to-date evidence and have therefore commissioned this SHMA update to provide this. In addition the new National Planning Policy Framework was published last Spring and this SHMA will meet these altered requirements.
- 1.3 This new SHMA report is also timely because the Coalition Government have made a range of changes to the housing sector since the original SHMA. This includes the introduction of the new social tenure 'Affordable Rent' and the new LHA (Local Housing Allowance) cap. This SHMA will assess the appropriate response within the current market conditions and new policy landscape. This is done by direct examination of secondary data available.

## Government Guidance

- 1.4 National Planning Policy is now the National Planning Policy Framework (NPPF). Paragraph 159 of the NPPF (March 2012) sets out the role of this SHMA.

*Local planning authorities should have a clear understanding of housing requirements in their area. They should:*

- *Prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to require over the plan period which:*

*— meets household and population projections, taking account of migration and demographic change*

*— addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as families with children, older people, disabled people, service families and people wishing to build their own homes); and*

*— caters for housing demand and the scale of housing supply necessary to meet this demand (para 28)*

- 1.5 Whilst the NPPF outlines how an SHMA fits into the wider housing policy framework, the detailed Practice Guidance (Strategic Housing Market Assessment Practice Guidance, August 2007) provides an indication as to how a SHMA should be undertaken and what topics should be covered. The Practice Guidance provides details about the whole process of conducting a SHMA and, importantly, sets out a comprehensive model for the assessment of affordable housing need.

### **Report coverage**

- 1.6 The original SHMA presented a large range of data on the housing market and related subjects, whereas this new SHMA will be focused on the areas of interest to the Council and the consequences of the planning and housing reforms. This report is therefore limited to:

- Examination of the latest data on the labour market and the resident population
- A profile of the housing stock in Ribble Valley and the changes that have occurred to it, including the notable growth of the private rented sector which is examined in more detail
- Analysis of the price of property in Ribble Valley and the affordability of housing for residents
- Production of outputs for the housing needs assessment model in accordance with the Practice Guidance approach, including an analysis of the suitability of Affordable Rent within Ribble Valley
- Production of an analysis of the entire housing market within the balancing housing markets model, which will identify the amount and nature of housing required in Ribble Valley over the Core Strategy period

- A summary of the policy implications these findings within the requirements of NPPF and how they relate to the current Core Strategy objectives.



## 2. Socio-economic profile

### Summary

- i) Various secondary data sources were used to inform the socio-economic profile in Ribble Valley. The recent Census indicates that in 2011 the population of the Borough was 57,132 and that since 2001 the population has increased by 5.9%, the size of the household population, has also increased by a faster rate between 2001 and 2011 (8.3%).
- ii) Ribble Valley contains a lower proportion of the population that are of working age than is found regionally and nationally, principally because there is a larger than average proportion of people of pensionable age in the Borough. The Black, Asian and Minority Ethnic population of Ribble Valley is just 2.1% of the total population.
- iii) There has been a notable growth in part-time employment in Ribble Valley over the last ten years, whilst the number of people in full-time employment has risen more modestly.
- iv) Ribble Valley continues to have the capacity to undergo continued economic growth, with the proportion of economically active residents that are unemployed having increased from 0.7% at the time of the previous SHMA to 1.4% currently, however unemployment in the Borough has stabilised over the last 12 months.
- v) Ribble Valley contains proportionally more residents working in managerial jobs than is found regionally and nationally. The Borough also contains a lower than average level of working-age residents without any qualifications.
- vi) The mean earned income for employees in Ribble Valley in 2012 is £32,859, higher than the equivalent figures for the North West region and England.

### Introduction

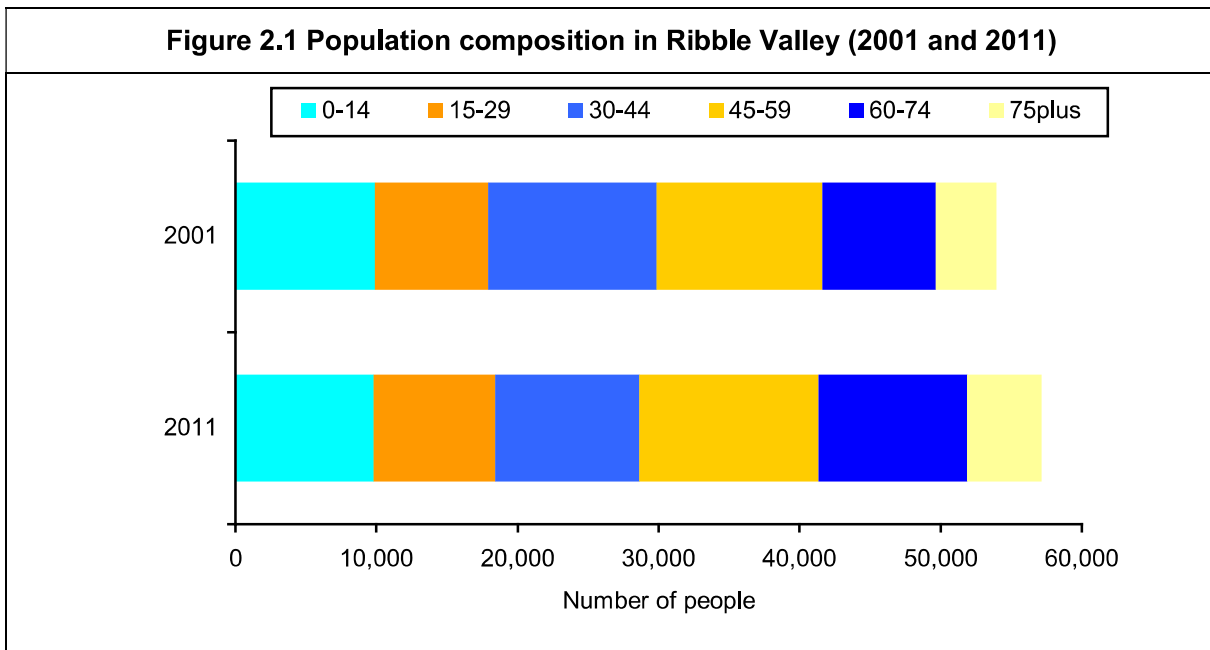
- 2.1 Two main drivers of the housing market are the resident population and the local labour market. They affect the nature of housing demand including household formation rates and households' investment in housing. The most recent data available on these topics at the time of the 2008 report was generally from 2007. This chapter uses information that has been published since then to document the current socio-economic profile in Ribble Valley and how it has changed. The information presented compares the circumstances in the Borough to the regional and national situation where possible.

### Demography

- 2.2 The 2008 SHMA described the nature of the population in the Ribble Valley using the latest information available at the time, principally the ONS 2006 mid-year population estimates and the 2001 Census. The recently released 2011 Census data provides a comprehensive profile of the population of Ribble Valley and how it has changed since the previous Census.

**Population**

2.3 The Census indicates that the resident population in Ribble Valley in 2011 was 57,132 and that since 2001 the population had increased by 5.9%, almost 3,200 people. In comparison the population of the North West region increased by 4.8% between the 2001 and 2011 Census, whilst the population of England increased by 8.9%. Figure 2.1 illustrates the age composition of the population in Ribble Valley in 2001 and 2011 according to the Census. It shows that since 2001 the number of people aged 60 to 74 has markedly increased as has the population of the Borough aged 75 and over. In contrast the number of people aged between 30-44 has decreased notably .



2.4 The 2011 Census figures also indicate that Ribble Valley contains a lower proportion of the population that are working age than is found regionally and nationally: 61.3% in Ribble Valley compared to 64.6% in the North West region and 64.8% across England. This is principally because there are a larger than average proportion of people of pensionable age in the Borough (20.2% in Ribble Valley compared to 16.6% in the North West region and 16.3% in England).

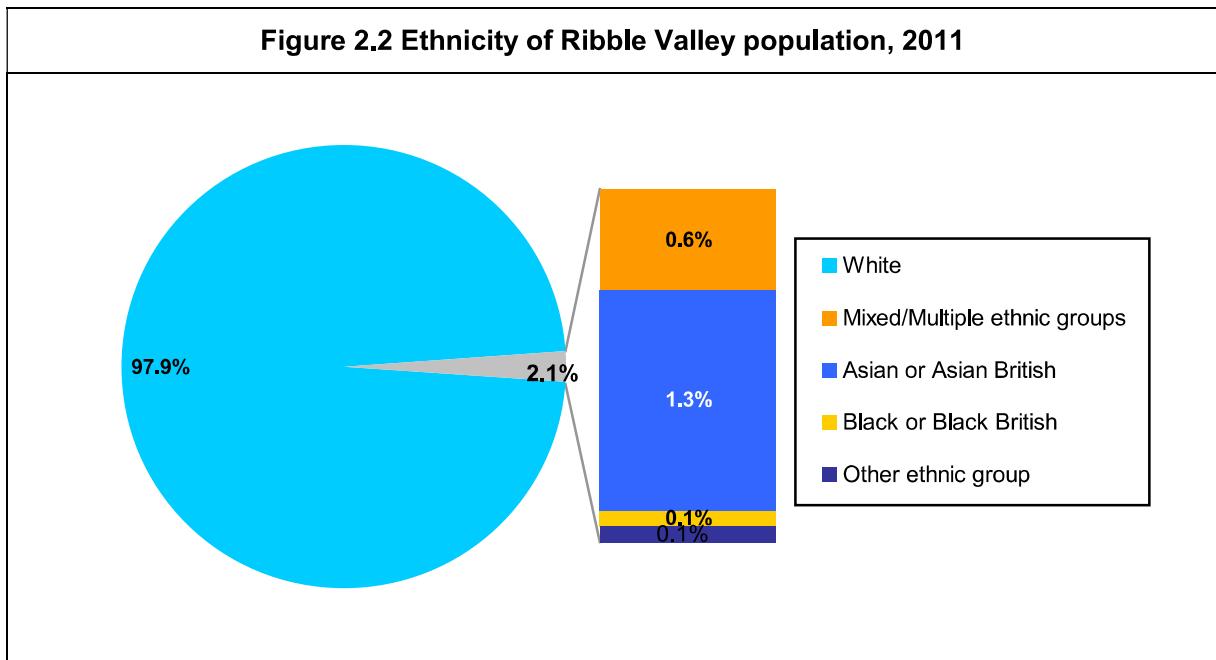
2.5 The 2011 Census indicates that the population density in Ribble Valley is 98 people per km<sup>2</sup>, an increase from 93 people per km<sup>2</sup> in 2001. The 2011 figure for England is 407 people per km<sup>2</sup>. The figure for the North West region is not currently available.

2.6 Some 16.7% of the resident population in Ribble Valley have a long-term health problem or disability, compared to 20.3% of residents in the North West region and 17.6% of people across England. This is quite notable, given the older than average profile of the population.

**Ethnicity**

2.7 According to the 2001 Census, the proportion of Black, Asian and Minority Ethnic (BAME) (non-White) groups in Ribble Valley was 1.6%, lower than the figure recorded for the North West region (5.6%) and the national average (9.1%). The 2011 Census suggests that the BAME population of Ribble Valley has increased to 2.1% of the total population, but remains notably smaller than the regional and national figures (9.8% in the North West and 14.5% in England). This amounts to an increase of around 400 people (an increase of 42.8%) in BAME groups between 2001 and 2011.

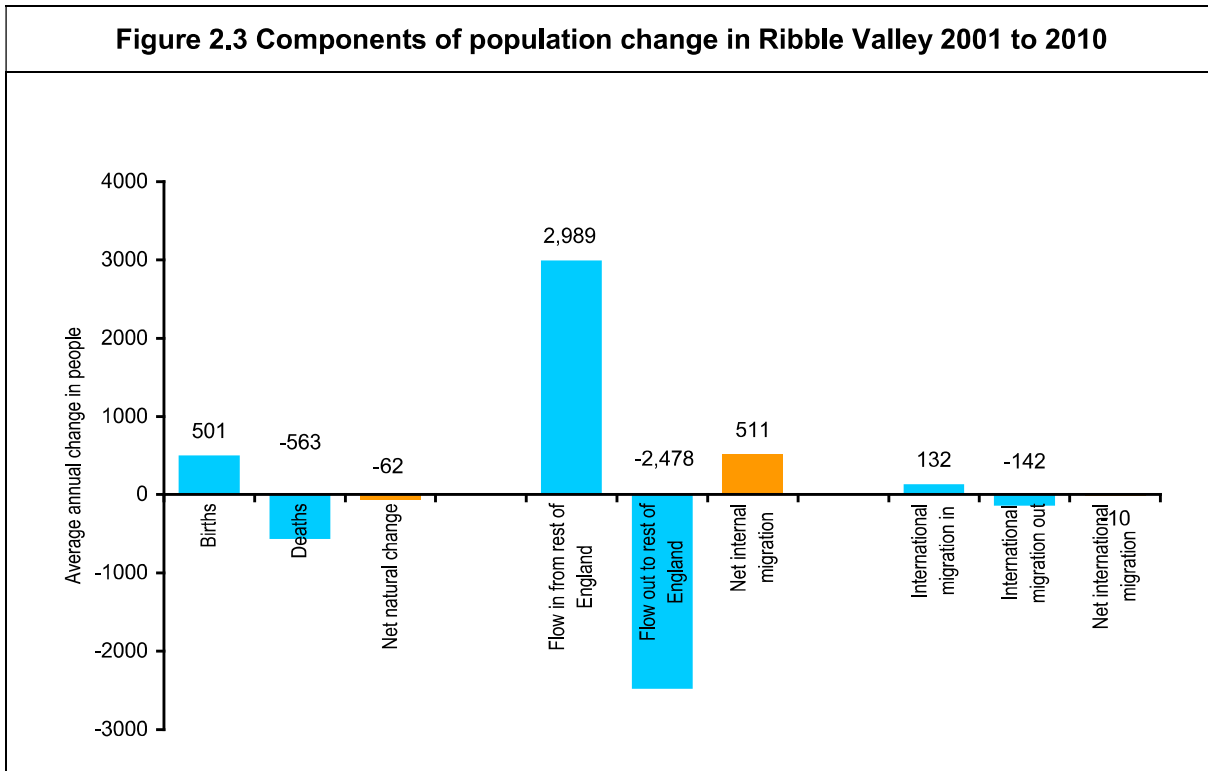
2.8 Figure 2.2 presents the ethnicity of the population in the Borough in 2011. The 'Asian or Asian British' represents the largest BAME groups in Ribble Valley (comprising 1.3% of total population).



Source: 2011 Census

2.9 The Census reveals that just 0.4% of the population of Ribble Valley in 2011 had been resident in the UK for less than two years, compared to 1.1% in the North West region and 1.8% across England. The overwhelming majority of the population of the Borough have resided in the UK for over 5 years (including those born in the UK); 99.1% in Ribble Valley compared to 97.6% in the North West and 96.0% in England.

2.10 Figure 2.3 presents further detail on the components of population change in Ribble Valley between 2001 and 2010. It indicates that an average of 2,989 people moved into the Borough each year from elsewhere in England, whilst 2,478 people moved from Ribble Valley to elsewhere in the country. This equates to a net growth of 511 people per year from internal migration. The Figure shows that net internal migration was positive, whilst net international migration and net natural change from the existing population was negative.



Source: ONS components of change for England and Wales - annual tables for 1991-2 to 2009-10

**Number of households**

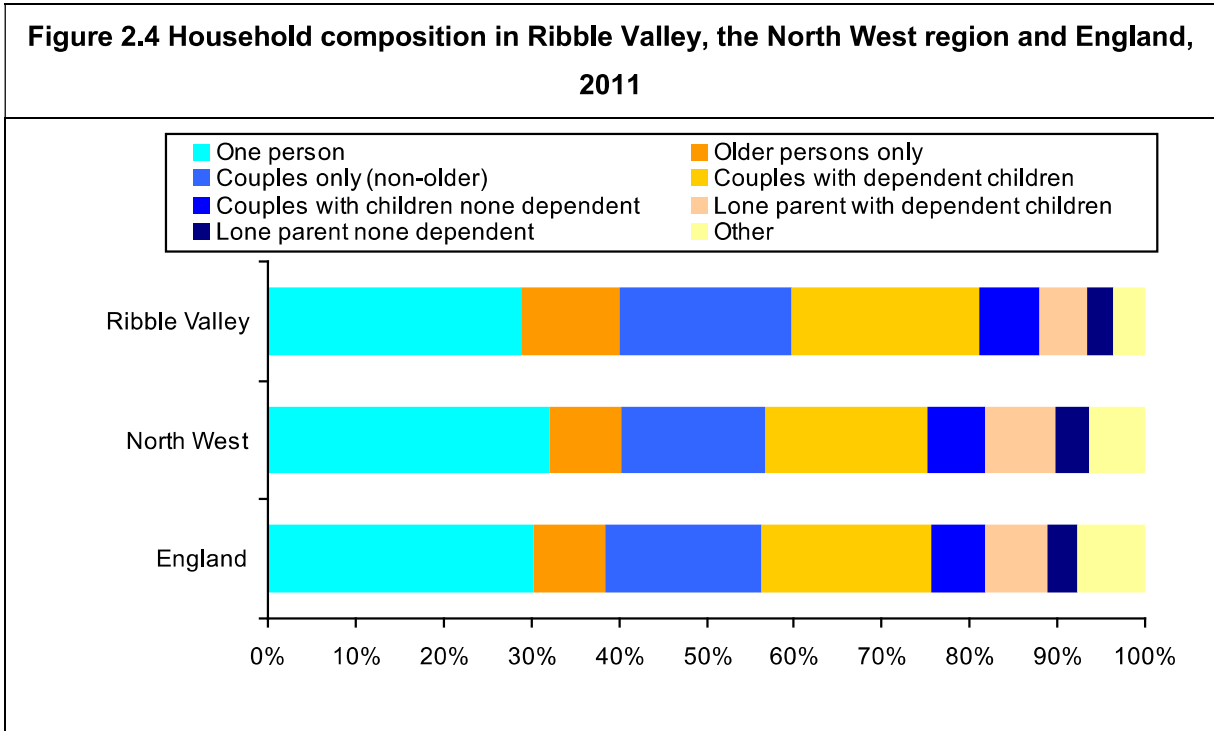
2.11 The 2011 Census revealed that the household population in Ribble Valley has increased by 8.3% since 2001, a faster rate than regionally (7.0%) and nationally (7.9%). As the population has increased at a slower rate than the number of resident households between 2001 and 2011, this implies that the average size of households in Ribble Valley is decreasing as is illustrated in Table 2.1.

<b>Table 2.1 Change in average household size, 2001 to 2011</b>		
	<i>2001</i>	<i>2011</i>
Population	53,960	57,132
Households	22,210	24,045
Average household size	2.43	2.38

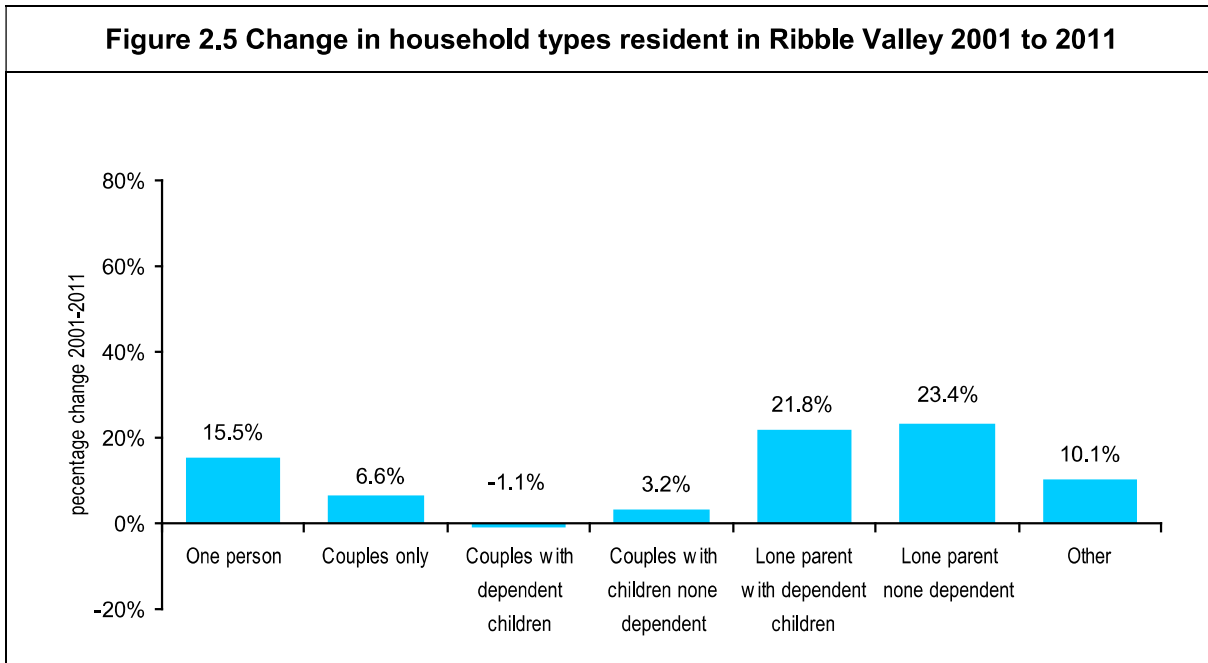
Source: 2001 & 2011 Census

2.12 It is interesting to note that this average household size of 2.38 compares to an average of 2.9 bedrooms per household in the Borough according to the 2011 Census. The 2011 Census also indicates that 1.7% of households in Ribble Valley had fewer bedrooms than they required (compared to 3.7% across the North West region and 4.8% nationally), whilst 80.2% have at least one bedroom more than they require (as opposed to 71.6% in the North West and 68.7% across England).

2.13 Figure 2.4 compares the household composition in Ribble Valley in 2011 with that recorded for the North West region and England. The data indicates that older persons only households constitute 11.2% of all households in the Borough compared to 8.1% in the region and 8.4% nationally. The Figure also shows that some 28.3% of households in Ribble Valley contain only a couple with children, higher than the both the regional figure (24.9%) and the national one (25.4%).



2.14 Figure 2.5 shows the change recorded between the 2001 and 2011 Census for the different household groups in Ribble Valley. The figure shows that lone parent households have increased the most (although from a very low base), followed by one person households. It is interesting to note that couples with only non-dependent children have increased whilst the number of couples with dependent children has declined. This suggests that household formation rates amongst young adults may have reduced. The reduction in couple with dependent children households does not appear to be a consequence of a lack of housing choice in the Ribble Valley market, but due to wider social trends - a decrease of 4.1% was also recorded for the North West region, whilst nationally there was a very slight growth (0.3%).



Source: 2001 & 2011 Census

## Economy

- 2.15 Chapter 3 of the 2008 SHMA considered the economic context in Ribble Valley. It recorded a relatively high level of employment and above average earnings. Considerable data has been published since, which enables a detailed profile of the current local economy to be presented.

### *Employment in Ribble Valley*

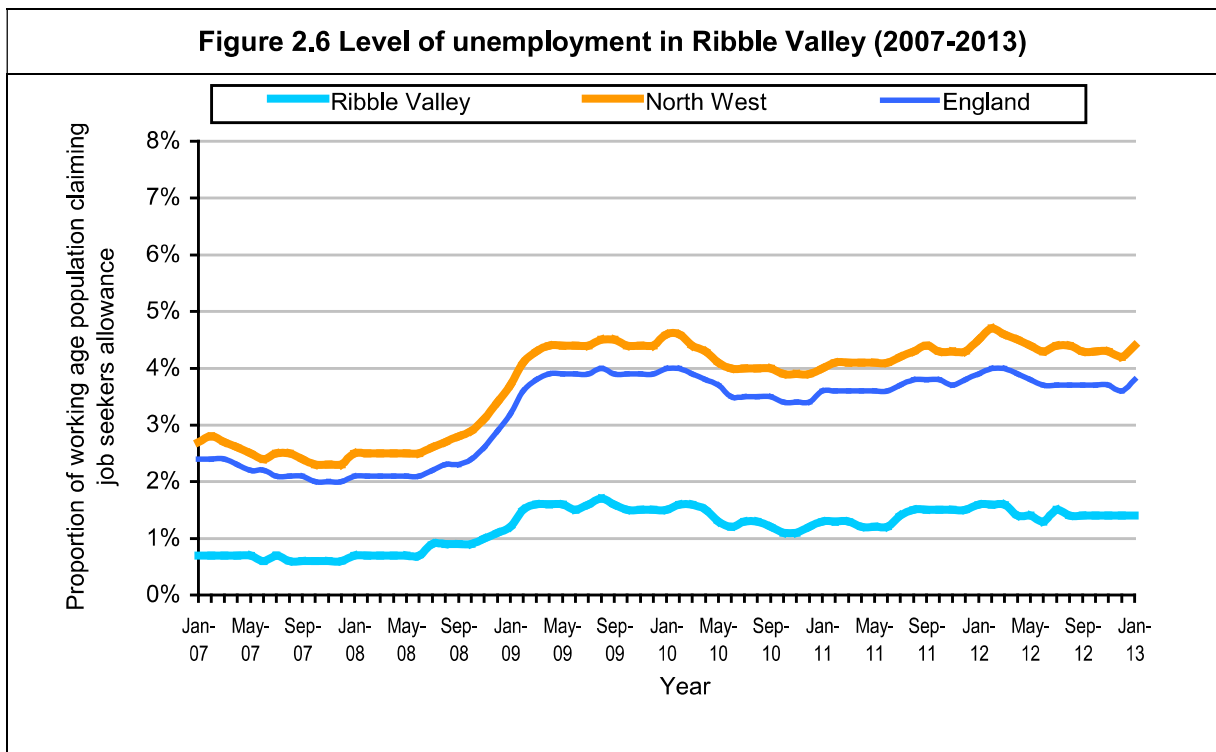
- 2.16 The latest data available on the economy in Ribble Valley indicates that there is notable capacity to undergo growth. NOMIS<sup>1</sup> data on 'job density' (this is a measure of the number of jobs per person of working age) for 2010 shows that there are 0.99 jobs per working age person in the Borough. This is notably higher than the North West region (0.74) and England as a whole (0.78). The figure of 0.99 represents an increase from the 0.81 recorded in 2006 before the start of the economic downturn.
- 2.17 Measured by the Annual Business Inquiry (ABI) there were 25,200 employee jobs in Ribble Valley in 2008. This is a 3.7% increase on the level recorded before the economic downturn (in 2006). This increase recorded for the Borough compares to a decrease of 0.4% for the region and an increase of 1.2% nationally over the same time period.

### *Employment profile of residents in the Borough*

- 2.18 Although the overall economic performance of Ribble Valley provides important context, an understanding of the affect of the economic climate on the resident population is more crucial to this study.

<sup>1</sup> NOMIS is a website provided by the Office of National Statistics that contains a range of labour market data at a local authority level. [www.nomisweb.co.uk](http://www.nomisweb.co.uk)

- 2.19 The Census provides an overview of the employment situation in Ribble Valley in 2011. It shows that of all residents in work (excluding those who are also students), 19.9% are self-employed, with 58.3% full-time employees and 21.8% part-time employees. The level of self-employment is notably higher than both the regional (13.7%) and national averages (15.7%). Since the 2001 Census the number of part-time employees in Ribble Valley has increased by 20.4%, whilst the number of full-time employees has risen by 3.3%. The number of self-employed residents has increased by 10.3%.
- 2.20 The ONS publishes the number of people claiming Job Seekers Allowance on a monthly basis. This provides a very up-to-date measure of the level of unemployment of residents in an area. Figure 2.6 shows the change in the proportion of the working age population claiming Job Seekers Allowance in Ribble Valley since January 2007. The Figure indicates that the Ribble Valley unemployment level has been consistently higher than the level for the North West region and England.
- 2.21 Since January 2007 unemployment in Ribble Valley has increased by 91.0% (as opposed to 64.3% regionally and 60.3% nationally). The figure for Ribble Valley is higher because the base level of unemployment was low to begin with. However, over the last 12 months unemployment has decreased in Ribble Valley by 9.6% (compared to 4.1% in the North West region and 4.7% across England).



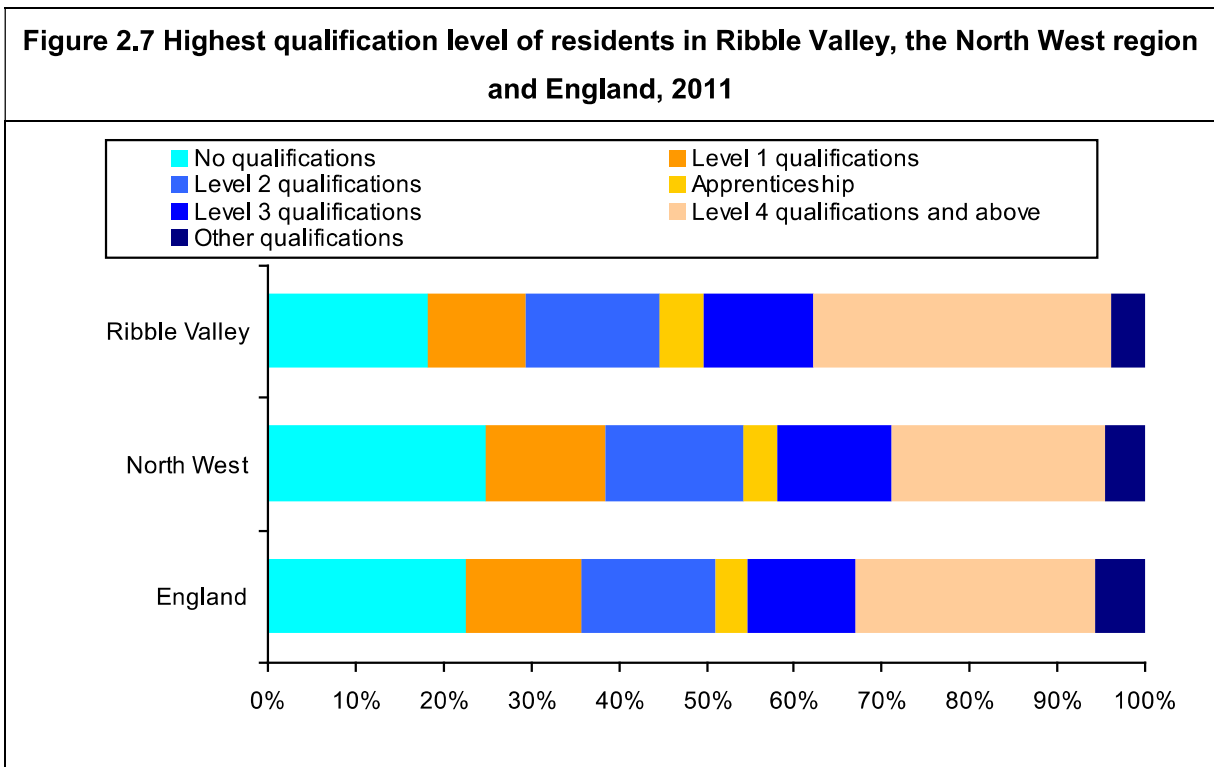
- 2.22 It is worth noting that Ribble Valley also has a relatively low proportion of young people unemployed; 3.6% of 18 to 24 year olds in the Borough are unemployed compared to 8.1% at the regional level and 7.0% nationally. There is also a lower than average level of long-term unemployed (more than 12 months unemployed) at 0.2% of the working age population, compared to 1.2% in the North West region and 1.0% for England.
- 2.23 The Census presents a ‘Standard Occupation Classification’ which categorises all working people resident within an area into one of nine groups depending on the nature of the skills that they use. These nine groups are graded from managerial jobs (Groups 1-3) to unskilled jobs (Groups 8-9). As Table 2.3 illustrates, some 45.2% of employed residents in Ribble Valley work in groups 1 to 3, and this is considerably higher than the equivalent figure for the North West region and also higher than the figure for England. Ribble Valley has a smaller proportion of the workforce in the occupation groups 6 to 7 and 8 to 9 than is found regionally and nationally.
- 2.24 The Table also shows that since the 2001 Census there has been a considerable increase in the number of people resident in Ribble Valley employed within groups 6 to 7. During the same period there has been a more modest increase in the number of residents employed within groups 1 to 3 and 4 to 5 with a decrease in the number employed in groups 8 to 9.

<b>Table 2.3 Occupation structure</b>				
<i>Occupation Groups</i>	<i>Ribble Valley 2011</i>	<i>North West 2011</i>	<i>England 2011</i>	<i>Change in no. of people employed in Ribble Valley since 2001</i>
Group 1-3: Senior, Professional or Technical	45.2%	37.7%	41.1%	11.1%
Group 4-5: Administrative, skilled trades	24.4%	23.0%	22.8%	7.1%
Group 6-7: Personal service, Customer service and Sales	15.0%	19.5%	17.7%	24.0%
Group 8-9: Machine operatives, Elementary occupations	15.4%	19.7%	18.3%	-6.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>8.7%</b>

Source: 2001 & 2011 Census

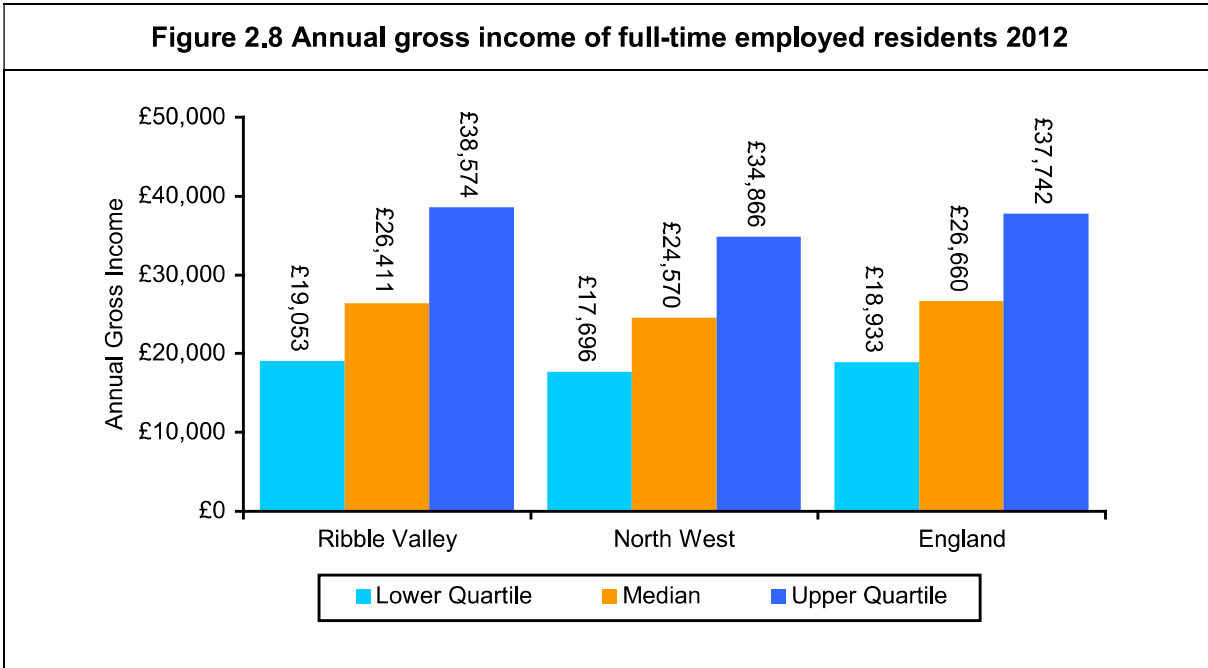
**Qualifications**

2.25 An important factor in the ability of any economy to grow is the level of skill of the workforce. Figure 2.7 shows the highest qualification level of the working-age residents of Ribble Valley, compared to the regional and national equivalents as recorded in the 2011 Census. Level 1 qualification is the lowest (equivalent of any grade at GCSE or O-level) and Level 4 the highest (undergraduate degree or higher). The data indicates that over a third (34.0%) of working-age residents in the Borough have Level 4 or higher qualifications, significantly higher than the figure for the North West region (24.4%) and England (27.4%). Ribble Valley also has fewer residents with no qualifications. It is important to note however that the proportion of working-age residents in Ribble Valley without qualifications has reduced since the 2001 Census and the proportion with Level 4 or higher qualifications has increased notably (from 24.9% in 2001 to 34.0% in 2011).



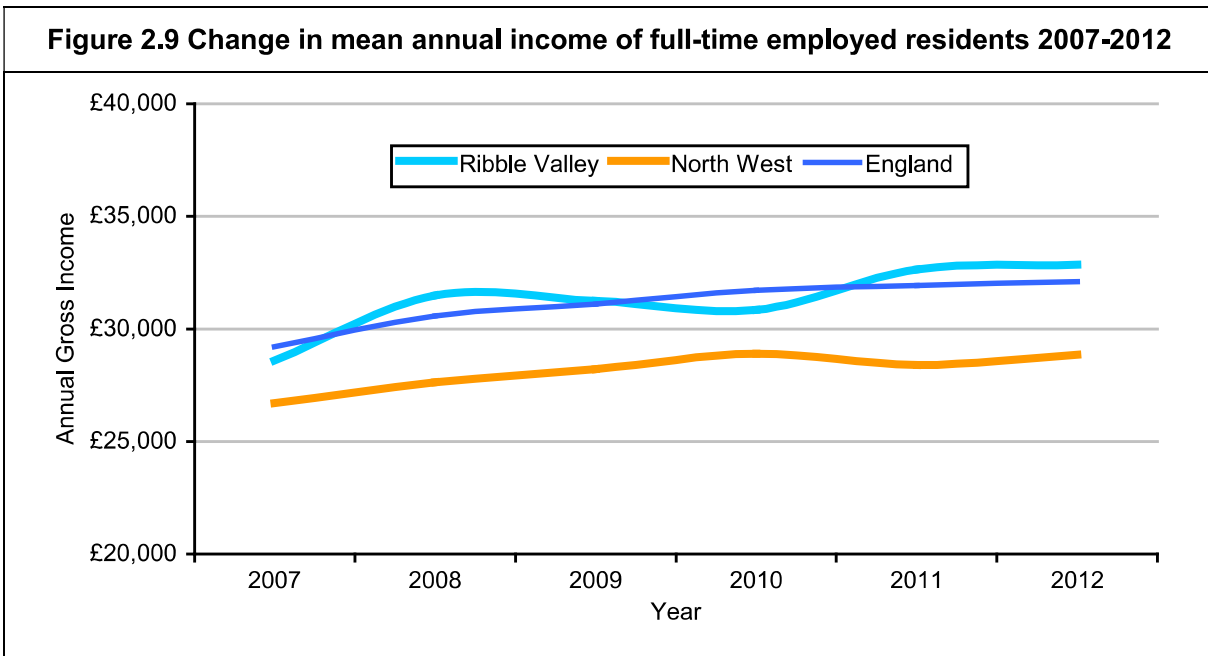
**Income**

2.26 Income has a crucial effect on the level of choice a household has when determining their future accommodation. The mean earned income for full-time employees resident in Ribble Valley in 2012 was £32,859, according to the ONS Annual Survey of Hours and Earnings, higher than both the North West region (at £28,850) and England (£32,089). It is important to note that these figures assess individual incomes rather than household incomes. As Figure 2.8 shows, at all points on the distribution, annual gross income in Ribble Valley is notably higher than the equivalent in the North West region, although the pattern is most pronounced for higher income workers.



Source: ONS Annual Survey of Hours and Earnings (2012)

2.27 Figure 2.9 shows the change in the mean income of full-time employees resident in Ribble Valley, the North West region and England since 2007. Ribble Valley has recorded a higher increase since 2007 (at 15.0%) than the North West region (8.1%) and England (9.9%).

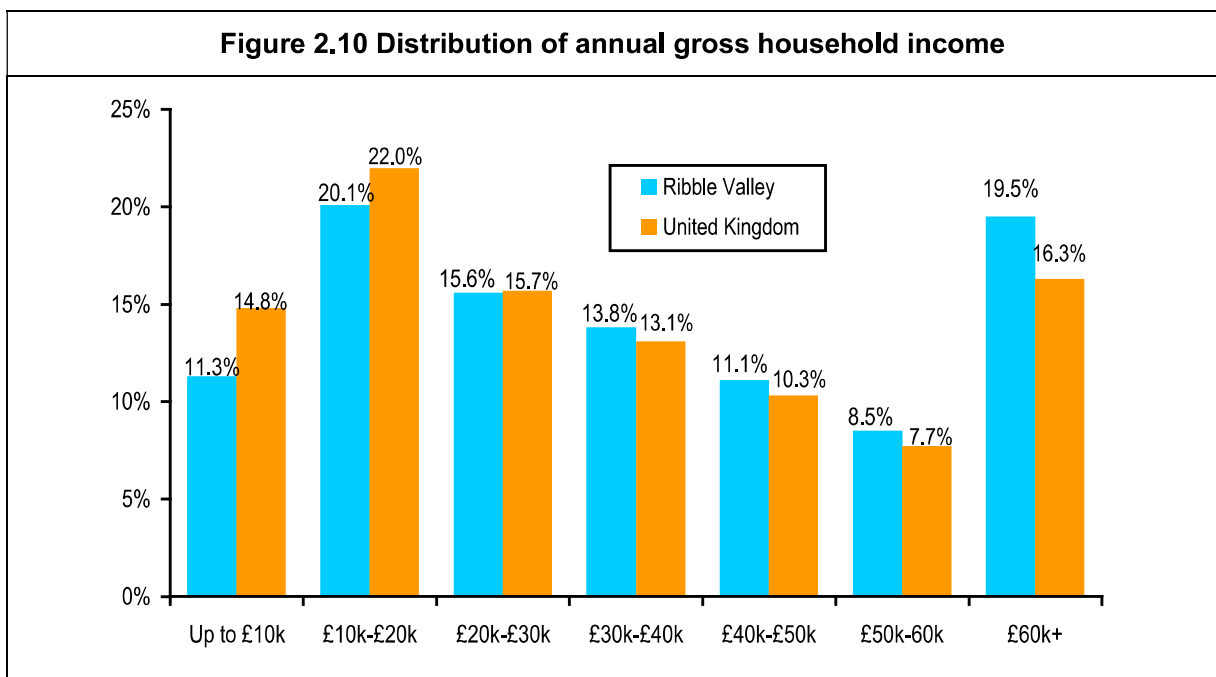


Source: ONS Annual Survey of Hours and Earnings (2007-2012)

**Household income**

2.28 CACI Paycheck estimates that the mean gross annual household income in Ribble Valley is £39,518, which is 10.1% above the United Kingdom equivalent (£35,902). The median household income is noticeably lower at £32,132 (compared to £28,318 across the UK). The lower quartile figure is £16,622 (£14,273 nationally).

2.29 Figure 2.10 shows the distribution of income in the Borough, compared to that across the UK as a whole. It is clear that there is a significant range of incomes, with 31.4% of households having an income of less than £20,000, and 19.5% of households having an income in excess of £60,000. There are more high income households and fewer low income households than across the United Kingdom as a whole.



Source: CACI Paycheck, 2013

2.30 ONS have produced estimates of the proportion of households in poverty in 2008 for each middle-super output area (MSOA) in England and Wales, although these are classed as experimental statistics and should be treated with caution. The lowest figure recorded for the MSOAs in Ribble Valley is 10.6% of households in poverty and the highest is 18.8%. In comparison the median figure across England and Wales is 19.9%. All 8 of the MSOAs in Ribble Valley recorded a lower percentage than the national median. This suggests that households in poverty are not a significant issue in the Borough.

2.31 In addition in December 2012 the CLG published data tracking economic and child income deprivation at neighbourhood level in England between 1999 and 2009. This showed that of the 326 authorities in England, Ribble Valley was ranked the 2<sup>nd</sup> best for child income deprivation in 2009.



## 3. The housing market

### Summary

- i) The recent Census indicates that in 2011 there were 25,016 dwellings in the Borough and that since 2001 the dwelling stock had increased by 7.8%. Ribble Valley contains a lower than average number of homes with no usual residents in, including second homes.
- ii) The most common property type in the Borough is detached houses, followed by terraced and semi-detached houses. Only 8.0% of dwellings are flats, lower than the figures for the region (16.4%) and the England as a whole (22.1%).
- iii) The 2011 Census indicates that 77.2 of households in Ribble Valley are owner-occupiers, 7.6% reside in social rented accommodation and 13.7% rent privately. The size of the private rented sector in the Borough has increased by over 60% between 2001 and 2011. This substantial growth matches regional and national trends.
- iv) There is an increasing proportion of households with children resident in the private rented sector in the Borough.
- v) It is estimated that in Ribble Valley in 2013 just over 20% of households in the private rented sector are supported by Housing Benefit or Local Housing Allowance, compared to around 25% nationally .

### Introduction

- 3.1 Analysis of the stock of housing allows a broad assessment of the range of properties currently within the Borough. A range of data sources, including the 2011 Census, will be used to provide an overview of the housing stock in Ribble Valley and how it has changed. The profile of dwellings in Ribble Valley will be compared to the regional and national situation where possible. The biggest change to the dwelling stock recorded is in the tenure profile, most notably the growth of private rented accommodation. The growth of this sector and the changing profile of households resident in it will be examined at a national level using recently published research, and also at a local level based on Borough-wide data and the opinions of letting agents operating in Ribble Valley. The cost and affordability of private rented housing is discussed in the following chapter.

### Dwelling stock

- 3.2 The Census indicates that there were 25,016 dwellings in Ribble Valley in 2011 and that since 2001 the number of dwellings has increased by 7.8%, over 1,800 properties. In comparison the dwelling stock in the North West region increased by 6.8% between the 2001 and 2011 Census, whilst the dwelling stock of England increased by 8.3%.

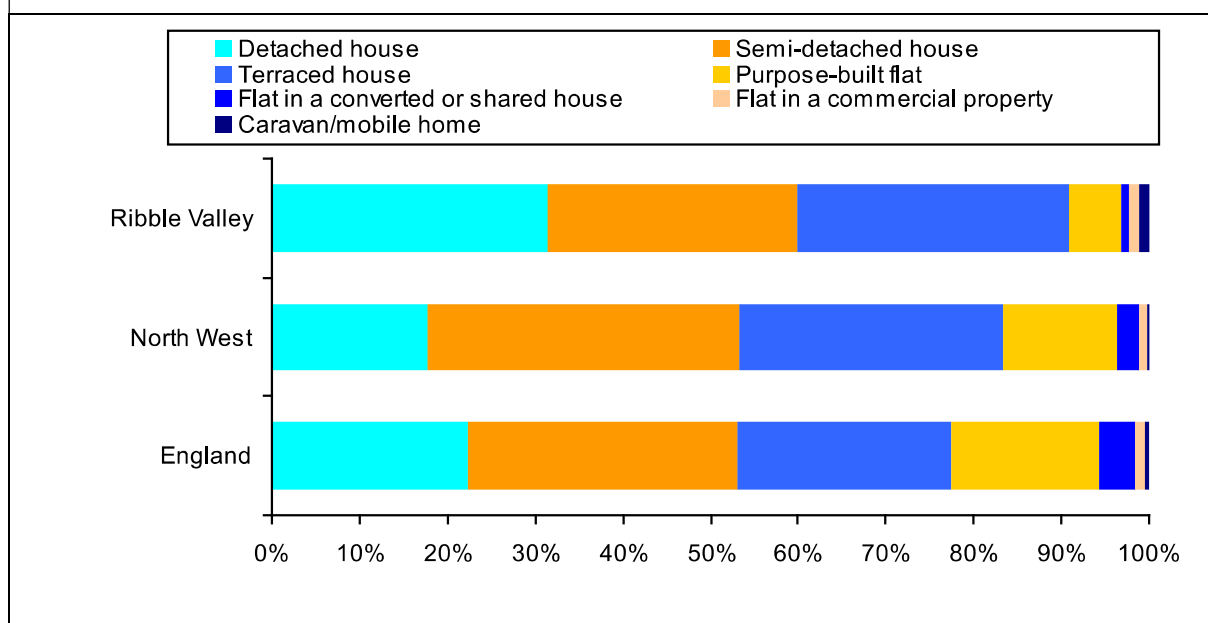
- 3.3 According to the Census there were 974 homes with no usual residents in Ribble Valley in 2011. This represents 3.9% of all of the accommodation available for residence in the Borough. In the North West of England 4.5% of all available accommodation has no usual resident household, whilst the figure for England is 4.3%. The proportion of accommodation with no usual resident household in Ribble Valley has decreased since 2001, when a figure of 4.3% was recorded.
- 3.4 The 2011 Census clarifies that homes with no usual residence include second homes, vacant dwellings and short-term residents/visitors at the accommodation on the night of the Census. Information from the Council's 2011 Housing Strategy Statistical Appendix (HSSA) submission suggests that the number of vacant properties in Ribble Valley as of 1st April 2011 was 906. This suggests that the number of second homes in the Borough is in the region of 50-70 (around 0.3% of all accommodation in Ribble Valley). The same approach suggests that around 0.3% of all accommodation in the North West of England is second homes as is 1.4% of all accommodation nationally. The vacancy rate in 2011 in Ribble Valley was estimated to be 3.6%<sup>2</sup>, compared to 4.2% across the region and 2.9% nationally.
- 3.5 According to the Council's 2012 ELASH (English Local Authority Statistics on Housing, the replacement of the HSSA) return, there are an estimated no Houses in Multiple Occupation (HMOs) in Ribble Valley. There are 1,247 dwellings in the Borough that have a Category 1 Hazard (as assessed within the Health and Housing Safety Rating System). Some 1,041 of these properties are within the private sector.

### **Accommodation profile**

- 3.6 Figure 3.1 compares the type of accommodation in Ribble Valley in 2011 with that recorded for the North West region and England. Ribble Valley contains more detached houses than the regional and national averages. Only 8.0% of dwellings are flats, lower than the figures for the region (16.4%) and the England as a whole (22.1%). The most common property type in the Borough is detached houses, followed by terraced and semi-detached houses.

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<sup>2</sup> Any homes not available to be occupied permanently, such as second homes, are excluded from the total stock figure, when calculating the vacancy rate.

**Figure 3.1 Dwelling type in Ribble Valley, the North West region and England, 2011**

Source: 2011 Census

- 3.7 Since 2001 the number of purpose built flats has increased by 31.6%, although they remain just 5.9% of the total dwelling stock. The change in the number of houses has been less notable; the number of detached houses has increased by 7.3%, semi-detached houses by 6.2% and terraced houses by 5.3%.
- 3.8 Table 3.1 compares the size of accommodation (in terms of bedrooms) in Ribble Valley, the North West Region and England. The Table indicates that the Borough has a smaller proportion of small (one or fewer bedrooms) properties than the North West region and England as a whole. The Table also indicates that some 25.9% of dwellings in Ribble Valley contain four or more bedrooms compared to 16.8% across the region and 19.0% nationally. Overall three bedroom homes are most common in Ribble Valley followed by two bedroom dwellings.

**Table 3.1 Size of dwelling stock in Ribble Valley, the North West region and England, 2011**

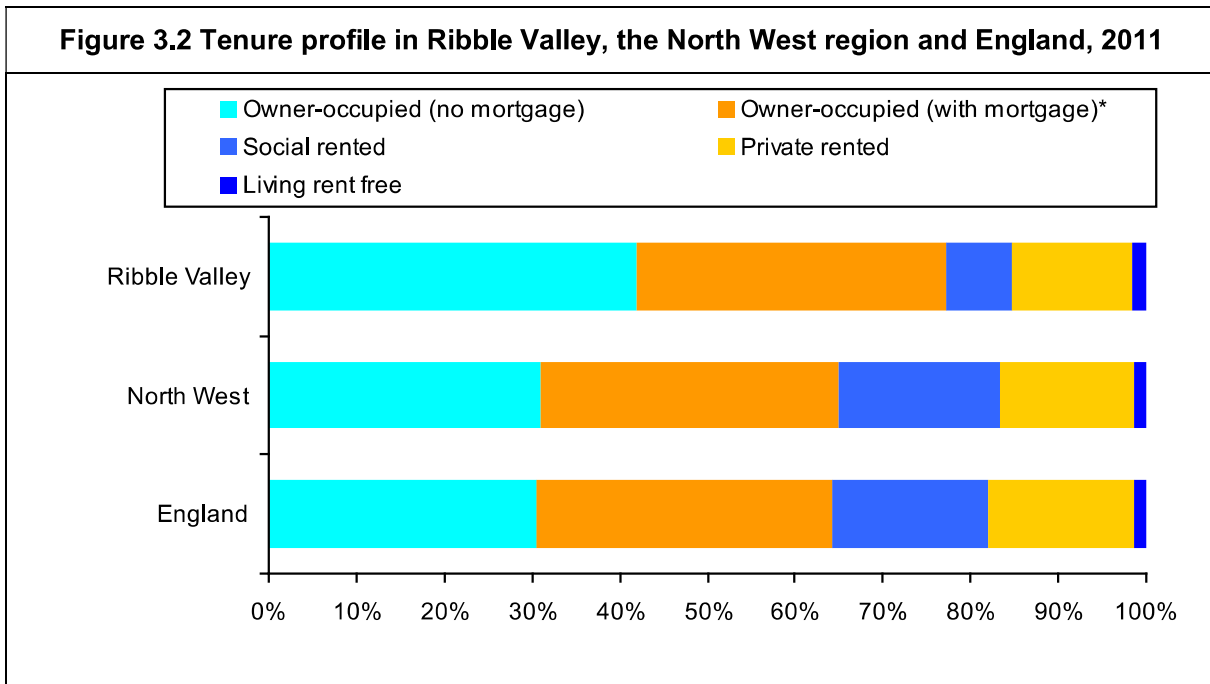
<i>Property size</i>	<i>Ribble Valley</i>	<i>North West</i>	<i>England</i>
No bedrooms	0.1%	0.2%	0.2%
1 bedroom	6.6%	9.5%	11.8%
2 bedrooms	28.2%	28.5%	27.9%
3 bedrooms	39.2%	45.0%	41.2%
4 bedrooms	19.3%	13.1%	14.4%
5 or more bedrooms	6.6%	3.7%	4.6%
Total	100.0%	100.0%	100.0%

Source: 2011 Census

3.9 The number of bedrooms in a property was not collected in the 2001 Census, however both the 2001 and 2011 Census recorded the total number of rooms in a dwelling. A comparison of the figures for Ribble Valley shows that the number of larger dwellings has recorded the greatest rise; between 2001 and 2011 the number of properties with 8 or more rooms increased by 30.9% and the number of properties with 7 rooms rose by 12.3%. In contrast the number of homes with four, five or six rooms declined. There was also a notable increase in the number of smaller dwellings, with the number of properties with three rooms increasing by 28.7%.

**Tenure**

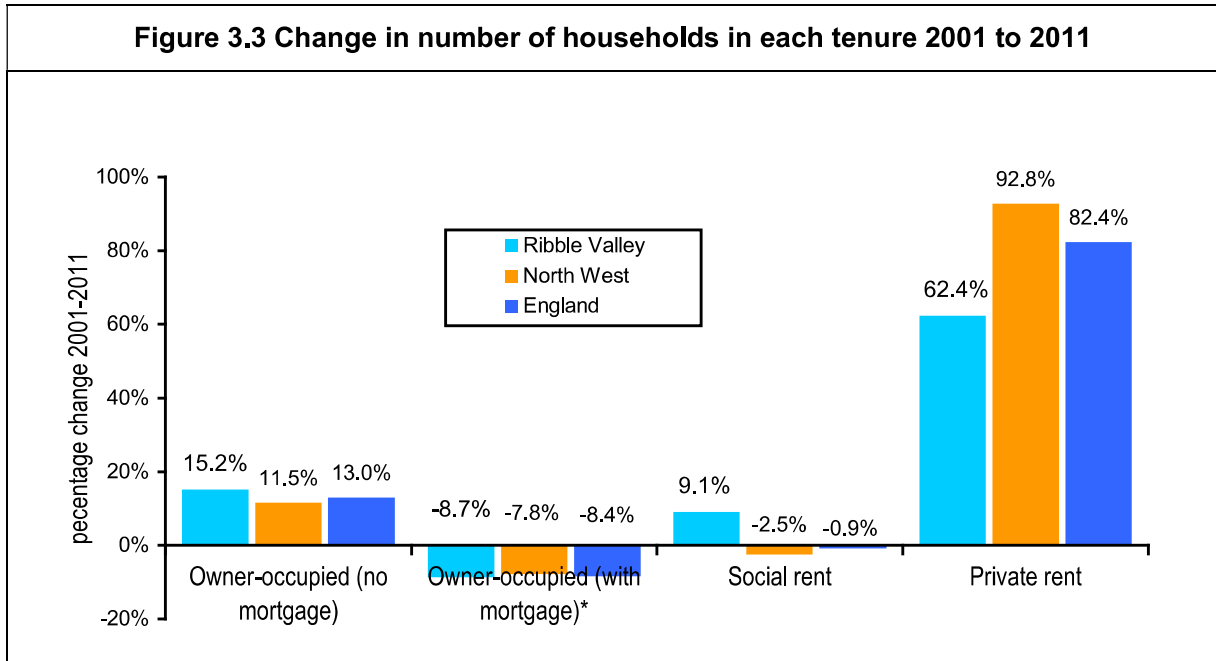
3.10 Figure 3.2 compares the tenure of households in Ribble Valley in 2011 with that recorded for the North West region and England. The data indicates that 41.9% of households in the Borough are owner-occupiers without a mortgage, compared to 31.0% in the region and 30.6% nationally. The proportion of owner-occupiers with a mortgage (35.3%) is also higher than the regional (34.0%) and national average (33.6%). Some 7.6% of households in Ribble Valley are resident in the social rented sector, markedly lower than the figure for the North West region (18.3%) and England as a whole (17.7%). Finally, some 13.7% of households in the Borough live in private rented accommodation, compared to 15.4% in the North West and 16.8% across England.



\*Includes shared ownership  
Source: 2011 Census

3.11 The Census results indicate that amongst households in Ribble Valley where the Household Reference Person is aged 65 and over, 80.8% are owner-occupiers, 10.9% reside in the social rented sector and 8.3% live in private rented accommodation.

3.12 Figure 3.3 shows the change in the size of each tenure between the 2001 and 2011 Census. The Figure shows that in Ribble Valley, the North West region and England as a whole the private rented sector has increased dramatically. The number of owner-occupiers with no mortgage has also recorded an increase in all three areas, whilst owner-occupiers with a mortgage have decreased. The social rented sector has shown the smallest change, growing by 9.1% in Ribble Valley, but reducing slightly nationally and regionally.



\*Includes shared ownership  
Source: 2001 & 2011 Census

**The private rented sector**

3.13 This growth in the private rented sector alongside the related availabilities of other tenures has had a notable impact on housing market dynamics and the decisions made by households within the housing market. The report *Who Lives in the Private Rented Sector* published in January 2013 by the British and Social Housing Foundation (BSHF) will be used to describe the drivers behind the growth of the tenure nationally and the consequent changing nature of households within it, whilst locally available data and the views of local letting agents will be used to illuminate the situation in Ribble Valley.

***The growth of the private rented sector***

- 3.14 The BSHF report notes that the growth in the private rented sector at the start of this century was caused by the availability of buy-to-let mortgages allied to rising house prices which led to the sector being considered a good investment. The economic downturn from mid-2007 onwards changed these conditions but the private rented sector continued to grow, although for different reasons in different parts of the country. In more prosperous areas, the growth has been driven by the inaccessibility of owner-occupation due to both high house prices and unfavourable mortgage lending criteria. In less prosperous areas, growth has resulted from the limited supply of social rented housing, with households being forced into the private rented sector instead. In addition, across the country, demand for the tenure has increased from households choosing to live in the sector due to its greater flexibility during this period of economic uncertainty.
- 3.15 Ribble Valley can be considered a more prosperous area and much of the growth recorded in the private rented sector in the Borough has been from employed households. Demand for the sector has also increased in Ribble Valley due to the growth in household groups that typically look to reside in the tenure – young adults, and also from households that traditionally do not live in this tenure in Ribble Valley – households with children.
- 3.16 As indicated in Figure 2.1, the Census showed that the number of people aged between 15-29 in the Borough increased by over 6000 between 2001 and 2011, resulting in additional demand for private rented accommodation. Discussions with letting agents reflected that some of the increased caseload over the last few years was a consequence of more demand from young people sharing, but also from couples who do not yet wish to buy. It was noted however that in a significant number of cases, lettings to these groups are set up online and that the landlords will deal direct with the tenant rather than through an agency.
- 3.17 There has also been an increase in households with fairly young children renting in the Borough. Typically these households would be moving into the Borough from one of the larger urban areas nearby and looking to buy a property with more space, however the less favourable mortgage lending criteria now offered mean that these households are now moving to equivalent accommodation in the private rented sector rather than waiting in-situ till they can afford to purchase a home.
- 3.18 Agents noted that demand still exists for private rented property in Ribble Valley and that the cost of larger private rented properties in the Borough had notably increased even during the wider economic downturn. The demand for properties at the lower end of the market, likely to be occupied by benefit-supported tenants, was steady, but demand for mid-range homes for the households with children described above was thought to be most secure in the medium-term. Overall two and three bedroom property was considered to be most in demand.

3.19 Agents indicated that households with children usually use a different set of criteria when selecting a private rented home, considering the size of the outdoor space on the property as well as the space indoors. Accessibility of schools was also a significant determinant as to where households with children consider – resulting in rental markets operating very locally for this group. For other households looking to rent, the market area considered was wider, although many had clear ideas about which parts of the urban areas they would consider living in.

***The nature of the benefit-supported private rented sector***

3.20 The BSHF report, using figures from the Family Resources Survey, estimates that in 2009/10 around a quarter of private tenants were in receipt of Housing Benefit; although it is acknowledged that this is likely to be a slight underestimate as the Family Resources Survey under-reports the claiming of Housing Benefit. It is estimated from Department of Work & Pensions data that in Ribble Valley in 2013 around 20% of households in the private rented sector are benefit-supported, a lower figure than the national average. The BSHF report also notes that within the benefit-supported private rented sector:

- There are fewer younger households than in the private rented sector as a whole, however the largest growth has been from the 16-24 year old age group.
- There are more households with children than the private rented sector as a whole, and they constitute over half of all households in the sector – a figure that is continuing to grow. Single parent households are particularly likely to reside in this accommodation.
- The majority of households are not in work (an average of 78% over the last decade), however over 90% of new Housing Benefit claimants in the last two years are in work.
- Households are more likely to reside in their home for longer periods; 43% having lived in their home for three or more years, compared to 31% of all private tenants.

3.21 The agents operating in Ribble Valley commented that the unease over letting a house to a benefit-supported tenant that was prevalent a few years ago, had reduced although there were still a large number of landlords uninterested in the sector. It was also noted that some landlords have mortgages which specifically prohibit letting to LHA benefit-supported tenants.

3.22 The more cautious landlords required very good references before they would consider taking on benefit-supported tenants. Some landlords were also uncomfortable with the cashflow discrepancy in the sector, with Local Housing Allowance being paid four weekly, in arrears, whereas a normal tenancy is paid monthly, in advance.



## 4. The cost and affordability of housing

### Summary

- i) According to data from the Land Registry, the mean house price in Ribble Valley in the third quarter of 2012 was £246,519, higher than the average for the North West region and England as a whole. Data shows that whilst prices have remained largely static since the economic downturn, the number of property sales has fallen dramatically.
- ii) The cost of housing by size was assessed for all tenures across the Borough. Entry-level prices in Ribble Valley range from £90,300 for a one bedroom home in the Clitheroe price market up to £304,000 for a four bedroom property in the Rural price market. Entry-level rents in Ribble Valley range from £400 per month for a one bedroom home up to £1,000 per month for a four bedroom property.
- iii) Housing market gaps analysis shows the nature of the housing ladder in a particular locality. An analysis of the gaps between each tenure shows that there is a large income gap between the social rented sector and market entry. This indicates that intermediate housing priced within this gap could potentially be useful for a number of households in Ribble Valley.
- iv) Flexible Tenancies are being introduced as a new tenure. They will allow Affordable Rent to be charged. Affordable Rent will be based on the open market value of each property. Within Ribble Valley, as bedroom size increases the range of Affordable Rents possible increases.
- v) Although affordability has theoretically improved since the start of the economic downturn, there remains a large proportion of households in Ribble Valley that are unable to afford to

### Introduction

- 4.1 An effective SHMA is founded on a thorough understanding of local housing – what it costs and how this varies. This chapter describes the changes in the housing market that have been recorded in Ribble Valley, Norfolk and England since the previous SHMA. Subsequently it assesses the entry-level costs of housing in Ribble Valley. A comparison of the cost of different tenures will be used to identify the housing market gaps that exist.
- 4.2 The Localism Bill has introduced Flexible Tenancies which permit Affordable Rent to be charged in the affordable sector. Affordable Rent is intended to help fill the gaps that exist in the current housing market. The most important issue for the Council to determine is the level at which Affordable Rent should be set. This chapter will therefore also consider the potential cost of Affordable Rent in Ribble Valley.

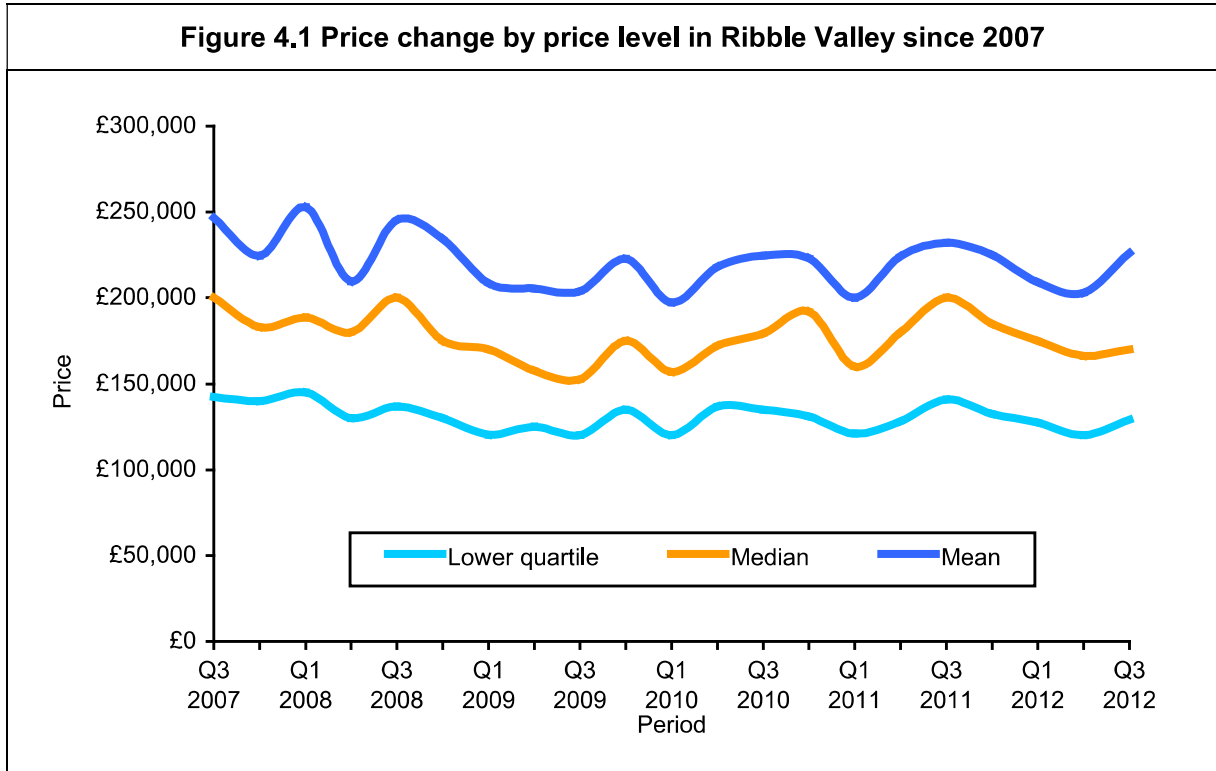
## The situation in Ribble Valley

- 4.3 The most recent house price data available at the time of the previous SHMA report was from 2007. The Land Registry has now published data for the third quarter of 2012. It is therefore possible to assess the changes recorded in Ribble Valley over this period, alongside national equivalents.
- 4.4 Table 4.1 shows the change in average prices between the third quarter of 2007 and the third quarter of 2012 for England, Lancashire and Ribble Valley. The Table shows that between 2007 and 2012 average prices have decreased at a faster rate in Ribble Valley than they have across the County, whilst nationally prices have increased by almost 10%. Overall properties in Ribble Valley are on average notably more expensive than those in Lancashire as a whole and also higher than the national average.

<b>Table 4.1 Change in average property prices</b>			
<i>Area</i>	<i>Average price Jul- Sep 2007</i>	<i>Average price Jul- Sep 2012</i>	<i>Percentage change recorded 2007-2012</i>
Ribble Valley	£246,519	£226,021	-8.3%
Lancashire	£157,763	£150,116	-4.8%
England	£232,345	£253,816	9.2%

Source: Land Registry via CLG

- 4.5 Figure 4.1 shows price change by property price level since the third quarter of 2007. The Figure shows that prices at all levels follow the same pattern of seasonal peaks and troughs. Lower quartile prices have fallen by less than median prices over the last five years (9.3% compared to 15.0%).



Source: Land Registry via CLG

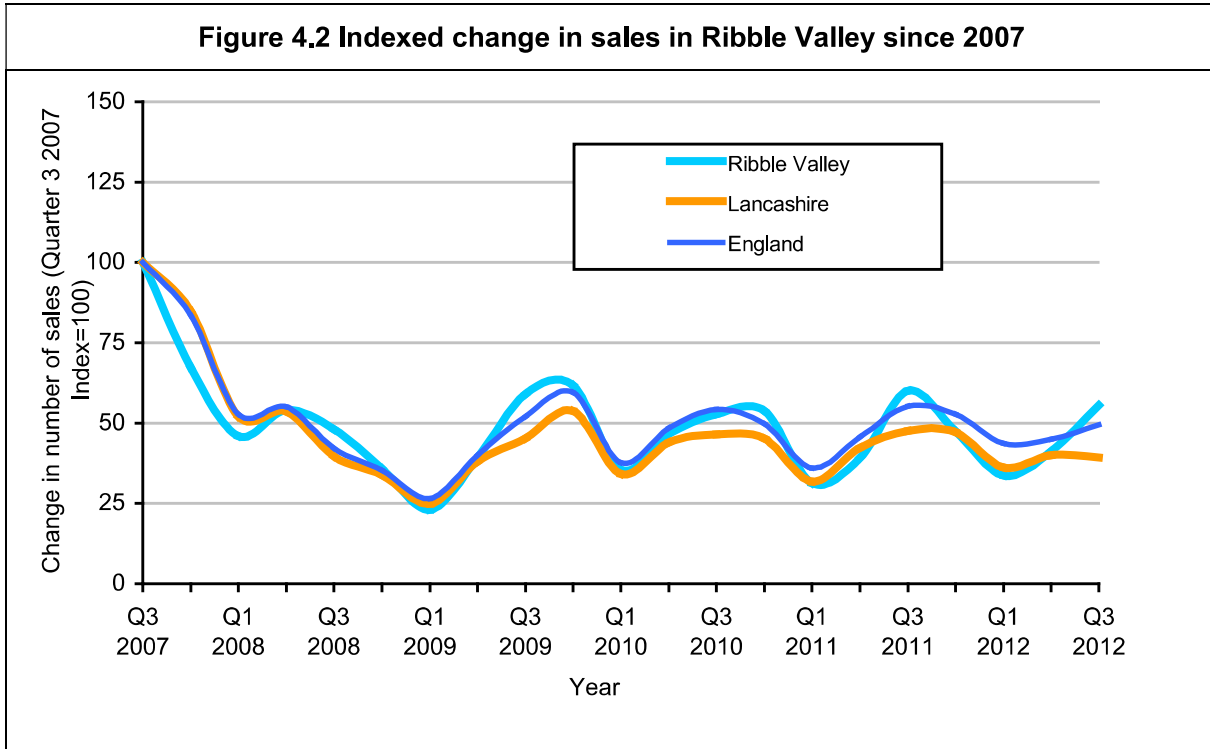
4.6 Table 4.2 shows the change in the number of property sales between the third quarter of 2007 and the third quarter of 2012. The Table indicates that property sales have notably decreased since the high levels recorded at the time of the previous SHMA (pre the economic downturn). Ribble Valley records the level of sales decreasing by 44.5% during this period, whilst across the County the decrease was 60.6% and nationally sales levels fell by almost 50.6%.

**Table 4.2 Change in the number of property sales**

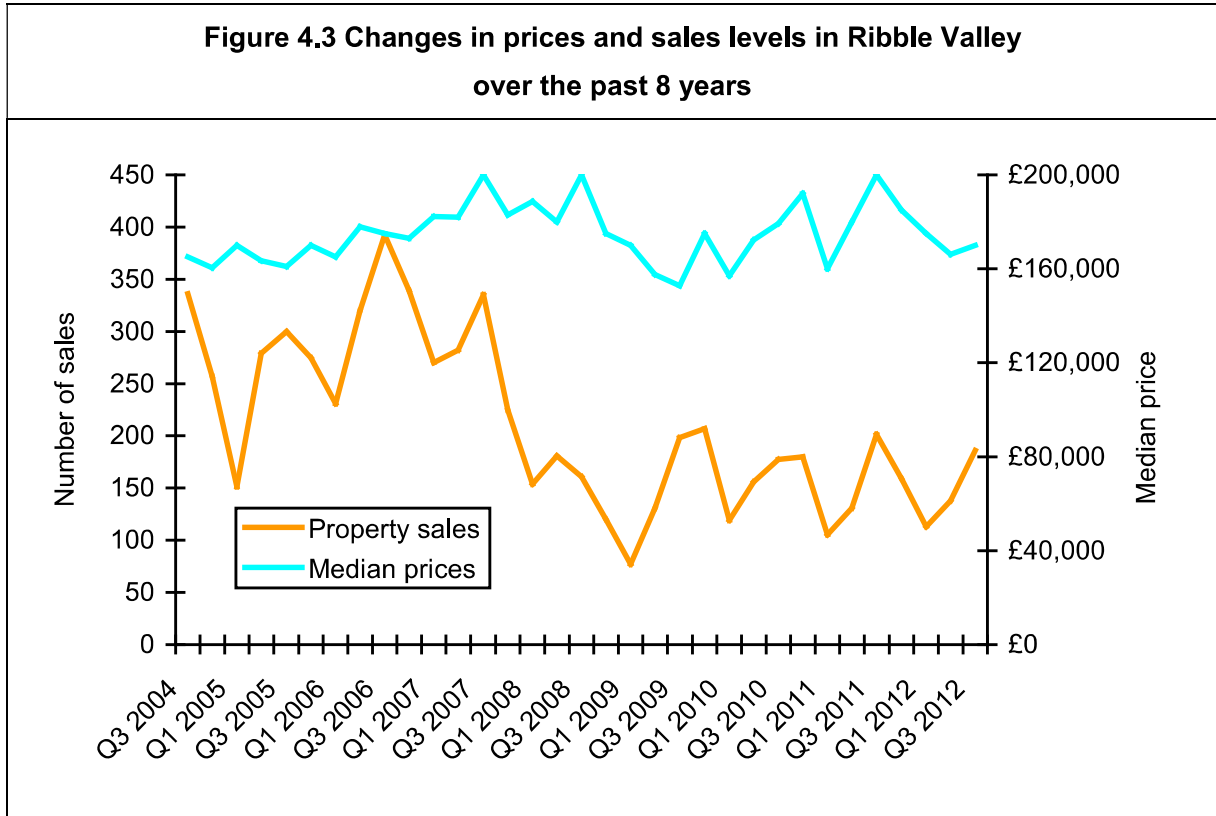
Area	Number of sales Jul- Sep 2007	Number of sales Jul- Sep 2012	Percentage change recorded 2007-2012
Ribble Valley	335	186	-44.5%
Lancashire	7,813	3,076	-60.6%
England	329,208	162,688	-50.6%

Source: Land Registry via CLG

4.7 Figure 4.2 shows the indexed change in the number of property sales since the third quarter of 2007 for Ribble Valley, Lancashire and England. The Figure suggests that in Ribble Valley the pattern follows that recorded for Lancashire and England and, despite seasonal fluctuations, sales levels are much lower now than they were before the economic downturn.



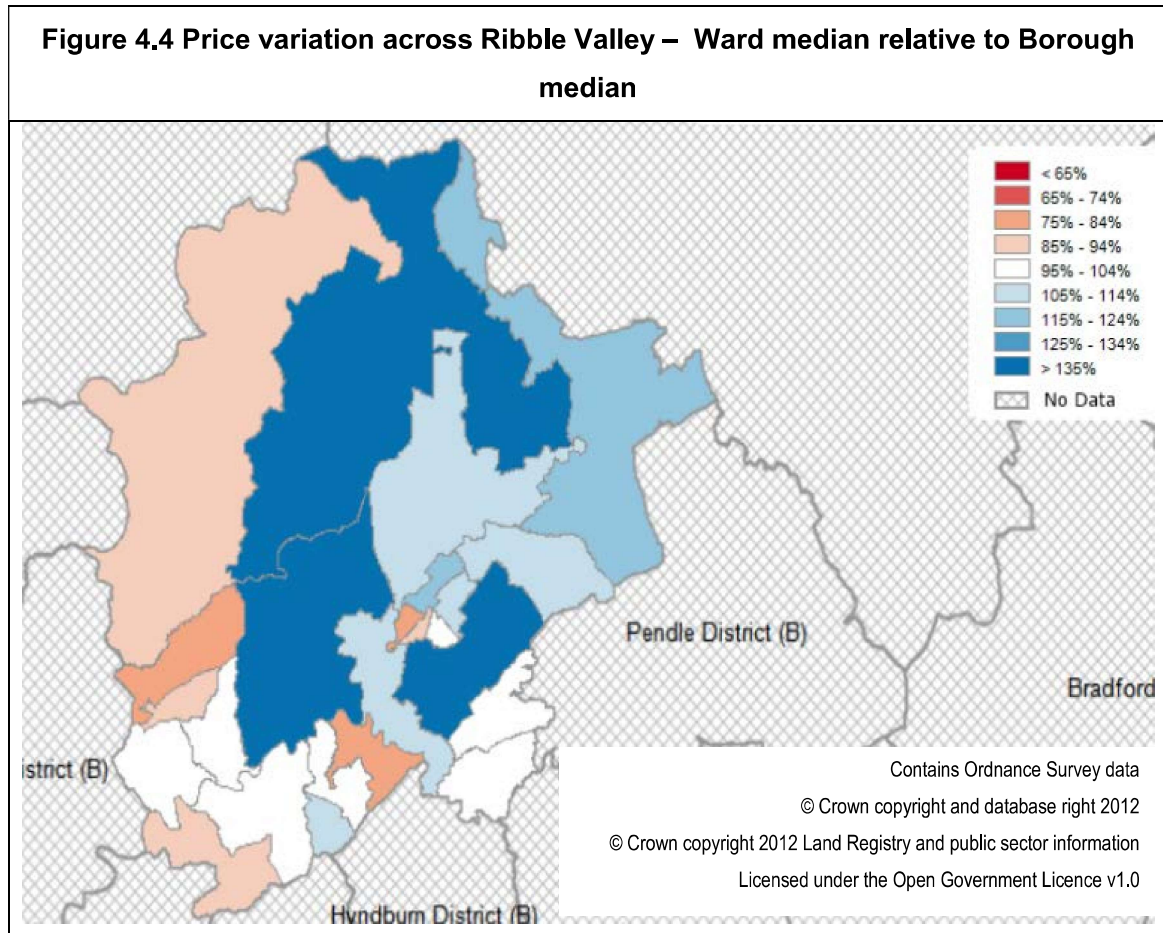
4.8 It is useful to briefly review housing market activity over a longer period to consider the influences on property price changes. Figure 4.3 shows the variation in median prices and property sales levels since 2004. The data suggests that property prices remained relatively stable over the last eight years despite property sales declining dramatically for part of that period (Summer 2007 to Summer 2009).



Source: Land Registry via CLG

### The cost of housing in Ribble Valley

- 4.9 To fully understand the affordability of housing within an area, it is necessary to collect data on the cost of housing by number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household. However, no secondary data contains this information. As part of this study we have therefore undertaken a price survey to assess the current cost of housing in the Borough. Variations in prices across the Borough were examined.
- 4.10 Figure 4.4 shows the variation in prices across the wards in the Borough. The Figure indicates that generally the difference in prices within the Borough is fairly small; with the majority of wards within 25% of the Borough-wide median. The Figure suggests that prices in the rural area are highest, and prices in the South West of the Borough the lowest.

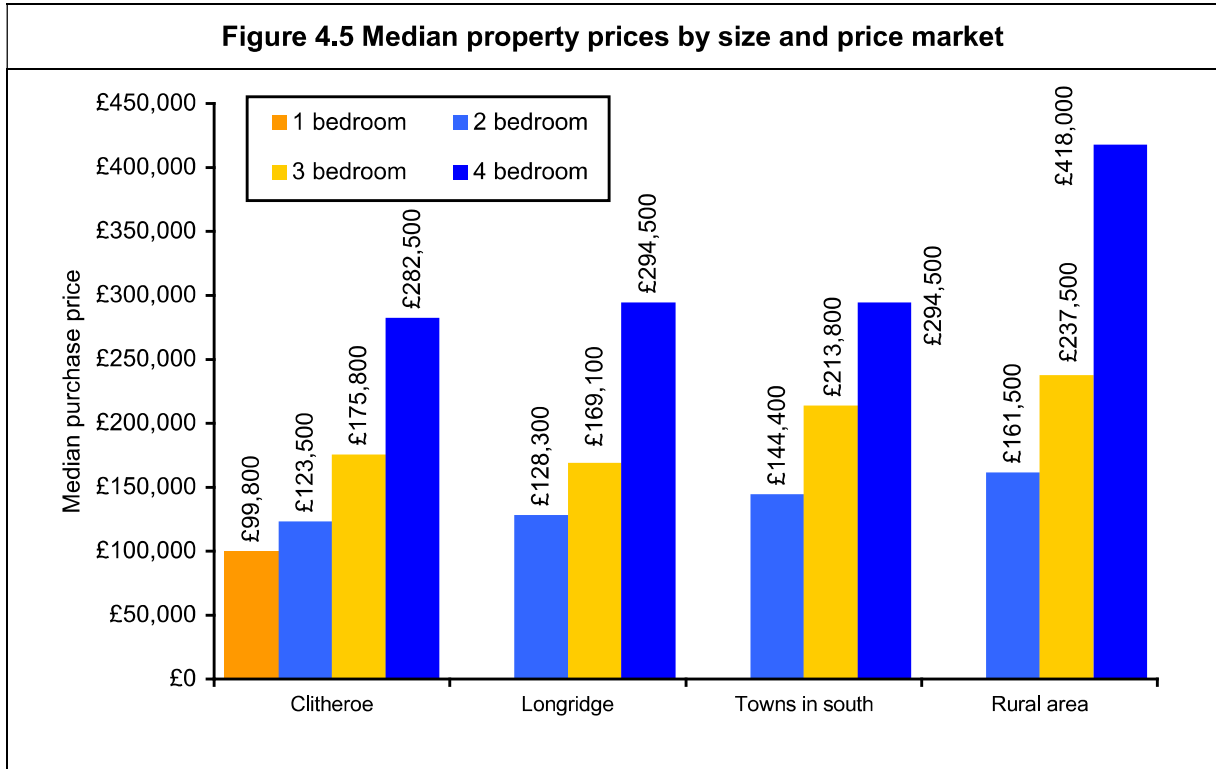


Source: Property Database Ltd, 2012

### ***Sub-markets***

- 4.11 Variations in prices and market rents have been assessed to identify how many separate price markets exist within Ribble Valley. The analysis of the housing market indicated that four price markets exist currently; Clitheroe, Longridge, Towns in the South, and the Rural area. These price markets are based on ward boundaries.
- 4.12 Median property prices by number of bedrooms were obtained in each of these four price markets via an online search of properties advertised for sale during March 2013. The results of this online price survey are presented in Figure 4.5. The prices recorded include a discount to reflect that the full asking price is not usually achieved (with sales values typically 3-5% lower as indicated by local estate agents). One bedroom properties for purchase were found to be in very short supply outside of the Clitheroe price market, therefore prices have not been presented for this dwelling size in the other price markets.

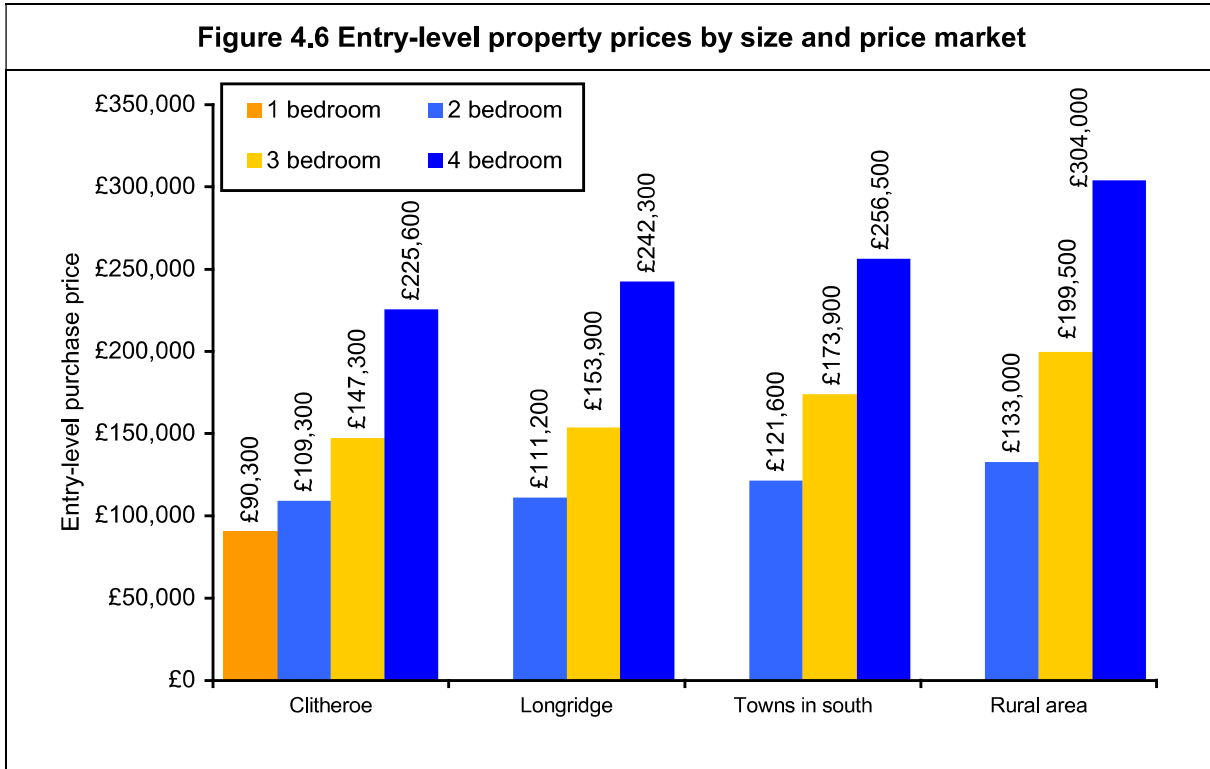
4.13 The Figure shows that the price increase for each property size is quite consistent across all the market areas (a three bedroom home is about 45% more than a two bedroom home within the same market area and a four bedroom property is about 70% more than a three bedroom dwelling within the same market area). Overall prices are highest in the Rural price market and lowest in the Clitheroe price market.



Source: Online estate agents survey March 2013

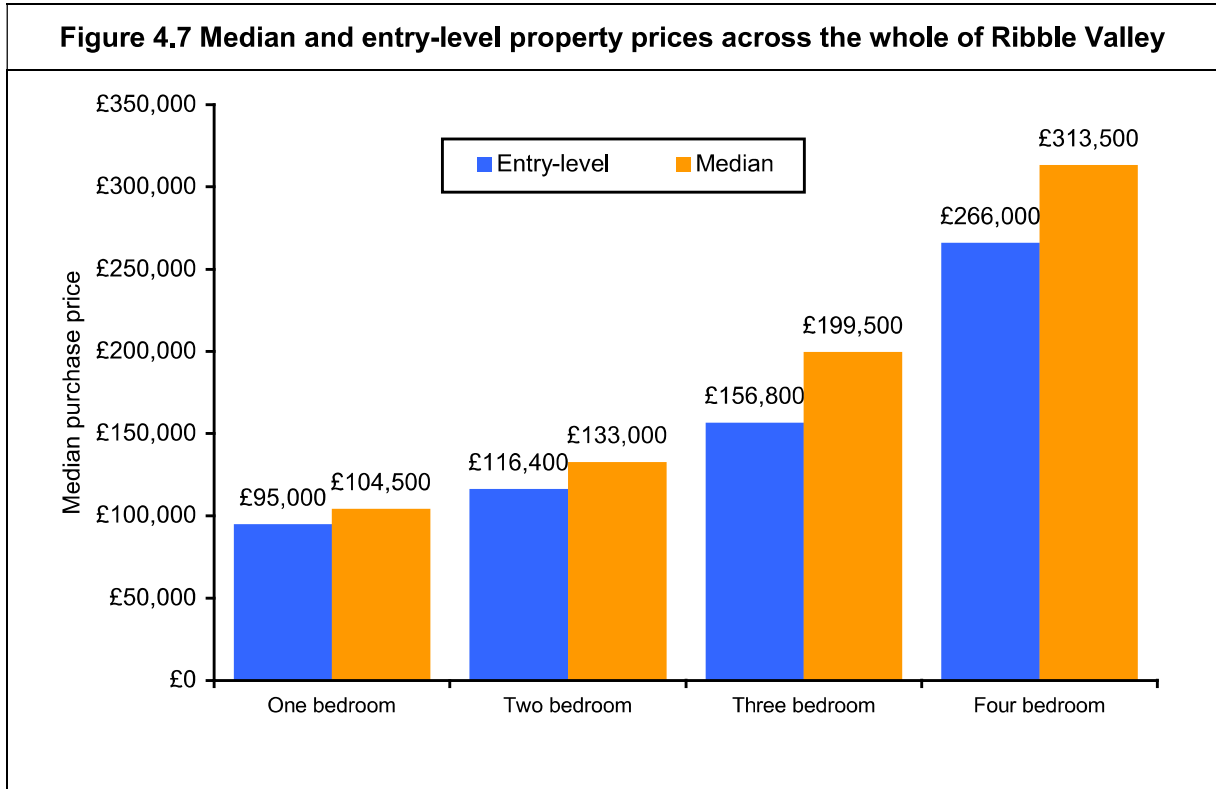
4.14 The online survey also collected information at different points of the price distribution. Entry-level property prices for each price market area are presented in Figure 4.6 below. In accordance with the Practice Guidance entry-level prices are based on lower quartile prices.

4.15 The Figure indicates that entry-level prices in Ribble Valley Borough range from around £90,300 for a one bedroom home in the Clitheroe price market up to £304,000 for a four bedroom property in the Rural price market. In terms of market availability the analysis showed that three bedroom properties are most commonly available to purchase in all price markets. One bedroom properties for purchase were found to be in relatively short supply outside the Clitheroe price market, therefore two bedroom dwellings are considered to be the smallest property found to be widely available in the other price markets and form the market entry point for owner-occupation.



Source: Online estate agents survey March 2013

4.16 The analysis so far has considered price data by price market; however it is useful to also present this information for the Borough as a whole. Figure 4.7 therefore shows median and entry-level property prices by number of bedrooms across Ribble Valley. The Figure indicates that entry-level prices in Ribble Valley range from £95,000 for a one bedroom home up to £266,000 for a four bedroom property. Median prices are generally around 15-25% higher than entry-level prices.

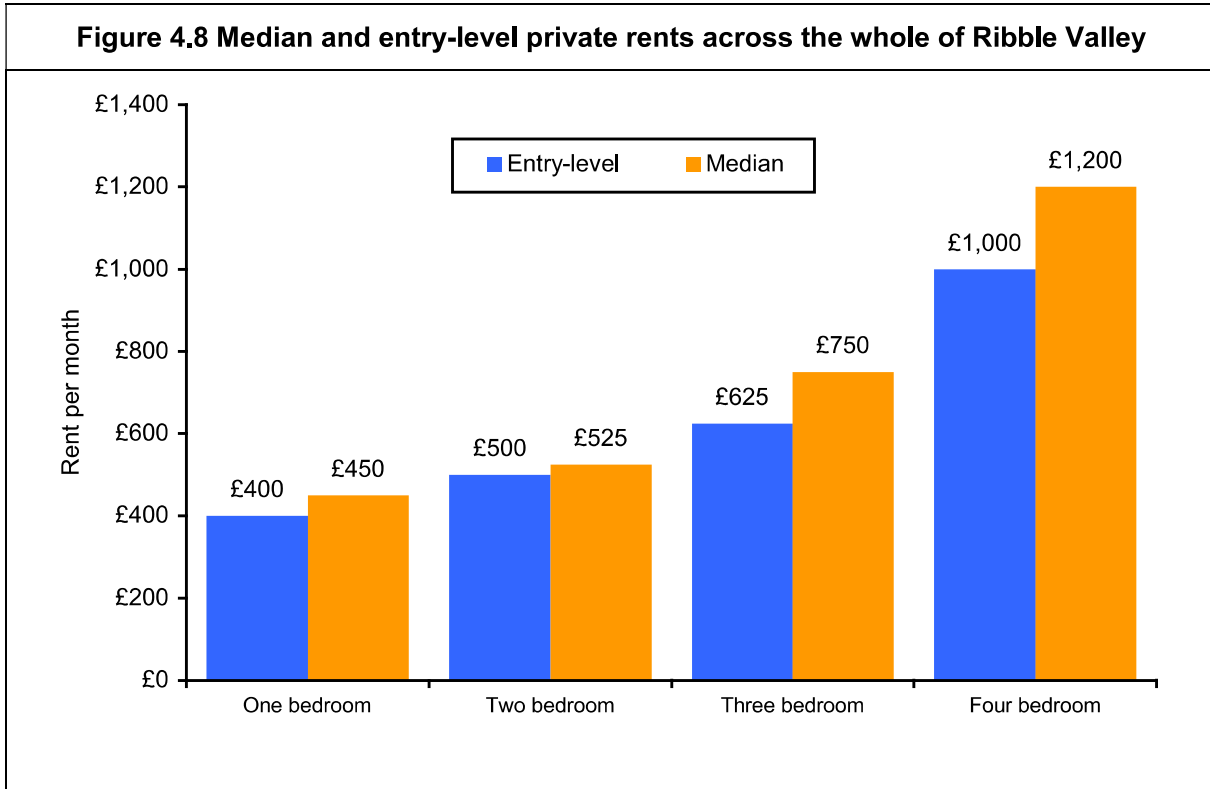


Source: Online estate agents survey March 2013

***Entry-level rents***

4.17 The principle factor determining the rent of a unit is not its general location, we found that rents are driven largely by the condition and situation of the property. Whilst there was variation in the rents across the Borough, it was not as great as is recorded in property prices. In addition the number of homes available to rent was notably smaller than the number available for purchase. For these reasons a single private rented market across the Borough is most appropriate. The entry-level price for private rented accommodation by property size is presented in Figure 4.8. The Figure indicates that entry-level rents in Ribble Valley range from £400 per month for a one bedroom home up to £1,000 per month for a four bedroom property.

4.18 The Figure shows that as with owner-occupation, the smallest difference is between the cost of a one and two bedroom entry-level home. The difference between the cost of three and four bedroom accommodation is most marked in the private rented sector as was the case for property purchase. In addition, the profile of properties available is somewhat different to that for purchase with a greater proportion of two bedroom homes available to rent.



Source: Online letting agents survey March 2013

**Social rents**

4.19 The cost of social rented accommodation by dwelling size in Ribble Valley can be obtained from the Homes & Communities Agency’s Statistical Data Return dataset. Table 4.3 below illustrates the cost of social rented dwellings in Ribble Valley. As can be seen the costs are significantly below those for private rented housing, particularly for larger houses, indicating a significant potential gap between the social rented and market sectors.

<b>Table 4.3 Social rented costs in Ribble Valley</b>	
<i>Bedrooms</i>	<i>Rent (per month)</i>
One bedroom	£298
Two bedrooms	£346
Three bedrooms	£368
Four bedrooms	£396

Source: HCA’s Statistical Data Return 2012

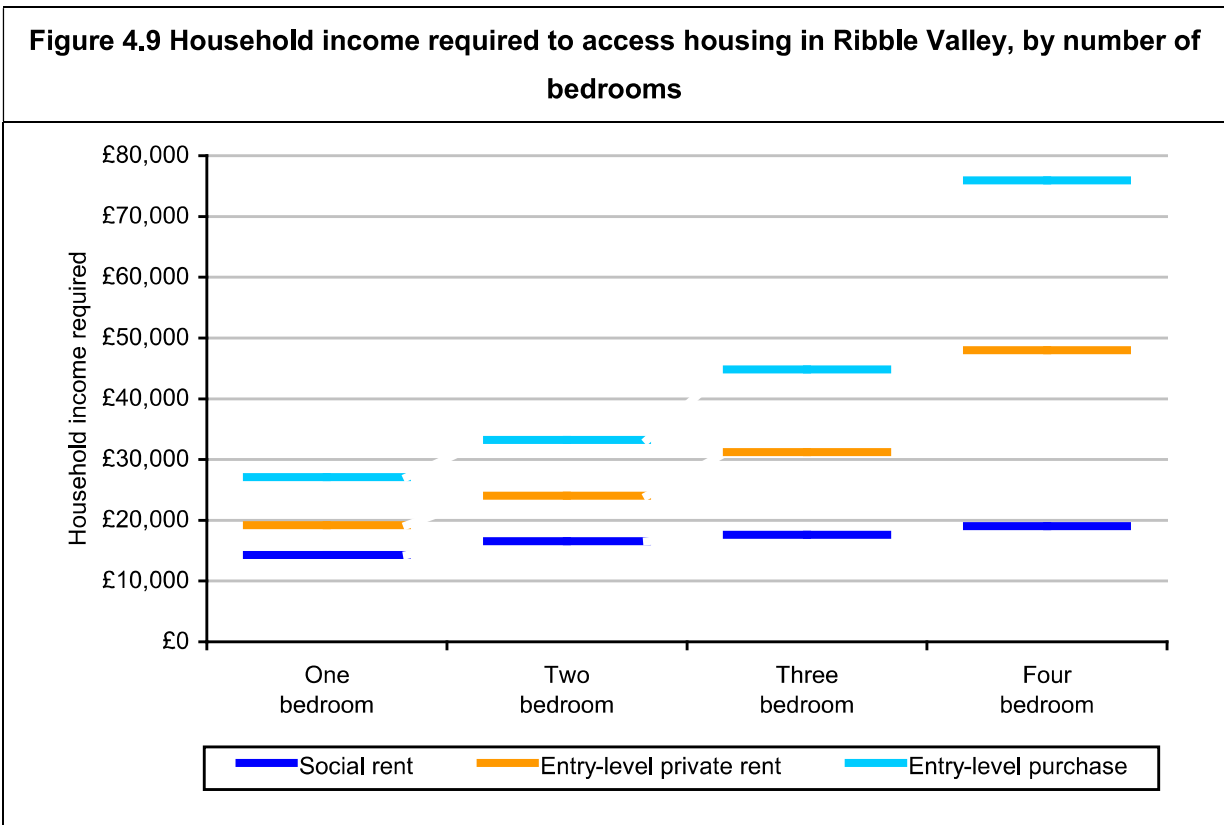
**Analysis of housing market ‘gaps’**

4.20 Housing market gaps analysis has been developed to allow easy comparison of the costs of different tenures. Figure 4.9 below shows the housing ladder that exists for different sizes of property in Ribble Valley. The housing ladder is illustrated by comparing the different types of housing in terms of the income required to afford them. To do this, we have divided the entry-level property price by 3.5 to get an income figure and multiplied the annual rent by four to produce a comparable figure. This latter step

was carried out for both social and market rents. This is in accordance with the affordability criteria set out in the Practice Guidance.

4.21 The Figure shows a comparison of the likely income requirements per household for different types of housing. Measurement of the size of the gaps between these ‘rungs of the ladder’ helps assess the feasibility of households moving between the tenures - the smaller the gaps, the easier it is for a household to ascend the ladder.

4.22 The Figure indicates that for one, two and three bedroom properties, the gap between social rent and market rent is larger than the gap between market rent and entry-level home ownership, with the reverse true for four bedroom homes. The gaps for four bedroom accommodation are particularly large; an additional £29,000 per year is required to access a four bedroom private rented home over the cost of a four bedroom social rented property, with a further £28,000 required to move to an owner-occupied home.



Source: Online survey of property prices March 2013; HCA's Statistical Data Return 2012

4.23 Table 4.4 shows the size of the gaps for each dwelling size in Ribble Valley. The Table indicates, for example, that one bedroom market entry rents are 34.1% higher (in terms of income required) than the cost of social rented accommodation. The very large gap recorded between social rents and market entry rents for all dwelling sizes indicates that intermediate housing could potentially be useful for a large number of households in Ribble Valley. The significant gap between market entry rents and

market entry purchase indicates notable potential demand for part-ownership products for households in this gap.

<i>Property size</i>	<i>Social rent/market rent</i>	<i>Rent/buy gap</i>
One bedroom	34.1%	41.4%
Two bedrooms	44.4%	38.6%
Three bedrooms	70.0%	49.3%
Four bedrooms	152.4%	58.3%

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

## **Affordable Rent**

- 4.24 Affordable Rents are being introduced to help fill the gaps that exist in the current housing market. Affordable Rent is a social tenure intended to house households on the Housing Register. Affordable Rents can be set at *up to 80%* of open market rents, implying there is a flexibility as to what they may cost. This section, therefore profiles in more detail the private rented sector, on which the tenure is based, and then considers the potential cost of Affordable Rent in Ribble Valley.

### ***Understanding the private rented sector (PRS) in Ribble Valley***

- 4.25 The section considers the breadth of the private rented market for each property size in Ribble Valley. Table 4.5 shows the cost at the key points of the rental distribution. It can be seen from the figures in the Table that the price markets for each bedroom size are largely distinct as there is no overlap within the inter-quartile ranges of the adjacent property size. For all property sizes, the extremes of each market overlap somewhat with the next size of dwelling. For example, a household in a high quality two-bed dwelling could live in a median priced three-bed property at the same rent but they would have to accept a noticeable drop in quality.

<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Minimum	£325	£395	£475	£725
Lower Quartile	£400	£500	£625	£1,000
Median	£450	£525	£750	£1,200
Upper Quartile	£475	£600	£875	£1,350
Maximum	£700	£950	£1,625	£1,750
Inter-quartile range	£75	£100	£250	£350
% difference between quartiles	18.8%	20.0%	40.0%	35.0%

Source: Online letting agents survey March 2013

***Affordable Rents compared with open market rents***

- 4.26 We have considered various forms of averaging to derive a median market rent, from which the Affordable Rent at 80% could be calculated. The most effective, we believe, is to take the median from the middle range of observed rents. Table 4.6 compares the observed ranges of rent in the PRS with the Affordable Rents based at 80% of these levels. Social rent and Local Housing Allowance (LHA) levels are also included. The tables show that social rent levels in Ribble Valley are consistently below the entire range of rates for Affordable Rent products and the gap between social rent and Affordable Rent increases with property size.
- 4.27 Ribble Valley is located in three Broad Rental Market Areas (BRMA); the Central Lancashire BRMA, the East Lancashire BRMA and the West Pennine BRMA. The LHA cap for all three applicable BRMAs, as set by the Valuation Office Agency is also included in the table. This is based on the 30<sup>th</sup> percentile of open market rents. In most markets the LHA rates are above the median and often above the maximum Affordable Rent level. In the Central Lancashire BRMA the LHA cap is above the median Affordable Rent for one and two bedroom properties and above the lower quartile Affordable Rent for three bedroom homes, whilst the East Lancashire BRMA and the West Pennine BRMA LHA cap is only above the minimum Affordable Rent for one bedroom homes. A notable number of households accessing Affordable Rent in Ribble Valley will therefore be required to contribute to at least some of the cost themselves – it will not be covered entirely by LHA.
- 4.28 For four bedroom homes there is an overlap between the maximum Affordable Rent rate and the entry level private rent. If, in this instance, high end properties were made available as Affordable Rent products, they would offer the chance for households to move into a high quality property at below open-market rents; however, there would still be suitable cheaper properties available in the open market.
- 4.29 In terms of providing an Affordable Rent product that is above the social rent level but suitably below the entry-level market rent, the tables suggest that the most suitable properties to be made available for Affordable Rent would be ones equivalent to those in the 'lower-middle' section of the open market.

<b>Table 4.6 Rent levels by tenure in Ribble Valley (cost per month)</b>				
<i>House size</i>	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
<b>PRS</b>				
Lower Quartile	£400	£500	£625	£1,000
Median	£450	£525	£750	£1,200
Upper Quartile	£475	£600	£875	£1,350
<b>Affordable Rent</b>				
Minimum (80% of lower quartile)	£320	£400	£500	£800
Median (80% of median)	£360	£420	£600	£960
Maximum (80% of upper quartile)	£380	£480	£700	£1,080
<b>Social rent</b>				
Typical rent*	£298	£346	£368	£396
<b>LHA cap</b>				
Central Lancashire BRMA**	£375	£480	£550	£695
East Lancashire BRMA**	£335	£390	£450	£600
West Pennine BRMA**	£325	£368	£412	£595

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012, \*\* Valuation Office Agency March 2013

#### **Affordable Rent levels**

- 4.30 Having established how Affordable Rent at 80% should be positioned in the market, it is important to consider the cost of other potential Affordable Rent options below the maximum of 80%. Alternative levels of Affordable Rent (70%, 65% and 60% of the median of the market) are also considered to understand how lowering rents impacts affordability. The costs of renting at these various levels are presented in Table 4.7.
- 4.31 As can be seen in Table 4.7, the 60% and 65% Affordable Rent rate is lower than the social rent level for one and two bedroom properties. As a result, when the affordability of different levels of Affordable Rent is tested in Chapter 5, we do not test this option. As the aim of Affordable Rent is to generate a greater income for registered providers (RPs) to supply more affordable developments, charging these levels would generate less income, therefore the RPs would be better off charging social rents.
- 4.32 A limited number of Affordable Rent units are currently available in Ribble Valley (25 as at April 2012 according to the HCA's Statistical Data Return). The Table also indicates the current Affordable Rent charged on these properties (including any service charge). The Table shows that the current Affordable Rent levels charged are below the cost of entry-level rent for all property sizes. The Affordable Rent currently charged for one bedroom homes is above the 80% Affordable Rent level calculated, for two bedroom homes it is between the 70% and 80% Affordable Rent levels calculated, whilst for three bedroom homes it is between the 60% and 65% Affordable Rent levels calculated.

<i>Bedrooms</i>	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Lower Quartile Private Rents	£400	£500	£625	£1,000
Affordable Rent at 80%	£360	£420	£600	£960
Affordable Rent at 70%	£315	£368	£525	£840
Affordable Rent at 65%	£293	£341	£488	£780
Affordable Rent at 60%	£270	£315	£450	£720
Social rent*	£298	£346	£368	£396
Current Affordable Rent charged*	£394	£406	£456	-

*Italic figures are those below social rent.*

Source: Online letting agents survey March 2013, \*HCA's Statistical Data Return 2012

### ***Shared ownership***

- 4.33 Whilst this section has profiled Affordable Rent in detail, it should be noted that shared ownership accommodation is an alternative affordable product aimed at the same group of households - those able to afford more than social rents but unable to afford market accommodation.
- 4.34 Table 4.8 presents the estimated costs of shared ownership housing in Ribble Valley. The prices presented in the Table were obtained from the online estate agent survey. It is important to note that there were few shared ownership properties available in Ribble Valley at the time of the estate agent survey, so the open market value for these properties may be subject to refinement. The monthly costs of the most commonly available equity shares offered are also shown. The monthly costs are based on an interest rate of 5.69% paid on the equity share owned and rent payable at 2.5% on the remaining equity. These costs have been produced just to allow a broad comparison with the Affordable Rent levels presented above. It is clear that there is a potential overlap between the two products, particularly between shared ownership with a 50% equity share and Affordable Rent at 70%. Shared ownership with a 75% share is more expensive than the Affordable Rent options, but is cheaper than entry-level prices. It is worth noting that the vast majority of shared ownership properties available in the area have a 50% equity share (with higher levels of equity only available rarely) and where households in Ribble Valley are tested as to their ability to afford shared ownership accommodation later in this report, the price is based on the 50% equity share level.

	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Open market value	£97,500	£125,000	£160,000	£235,000
Monthly cost of shared ownership with a 50% equity share	£333	£427	£546	£802
Monthly cost of shared ownership with a 75% equity share	£398	£510	£652	£958

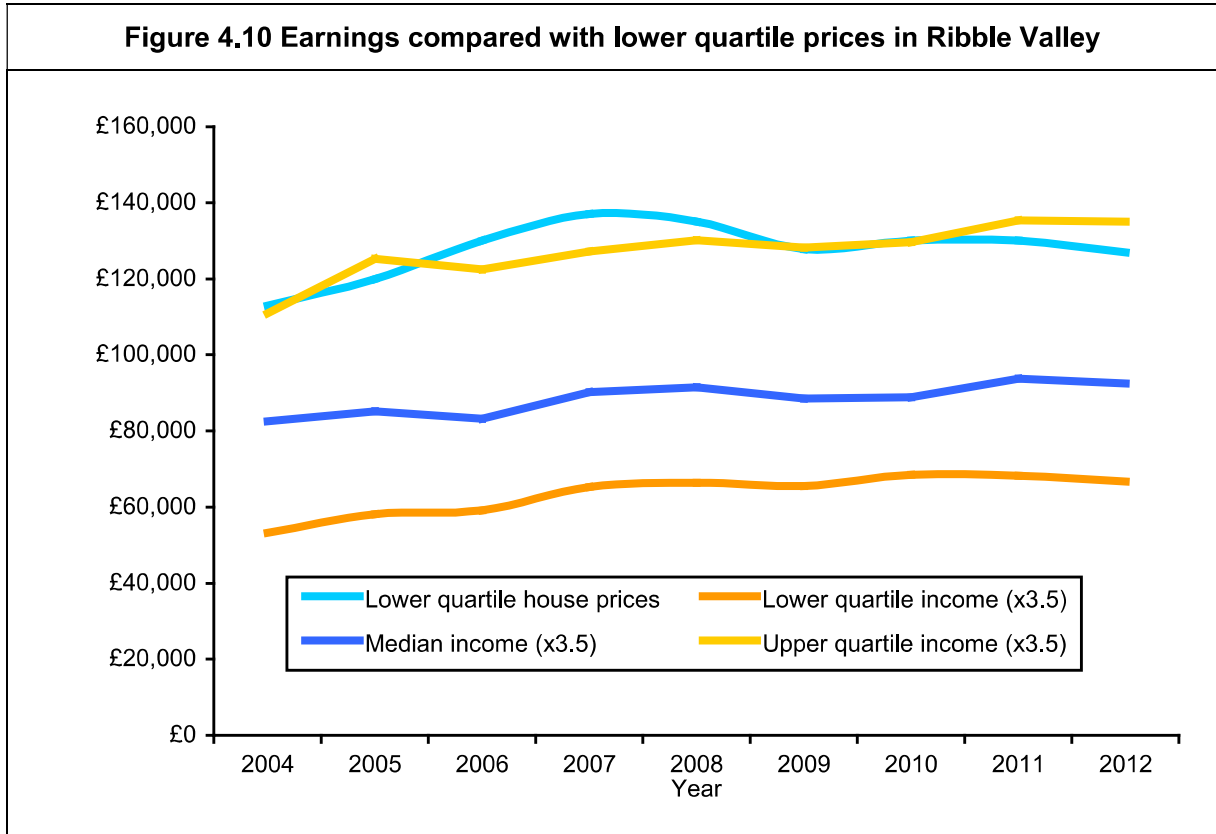
Source: Online letting agents survey March 2013

## **Affordability of housing**

- 4.35 Assessing the affordability of market housing in an area is crucial to understanding the sustainability of the housing market. Poor affordability can result in the loss of employees from an area, an increase in poverty, a high number of households requiring assistance with their housing (either via a social rented property or through a benefit-supported private rented accommodation) and a loss of mix and balance in the population within the area.
- 4.36 The affordability of housing in an area is measured by the ratio of market housing costs to income in that area. Initially the general Borough-wide entry-level cost of market housing will be compared to different points on the earnings distribution of residents in Ribble Valley to consider affordability in historical terms. This will be followed by an analysis that assesses the ability of households in Ribble Valley to afford market accommodation of the size they require using data on the household income distribution and the household composition in the Borough.

### ***General affordability***

- 4.37 Figure 4.10 shows the lower quartile, median and upper quartile income of full-time workers (as set out in Chapter 2) multiplied by 3.5 (the income multiple set out in the Practice Guidance) compared to Borough-wide lower quartile prices (set out in Figure 4.7). The figure shows that full-time workers with earnings at the upper-quartile level in Ribble Valley would be able to purchase an entry-level property in the Borough. This would not however be possible for full-time workers with earnings at the lower quartile or median level, without additional income or a capital sum to deduct from the purchase price. It is clear that affordability theoretically improved immediately after the economic downturn (discounting the greater difficulty of acquiring a mortgage) and the affordability gap has reduced slightly since. Whilst in 2007 lower quartile prices were almost seven and a half times higher than lower quartile full-time incomes, in 2012 they were around six and a half times higher.



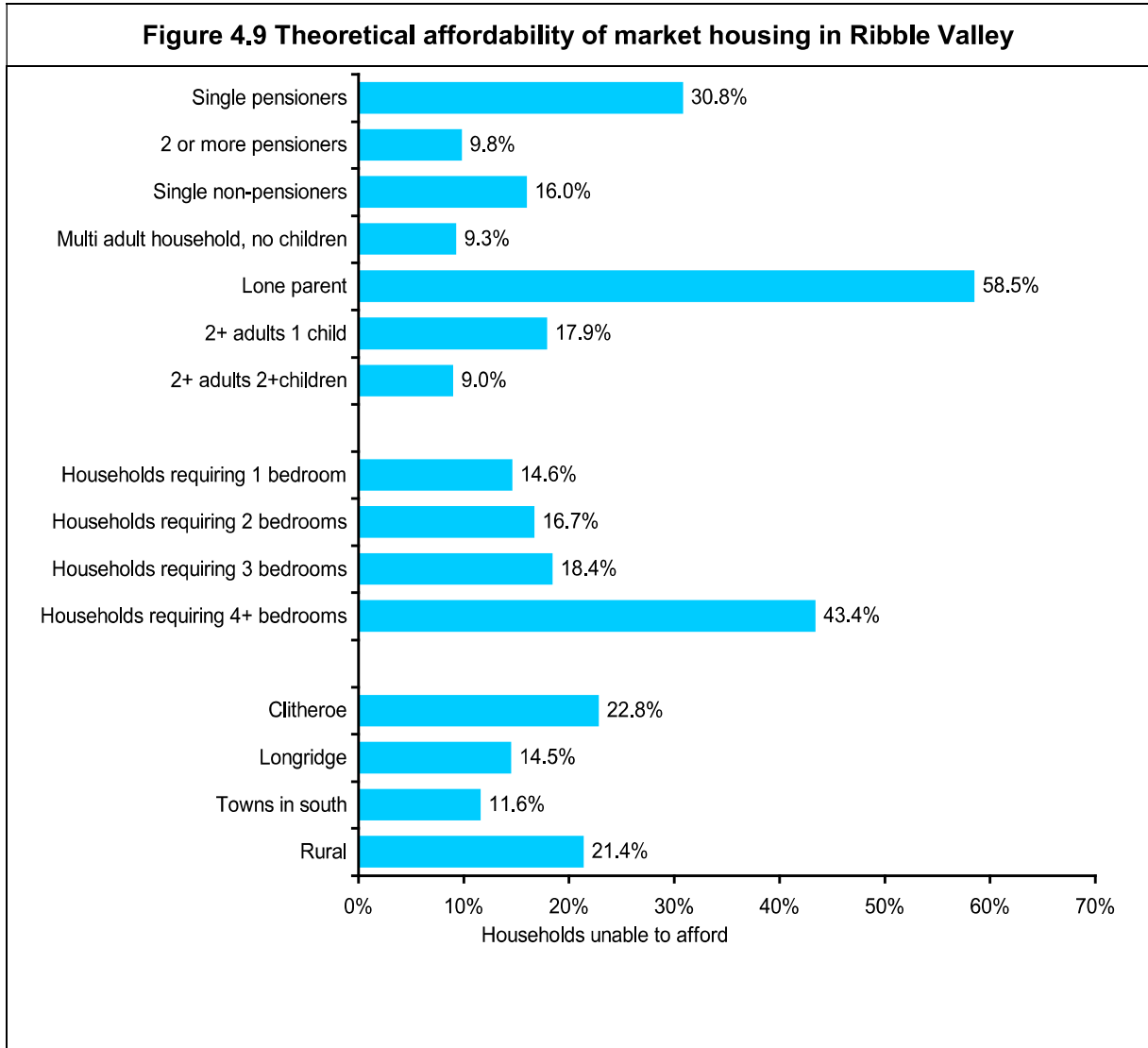
4.38 Although no time-series data is available on market rents in Ribble Valley, the current Borough-wide entry-level rent for a two bedroom home (£500 per month or £6,000 per year) can be compared to different points on the income distribution of full-time workers in the Borough. This is presented in Table 4.9. The Practice Guidance indicates that within the private rented sector no more than a quarter of gross income should be spent on the rent for the rent to be affordable. The Table indicates that whilst full-time workers with earnings at the median and upper quartile level would be able to afford entry-level market rents in the Borough, full-time workers with earnings at the lower quartile level would not.

<i>Income level</i>	<i>Earned income</i>	<i>Price/income ratio</i>
Lower quartile	£19,053	0.31
Median	£26,411	0.23
Upper quartile	£38,574	0.16

Source: Online letting agents survey March 2013; Annual Survey of Hours and Earnings, 2012

***Specific theoretical affordability***

- 4.39 The household income distribution shown in Figure 2.10 differentiated by household type can be used to assess the ability of households in Ribble Valley to afford the size home that they require (according to the bedroom standard). The cost of housing by bedroom size in the Borough is presented in Figures 4.7 and 4.8 and the test is based on the affordability criteria set out in the Practice Guidance (and presented in the Glossary).
- 4.40 Figure 4.11 shows the current affordability of households in Ribble Valley by household type, number of bedrooms required and price market. This is the theoretical affordability of households, as the analysis considers all households in the Borough regardless of whether the household intends to move.
- 4.41 The data indicates that 58.5% of lone parent households in the Borough would be unable to afford market housing (if they were to move home now). Single person households are also relatively unlikely to be able to afford, as are households with two adults and one child. Multi-adult households with two or more children are most likely to be able to afford market housing in Ribble Valley. Some 43.4% of households requiring a four bedroom home would be unable to afford market housing in the Borough (if they were to move now), compared to 14.6% of households requiring a one bedroom property. Finally households in the Clitheroe price market are least likely to be able to afford market housing, with those in the 'towns in south' price market most likely.



Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013



## 5. Housing need

### Summary

- i) Following the steps of the needs assessment model specified by the Practice Guidance results in a net need estimate of 404 affordable dwellings per year in Ribble Valley, however this figure does not equal the number of new affordable units to be built. The need will be met through a wide range of sources – but particularly by making better use of vacant stock, by making better use of the existing stock and through the private rented sector.
- ii) One bedroom and four bedroom affordable homes are particularly required.
- iii) Relatively few households in housing need could afford Affordable Rent at 80% of the median market rent. The most practical level to set Affordable Rent to meet substantial need is at 70%.
- iv) Factoring higher affordability thresholds households in the private rented sector pay in current market conditions and the supply of private rented accommodation (via LHA) to house those requiring affordable housing, the need for new affordable units reduces notably – however changes to the administration of LHA mean that it is unlikely to continue

### Introduction

- 5.1 Housing need is a term first used in the mid-1990s to help provide a means-tested estimate of the requirement for affordable housing in an area. The Strategic Housing Market Assessment Practice Guidance (August 2007) defines housing need as *‘the quantity of housing required for households who are unable to access suitable housing without financial assistance.’*
- 5.2 This chapter presents the results of the three broad stages of the needs assessment model. Within each of the three stages there are a number of detailed calculations (16 in total) many of which themselves have a number of components. This chapter presents details of how each of these 16 detailed steps is calculated using locally available data for Ribble Valley. An annual estimate of housing need is calculated from these 16 steps and the tenure and size of accommodation most appropriate to meet this need is discussed.

### Stage 1: Current need (Steps 1.1-1.4)

- 5.3 The first stage of the model assesses current need. This begins with an assessment of housing suitability, before the affordability test is applied to determine the number of these households that require affordable housing, and are therefore in current need .

### ***Unsuitable housing***

5.4 The Practice Guidance sets out a series of nine criteria for unsuitable housing:

- Homeless households
- Households with tenure under notice, real threat of notice or lease coming to an end; housing that is too expensive for households in receipt of housing benefit or in arrears due to expense
- Households overcrowded according to the 'bedroom standard'
- Dwelling too difficult to maintain (eg too large) even with equity release
- Couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household
- Households containing people with mobility impairment or other specific needs living in unsuitable dwelling (eg accessed via steps), which cannot be made suitable in-situ
- Dwelling lacks a bathroom, kitchen or inside WC and household does not have the resources to make fit (eg through equity release or grants)
- Dwelling subject to major disrepair or unfitness and household does not have the resources to make fit (eg through equity release or grants)
- Household suffers harassment from others living in the vicinity which cannot be resolved except through a move.

5.5 The Practice Guidance indicates that there are three particular categories of unsuitable housing that should be specifically identified. These are presented in Table 5.1 below, which also indicates the number of households in each category in Ribble Valley and the source of the data. The final column represents the revised total for each of these categories once any double-counting between them has been taken into account. Households can be unsuitably housed for more than one reason so it is important that they are only counted once.

5.6 The table shows that there are 918 households in unsuitable housing in Ribble Valley and the most common single reason for unsuitability is overcrowding. This figure of 918 represents 3.7% of all households in Ribble Valley.

**Table 5.1 Unsuitably household households in Ribble Valley**

<i>Step</i>	<i>Source</i>	<i>Number of households</i>	<i>Revised number of households</i>
1.1 Homeless households and those in temporary accommodation	Section E6 of the Council's P1(E) return for 4 <sup>th</sup> quarter of 2012 showing the number of homeless households accommodated by the authority at the end of the quarter	5	0 <sup>3</sup>
1.2 Overcrowded households	2011 Census	398	326 <sup>4</sup>
1.2 Concealed households*	2011 Census	4	0 <sup>5</sup>
1.3 Other groups	Data from Council's 2012 ELASH return from April, 2012.	592	592
1.4 Total		999	918

\*According to the Practice Guidance, concealed households include couples, people with young children and single adults over 25 sharing a kitchen, bathroom or WC with another household.

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

### ***Affordability***

- 5.7 Some of these households in unsuitable housing are likely to be able to afford alternative accommodation in the market sector without requiring subsidy. The ability of these households to afford the cost of entry-level market housing of the appropriate size (set out in Figure 4.7 and 4.8) is therefore tested. The waiting list details the size of accommodation required by households unsuitably households for other reasons in Ribble Valley. For the other groups, the household composition recorded for these households in Ribble Valley is used to determine the size requirement profile. To test overcrowded households the income distribution for each dwelling size requirement, identified using the CACI income profile for the Borough, is adjusted to reflect that nationally the income of overcrowded households is 70.3% of the figure for all households (according to the English Housing Survey). Similarly for 'other' unsuitably households the income distribution is adjusted to reflect that nationally the income of social rented households is 46.9% of the figure for all households (according to the English Housing Survey).
- 5.8 These 918 households in unsuitable housing are therefore tested for their ability to afford market housing in Ribble Valley using the criteria set out in the Practice Guidance (and set out in the glossary). Table 5.2 shows the number of unsuitably housed households requiring different dwelling sizes and the proportion of these households able to afford the market-entry point. The number of households that are therefore in current need is shown in the final column.

<sup>3</sup> The 2012 ELASH return allows councils to indicate the number of households on the waiting list and in a reasonable preference category (a proxy for in unsuitable housing) that are also homeless. The data from the Ribble Valley 2012 ELASH indicates that 0.8% of households on the waiting list and in a reasonable preference category are also homeless .

<sup>4</sup> The 2011-12 CORE LA Area Lettings Report for Ribble Valley indicates the proportion of social rented lettings that were to previously overcrowded households. This provides an indication on the level of overlap between all households in unsuitable housing and overcrowded households. The proportion recorded in the CORE report is 12.2%)

<sup>5</sup> The 2001 Census indicated that 100.0% of concealed households were also overcrowded in Ribble Valley. In the absence of equivalent data from the 2011 Census it is presumed that this proportion is accurate of the situation currently.

<i>Number of bedrooms required</i>	<i>Unsuitable housed households</i>	<i>Percentage unable to afford entry-level market housing</i>	<i>Households in current need</i>
One bedroom	299	73.1%	218
Two bedroom	450	60.9%	274
Three bedroom	148	58.3%	86
Four or more bedrooms	21	73.8%	16
<b>Total</b>	<b>918</b>	<b>64.7%</b>	<b>594</b>

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

- 5.9 Overall 64.7% (594 households) of unsuitably housed households are unable to afford market housing and are in current need. For the purposes of the housing needs assessment, households considered to be in housing need have been split into two categories: current occupiers of affordable housing in need (this includes occupiers of social rented and shared ownership accommodation), and households from other tenures in need. It is estimated that some 167 households in need currently live in affordable housing.

#### ***Total current need***

- 5.10 Table 5.3 summarises the first stage of the overall assessment of housing need as set out by the Practice Guidance. The data shows that there are an estimated 594 households in current need in Ribble Valley.

<i>Step</i>	<i>Notes</i>	<i>Output</i>
1.1 Homeless households and those in temporary accommodation		0*
1.2 Overcrowding and concealed households		165
1.3 Other groups		429
1.4 equals Total current housing need (gross)	1.1+1.2+1.3	594

\*Included within the other groups total

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

#### **Stage 2: Future need (Steps 2.1-2.4)**

- 5.11 In addition to Current Need, there will also be Future Need. This forms the second stage of the housing needs assessment model. This is split, as per the Practice Guidance, into two main categories. These are as follows:

- new household formation (× proportion unable to buy or rent in market)
- existing households falling into need.

***Need from newly forming households***

- 5.12 The headship rate for each 5 year age cohort between the ages 15 and 44 was calculated using information in the Census on the number of people and number of household heads within each age cohort in Ribble Valley. This headship rate was then applied to the 2011-based mid-term population projections. This identified the projected number of households likely to form in the Borough between 2013 and 2018. This figure is then averaged to provide an annual estimate for the number of newly forming households. This approach is compliant with the procedure described in the annex to the Practice Guidance on suitable methodologies for deriving estimates of future household formation.
- 5.13 Using this methodology it is estimated that 2,076 new households will form in Ribble Valley over the next five years. This is annualised to 415 new households per year. This represents a household formation rate of 1.7%, slightly below the level recorded nationally by the English Housing Survey (1.8%).
- 5.14 To assess the ability of these households to afford the cost of entry-level market housing of the appropriate size, it is presumed that these new households will have the same composition as the profile for new households recorded in the English Housing Survey, from which the appropriate size requirement profile can be determined. To test newly forming households ability to afford market housing the income distribution for each dwelling size requirement, identified using the CACI income profile for the Borough, is adjusted to reflect that nationally the income of newly forming households is 70.1% of the figure for all households (according to the English Housing Survey).
- 5.15 Table 5.4 shows details of the derivation of future need from newly forming households. The table shows that 56.6% of newly forming households will be unable to afford market housing. This means that there will be an annual affordable housing requirement from 235 newly forming households.

<b>Table 5.4 Newly arising need from new household formation</b>	
<i>Component</i>	<i>Output</i>
Number of newly forming households	415
Proportion unable to afford entry-level market housing	56.6%
Number of newly forming households requiring affordable accommodation	235

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

***Existing households falling into need***

- 5.16 The Practice Guidance recommends that this figure is derived by looking at recent trends in households applying for affordable housing. Analysis of the approaches for affordable accommodation made to the Council over the last two years (April 2011 to March 2013) indicates that of the 501 approaches, 278 were from households in housing need.

- 5.17 This figure will include newly forming households, which have featured in the previous step. The CORE LA Area Lettings Report provides an estimate of the proportion of social rented lets each year taken by newly forming households in each authority. It shows that for the year 2011-12, 19.5% of lettings in Ribble Valley were to newly forming households. It is assumed therefore that 54 (19.5% of 298) of the households that approach the Council and are in need are newly forming households. The resultant number of existing households falling into need is 224 households per annum.

***Total future need***

- 5.18 The data from the two steps described above can now be put into the needs assessment model as illustrated in Table 5.5. It indicates that future need will arise from a total of 459 households per annum.

<b>Table 5.5 Future need (per annum)</b>		
<i>Step</i>	<i>Notes</i>	<i>Number</i>
2.1 New household formation (gross per year)		415
2.2 Proportion of new households unable to buy or rent in the market	leaves 235	56.6%
2.3 Existing households falling into need		224
2.4 Total newly arising housing need (gross per year)	2.1×2.2+2.3	459

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

**Stage 3: Available stock to offset need (Steps 3.1-3.8)**

- 5.19 The supply of affordable housing to meet housing need comprises the third stage of the housing needs assessment model. The affordable housing supply stage is split between existing stock that is available to offset the current need and the likely future level of supply.

***Available stock to offset current need***

- 5.20 The stock available to offset the current need includes stock from current occupiers of affordable housing in need, surplus stock from vacant properties and committed supply of new affordable units. Units to be taken out of management are removed from the calculation.

***Current occupiers of affordable housing in need***

- 5.21 It is important when considering net need levels to discount households already living in affordable housing. This is because the movement of such households within affordable housing will have an overall nil effect in terms of housing need. As established when calculating current need (paragraph 5.9), there are 167 households currently in need already living in affordable housing.

**Surplus stock**

- 5.22 A certain level of vacant dwellings is normal as this allows for transfers and for work on properties to be carried out. The Strategic Housing Market Assessment Practice Guidance suggests that if the vacancy rate in the affordable stock is in excess of 3%, some of the vacant units should be considered as surplus stock which can be included within the supply to offset housing need. Ribble Valley records a vacancy rate in the affordable sector of 0.6%. As the vacancy rate in Ribble Valley is lower than the 3% benchmark, no vacant dwellings are considered available to be brought back into use to increase the supply of affordable housing.

**Committed supply of new affordable units**

- 5.23 The Strategic Housing Market Assessment Practice Guidance recommends that this part of the assessment includes 'new social rented and intermediate housing which are committed to be built over the period of the assessment'. For the purposes of analysis we have taken Council information on planned affordable housing provision between 2012 and 2014. This indicates that there are, currently, 211 affordable dwellings planned in Ribble Valley.

**Planned units to be taken out of management**

- 5.24 The Strategic Housing Market Assessment Practice Guidance states that this step 'involves estimating the numbers of social rented or intermediate units that will be taken out of management'. The main component of this step will be properties which are expected to be demolished (or replacement schemes that lead to net losses of stock). At the time of reporting, the proposed number of affordable dwellings expected to be 'taken out of management' in the future was unknown and hence a figure of zero has been used in this step of the model.

**Total available stock to meet current need**

- 5.25 Having been through a number of detailed stages in order to assess the total available stock to offset current need in Ribble Valley, we shall now bring together all pieces of data to complete this part of the needs assessment model. This is presented in the Table 5.6. The data shows that there are an estimated 378 properties available to offset the current need in Ribble Valley.

<b>Table 5.6 Current supply of affordable housing</b>		
<i>Step</i>	<i>Notes</i>	<i>Output</i>
3.1 Affordable dwellings occupied by households in need		167
3.2 Surplus stock		0
3.3 Committed supply of affordable housing		211
3.4 Units to be taken out of management		0
3.5 Total affordable housing stock available	3.1+3.2+3.3-3.4	378

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

**Future supply of affordable housing**

5.26 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social re-lets and the annual supply of re-lets within the intermediate sector.

**The future supply of social rented housing**

5.27 This is an estimate of likely future re-lets from the social rented stock. The Strategic Housing Market Assessment Practice Guidance suggests that the estimate should be based on past trend data which can be taken as a prediction for the future. To enable consistency with the future need section (Stage 2), we have looked at trend data for the past two years.

5.28 CORE LA Area Lettings Reports provide an indication of the number of lettings in the social rented sector in Ribble Valley. The average number of lettings across the social rented sector over the two-year period from April 2010 to March 2012 was 94 per annum.

**Supply of intermediate housing**

5.29 In most local authorities the amount of intermediate housing (mostly shared ownership) available in the stock is fairly limited (as is the case in Ribble Valley). However, it is still important to consider to what extent the current supply may be able to help those in need of affordable housing.

5.30 Therefore we include an estimate of the number of intermediate units that become available each year. Based on applying the estimated re-let rate for the social rented sector (4.0%) to the estimated intermediate stock in Ribble Valley (111 units), it is estimated that around 4 units of intermediate housing will become available to meet housing needs from the existing stock of such housing.

**Annual future supply of affordable housing**

5.31 This step is the sum of the previous two. The total future supply is estimated to be 98, comprised of 84 units of social re-lets and 4 units of intermediate housing. This is shown in Table 5.7.

<b>Table 5.7 Future supply of affordable housing (per annum)</b>		
<i>Step</i>	<i>Notes</i>	<i>Output</i>
3.6. Annual supply of social re-lets (net)		94
3.7. Annual supply of intermediate housing available for re-let or resale at sub-market levels		4
3.8. Annual supply of affordable housing	3.6+3.7	98

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

**Estimate of net annual housing need**

5.32 The 16 steps detailed above (set across the three broad stages) are brought together in the housing needs assessment model as set out in Table 5.8.

<b>Table 5.8 Housing needs assessment model for Ribble Valley</b>		
Stage and step in calculation	Notes	Number
<b>STAGE 1: CURRENT NEED (Gross)</b>		
1.1 Homeless households and those in temporary accommodation		0*
1.2 Overcrowding and concealed households		165
1.3 Other groups		429
1.4 Total current housing need (gross)	1.1+1.2+1.3	594
<b>STAGE 2: FUTURE NEED</b>		
2.1 New household formation (gross per year)		415
2.2 Proportion of new households unable to buy or rent in the market	leaves 235	56.6%
2.3 Existing households falling into need		224
2.4 Total newly arising housing need (gross per year)	2.1×2.2+2.3	459
<b>STAGE 3: AFFORDABLE HOUSING SUPPLY</b>		
<i>Current supply</i>		
3.1 Affordable dwellings occupied by households in need		167
3.2 Surplus stock		0
3.3 Committed supply of affordable housing		211
3.4 Units to be taken out of management		0
3.5 Total affordable housing stock available	3.1+3.2+3.3-3.4	378
<i>Future supply</i>		
3.6 Annual supply of social relets (net)		94
3.7 Annual supply of intermediate housing available for relet or resale at sub-market levels		4
3.8 Annual supply of affordable housing	3.6+3.7	98

\*Included within the other groups total

Source: Ribble Valley Strategic Housing Market Assessment; various secondary sources

- 5.33 The Practice Guidance states that these figures need to be annualised to establish an overall estimate of net housing need. The first step in this process is to calculate the net current need. This is derived by subtracting the estimated total stock of affordable housing available (step 3.5) from the gross current need (step 1.4). This produces a net current need figure of 216 (594-378).
- 5.34 The second step is to convert this net current need figure into an annual flow. The Strategic Housing Market Assessment Practice Guidance acknowledges that this current need can be addressed over any length of time although a period of less than five years should be avoided. For the purposes of this study the quota of five years proposed in the Practice Guidance will be used. Therefore to annualise the net current need figure, it will be divided by five. This calculation results in a net annual quota of 43 (216/5) households who should have their needs addressed.

- 5.35 The final step is to sum the net annual quota of households who should have their needs addressed with the total newly arising housing need (step 2.4) and subtract the future annual supply of affordable housing (step 3.8). This leads to an annual need estimate of 404 (43+459-98). These figures are summarised in Table 5.9 below. It is important to note that the result does not mean that 404 new affordable units are required each year. The need will be met through a wide range of sources – but particularly through making better use of vacant stock, making better use of the existing stock and through the private rented sector, as discussed in more detail later in the chapter.

<b>Table 5.9 Summary of needs assessment model</b>		
<i>Element</i>		<i>Number</i>
Current need	(Step 1.4)/5	119
Current supply	(Step 3.5)/5	76
Net current need		43
Future need	(Step 2.4)	459
Future supply	(Step 3.8)	98
Net future need		361
<b>Total net annual need</b>		404
Total gross annual need		578
Total gross annual supply		174
<b>Total net annual need</b>		404

Source: Ribble Valley Strategic Housing Market Assessment; various secondary sources

### **Types of households in need**

- 5.36 Table 5.10 gives a breakdown of gross annual households in need, by household type. The table shows that some 9.3% of 'other' households are in housing need compared to 1.2% of couple households with children. Overall, single person households comprise 28.3% of all households in need and couples with no children a further 23.9% of households in housing need.
- 5.37 It should be noted that 55 single person households are aged 35 and under. These individuals are deemed suitable to form part of a shared household should affordable accommodation not be available for them as a single household. If it is not possible to allocate them an affordable property, they would be offered Local Housing Allowance (discussed further in paragraph 5.54) to assist with their rent in the private rented sector, but only at the shared room rate, rather than the rate for a one bedroom property. These households are therefore not required to share, but are likely to have to.

<i>Household type</i>	<i>Need requirement</i>				
	<i>No. of h'holds in need (gross)</i>	<i>Not in need</i>	<i>Total Number of h'holds</i>	<i>% of h'hold type in need</i>	<i>As a % of those in need</i>
One person	163	6,963	7,127	2.3%	28.3%
Couple with no children	138	7,414	7,552	1.8%	23.9%
Couple with child/children	85	6,799	6,885	1.2%	14.8%
Lone parent	108	1,960	2,068	5.2%	18.7%
Other	83	806	889	9.3%	14.3%
<b>Total</b>	<b>578</b>	<b>23,942</b>	<b>24,520*</b>	<b>2.4%</b>	<b>100.0%</b>

\*The total household figure and household composition recorded for Ribble Valley in the Census has been updated to provide a profile in March 2013

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

### Size of accommodation required

- 5.38 Table 5.11 shows the size of accommodation required by households in housing need in Ribble Valley. The supply distribution is derived from the 2010-11 and 2011-12 CORE LA Area Lettings Reports for Ribble Valley. The last column presents the supply as a percentage of need. This is calculated by dividing the estimated supply of the property size by the derived need for that dwelling size. The lower the figure produced, the more acute the need for affordable accommodation in the area, as the current supply is unlikely to meet the identified need.

<i>Size of home</i>	<i>Need requirement</i>				
	<i>Gross annual need</i>	<i>Gross annual supply</i>	<i>Net annual need</i>	<i>As a % of total net annual need</i>	<i>Supply as a % of gross need</i>
One bedroom	301	62	239	59.2%	20.6%
Two bedrooms	180	79	101	24.9%	43.9%
Three bedrooms	50	32	18	4.5%	63.2%
Four or more bedrooms	47	1	46	11.4%	2.0%
<b>Total</b>	<b>578</b>	<b>174</b>	<b>404</b>	<b>100.0%</b>	<b>30.0%</b>

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

- 5.39 The table suggests that there is a net need for all sizes of affordable housing. The largest net need is for one bedroom accommodation, followed by two and four bedroom homes. The final column shows that the need relative to supply is the greatest for four bedroom homes, followed by one bedroom accommodation. Households in need requiring three bedroom accommodation are most likely to have their need met from the current supply.

- 5.40 Part of the requirement for one bedroom homes comes from single person households (couples living on their own are also suitable occupants of this size home). As described in paragraph 5.37 above, 55 of the single person households in housing need each year are deemed suitable for shared housing. Given the extreme pressure for affordable housing in Ribble Valley, it is very likely that these households will be required to move into shared accommodation. It is useful therefore to profile the size of affordable accommodation required, excluding these households. This is presented in Table 5.12. The table suggests that the largest net need is still for one bedroom homes, although their relative importance has reduced slightly.

<b>Table 5.12 Size of additional units required to meet housing need – excluding households suitable for shared housing</b>					
<i>Size of home</i>	<i>Need requirement</i>				
	<i>Gross annual need</i>	<i>Gross annual supply</i>	<i>Net annual need</i>	<i>As a % of total net annual need</i>	<i>Supply as a % of gross need</i>
One bedroom	247	62	184	52.8%	25.2%
Two bedrooms	180	79	101	28.8%	43.9%
Three bedrooms	50	32	18	5.2%	63.2%
Four or more bedrooms	47	1	46	13.2%	2.0%
Total	523	174	349	100.0%	33.2%

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

### **Type of affordable home required**

- 5.41 As discussed in Chapter 4, Affordable Rent is being introduced to provide a further option within the intermediate sector and to help fill the gaps that currently exist in the housing market. The target residents for this product are households in housing need. As also discussed in Chapter 4, the level at which Affordable Rent is set, is to be determined by the Council. This section will therefore consider the suitability of different Affordable Rent levels for meeting housing need.
- 5.42 In carrying out the affordability assessment we have used the standard '25% of gross income on housing' test, rather than a higher one. This is because, for households on low incomes, as those in housing need mainly are, anything much higher than 25% of income on housing leaves very little to live upon.
- Affordability of Affordable Rent for households in housing need***
- 5.43 Table 5.13 illustrates how many households in defined housing need are able to afford different levels of Affordable Rent. The figures are presented cumulatively, so that any household that can afford a more expensive version of Affordable Rent are included within the figures for the cheaper versions. For example households able to afford Affordable Rent at 80% are included within the number of households able to afford Affordable Rent at 70%.

- 5.44 The Table shows that of the 578 households in gross need each year, 9.6%, some 55 households, could afford Affordable Rent at 80%. Some 111 households in need could be housed in Affordable Rented accommodation were the level lowered to 70% of private rent values and 121 households would be suitable for Affordable Rent set at 60%. The largest group of households in need are those unable to afford any accommodation without support from LHA.

	<i>Households in need</i>	<i>% of households in need</i>
Affordable Rent at 80%	55	9.6%
Affordable Rent at 70%	111	19.3%
Affordable Rent at 65%	116	20.1%
Affordable Rent at 60%	121	21.0%
Social rent	161	27.8%
Need LHA	417	72.2%
Total number of households	578	100.0%

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

- 5.45 Table 5.14 splits the figures shown in the table above by bedroom size, again the figures are shown cumulatively. It shows that Affordable Rent at 80% will be most suitable for households in need of two bedroom accommodation. Some 22.7% of households in need requiring a two bedroom home could afford Affordable Rent at 70%, as could 20.6% of those requiring four bedroom accommodation and 17.8% of households needing a one bedroom home.

	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
Affordable Rent at 80%	7.9%	13.1%	3.2%	12.1%
Affordable Rent at 70%	17.8%	22.7%	13.3%	20.6%
Affordable Rent at 65%	17.8%	22.7%	18.7%	24.9%
Affordable Rent at 60%	17.8%	22.7%	24.6%	30.0%
Social rent	21.6%	26.9%	38.0%	60.6%
Need LHA	78.4%	73.1%	62.0%	39.4%
Total number of households (per annum)	301 (100%)	180 (100%)	50 (100%)	47 (100%)

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

#### ***What is the need for Affordable Rent?***

- 5.46 Table 5.15 summarises the data in Table 5.14 to show the total number of households that could afford Affordable Rent at different levels. This allows us to consider how suitable different levels of

Affordable Rent would be in Ribble Valley. Affordable Rent at 80% can be afforded by almost half of households in need suitable for an intermediate product. Affordable Rent at 70% would be suitable for 91.8% of all households in need able to pay more than social rent. Using these figures, the most appropriate level at which to set Affordable Rent would be 70%.

<b>Table 5.15 Total number of households in need able to afford different affordable products (figures presented cumulatively)</b>		
<i>Product type</i>	<i>Households in need (annual)</i>	
Affordable Rent (80%)	55	45.7%
Affordable Rent (70%)	111	91.8%
Affordable Rent (65%)	116	95.6%
Affordable Rent (60%)	121	100.0%
Total	121	100.0%

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

- 5.47 If the Affordable Rent level were set at 70%, it would generate a potential demand from 111 households in housing need (each year). This is in excess of the figure for the average annual number of relets of social rented housing in Ribble Valley in the past two years (94 as discussed in paragraph 5.28).

### **Sensitivity analysis**

- 5.48 The housing needs assessment model requirement of 404 affordable homes per year does not equate logically with the planned additional 200 new homes per year in the Borough between 2013 and 2028 as set out in the Core Strategy. This is because the CLG needs assessment model is a technical exercise that presents an assessment of the requirement for affordable housing, however it does not account for the functioning of the local housing market currently. This brief section considers the impact of changing two of the assumptions used in the model that do not reflect how the market operates.

#### ***Affordability threshold***

- 5.49 The housing needs assessment model assesses the number of households in need based on the affordability assumptions required by the Practice Guidance. It is possible, however, to examine how the model would be affected if the affordability assumptions were altered. Table 5.16 presents the model results where households were considered able to afford market rented housing in cases where the rent payable would constitute no more than 30%, 35% and 40% of gross household income, rather than 25% used in the standard model.

<b>Table 5.16 Impact of different affordability assumptions on affordable housing requirement in Ribble Valley</b>			
	<i>Rent payable constitutes no more than:</i>		
	<i>30% of gross household income</i>	<i>35% of gross household income</i>	<i>40% of gross household income</i>
Backlog need (annual)	103	90	79
Backlog supply (annual)	71	67	64
Net backlog need (annual)	32	23	15
Future need (annual)	418	344	312
Future supply (annual)	98	98	98
Net future need (annual)	320	246	214
Total net annual need	352	268	229
Total gross annual need	521	434	391
Total gross annual supply	169	165	162
Total net annual need	352	268	229

Source: Ribble Valley Strategic Housing Market Assessment, 2013

- 5.50 The table indicates that the number of households in need would decrease from 404 to 352 if 30% of gross household income could be spent on rent. This would decrease further to 268 if 35% of income could be spent on rent and to 229 if the affordability assumption was changed to 40%.

#### ***Local Housing Allowance***

- 5.51 Local Housing Allowance (LHA) is the replacement for the former Housing Benefit in the private rented sector. It is designed to make up the shortfall in people's ability to pay for the housing they need. LHA may represent 100% or some lower percentage of the overall rent paid. Whilst LHA-supported tenancies in the private rented sector are not considered a formal supply step within the housing needs assessment model. However it is of interest to note that applying the implied annual re-let rate to the benefit-supported private rented sector indicated in the British and Social Housing Foundation's report *Who Lives in the Private Rented Sector* (of 19%) to the total stock of these dwellings (810) then this would suggest 154 of these homes become available for letting each year. It is therefore clear that the benefit-supported private rented sector will continue to be used as a supply solution to the need for affordable housing in Ribble Valley.

#### ***Adjusted model outputs***

- 5.52 Table 5.17 examines the combined effect of changing the affordability assumptions used and including the supply of private rented accommodation via LHA, on the net annual requirement for affordable housing. If the affordability threshold used was adjusted to 35% of gross income on rent, which better

reflects the prevailing market conditions in Ribble Valley<sup>6</sup>, then there would be 136 fewer households in gross need each year. If the private rented sector via LHA is considered to represent a supply to meet the housing need then the gross annual supply increases by 154 dwellings. The impact of changing both of these assumptions is that the need for new affordable units reduces to 114 per year.

Element	Need according to the model	Change due to altered assumptions	Resultant adjusted figures
Total gross annual need	578	-136	442
Total gross annual supply	174	+154	327
<b>Total net annual need</b>	<b>404</b>		<b>114</b>

Source: Ribble Valley Borough Strategic Housing Market Assessment, 2013

- 5.53 The figure of 404 remains the overall need figure, because it is calculated in accordance with the approach set out in the Practice Guidance and is therefore comparable with historical estimates and figures derived elsewhere. However this figure does not equal the number of new affordable units to be built. The need will be met through a wide range of sources – but particularly by making better use of vacant stock, by making better use of the existing stock, and through the private rented sector as illustrated above.

#### ***Local Housing Allowance – a caveat***

- 5.54 Recent changes to the administration of LHA by the Coalition Government will impact on the capacity of the private rented sector via LHA to continue to meet housing need in Ribble Valley. Although notionally set at the 30th percentile of properties available on the market, a comparison of the LHA cap with private rented sector rents presented in Table 4.6 suggests that it is lower than this level and closer to the 10<sup>th</sup>-20<sup>th</sup> percentile of properties.
- 5.55 What this means is that many households in the private rented sector via LHA will not get the same level of financial support towards their rent as they had previously (when the cap was not set at 30% and the benefit could cover up to the whole rent). The potential consequences are that LHA landlords will be forced to reduce their rent levels notably, households in the sector will have to increase their income to make up for the reduced LHA received, or households will be forced to look for new accommodation elsewhere. If the last of these three options happens, many households affected are likely to present themselves to the Council due to becoming homeless. These households will therefore join the backlog of housing need.

<sup>6</sup> It is recognised that RSLs use 40% of income on rent to assess affordability, but 35% appears to be most common in the private rented sector in Ribble Valley.

5.56 It is worth noting that from April 2013 the payment of Housing Benefit<sup>7</sup> (HB) in the social rented sector will be on the number of bedrooms required rather than the number of bedrooms occupied. Households in the social rented sector receiving HB that are under-occupying their home will have a reduction in the level of HB received. This may force more households out of their current home.

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<sup>7</sup> Housing Benefit has only been changed to Local Housing Allowance within the private rented sector.



## 6. Improving market balance over the longer term

### Summary

- i) Work done by Nathaniel Lichfield & Partners identifies an Objectively Assessed Need for between 220 and 250 additional homes per year in Ribble Valley from 2008 to 2028.
- ii) In terms of the accommodation required to provide housing market balance over the long-term, the model which is based on secondary data, suggests that of the new housing required up to 2028 (3,750 dwellings in total), 70% should be market dwellings, 6% shared ownership, 19% Affordable Rent and 5% new social rented dwellings.

### Introduction

6.1 The previous chapters in this report have focused on current market pressures, this chapter considers what accommodation is required to provide housing market balance over the long-term. This is an important exercise because there is a lag in the planning system, which means that it is not possible to respond immediately to imbalances between the nature of accommodation required and the stock currently available. It is therefore appropriate to consider the intervention required to the housing stock over the long-term to enable future action to be planned effectively.

6.2 Although there is not a housing market model in the Practice Guidance, there is comment on the importance of studying mix and balance in National Planning Policy. The following extract from paragraph 50 of the National Planning Policy Framework indicates the importance of a housing market model with this purpose:

*‘To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:*

- *plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community..;*
- *identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand’*

6.3 This chapter describes a model (the LTBHM) that uses secondary data to compare the current housing stock against the stock of housing required in the future. The purpose of this model is to identify the new accommodation required to adequately house the future population in the Borough and ensure that the housing market is balanced.

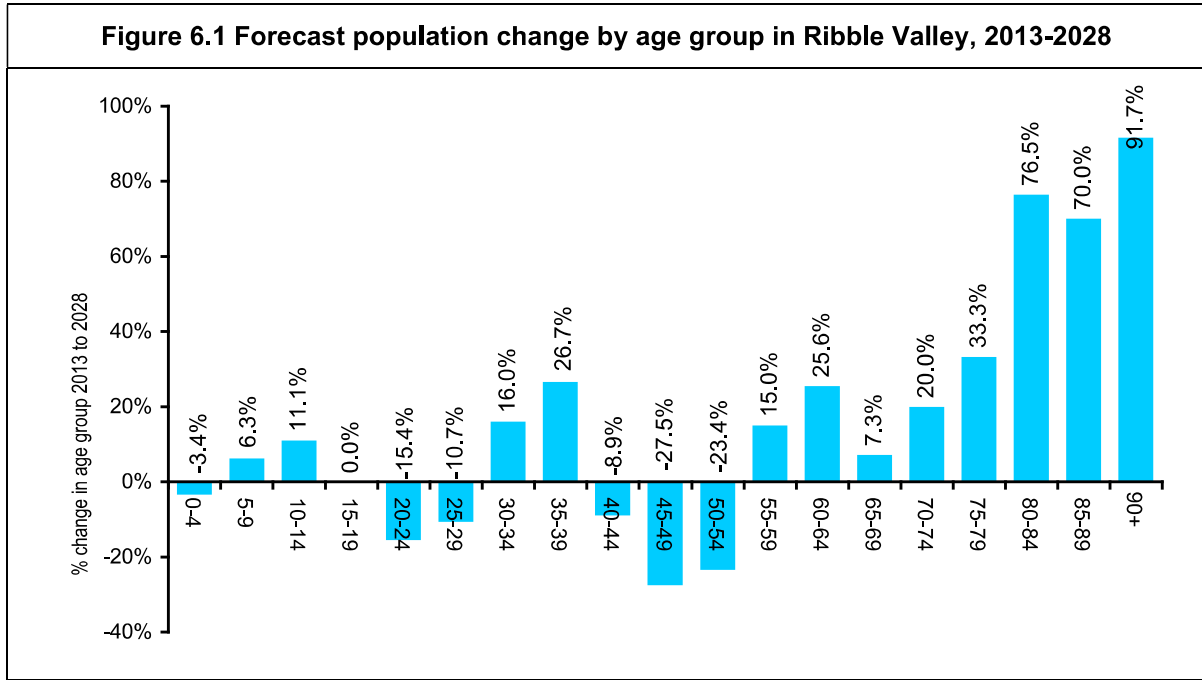
6.4 Ribble Valley Council has separately commissioned Nathaniel Lichfield & Partners (NLP) to determine the Objectively Assessed Need in the Borough. NLP have recently revised their findings in light of the 2011-based CLG household projections which were published in April, 2013. The report<sup>8</sup> calculates the Objectively Assessed Need using the latest projections and extending them to best reflect the future situation in the Borough. The result is an Objectively Assessed Need for between 220 and 250 additional homes per year in Ribble Valley. This chapter briefly discusses the demographic changes projected in the Borough, which inform the NLP calculation of Objectively Assessed Need. These projections are then used within the model to identify the range of accommodation to adequately house the profile of future households within the Objectively Assessed housing growth and therefore balance the housing stock. The accommodation requirements are compared to the current stock resulting in suggested profiles for new housing in terms of tenure and dwelling size to address the required adjustment. These outputs are produced for a range of growth scenarios set out in the NLP report in addition to the Objectively Assessed Need.

### **Demographic projections**

6.5 The most recently published long-term population projections available at a local level are the 2010-based ones from the Office of National Statistics. These projections demonstrate the projected change to the age profile of the population in Ribble Valley. Figure 6.1 shows the projected change within each age cohort between 2013 and 2028. The population projection data indicates that there will be reductions in certain age groups (0-4 year olds, 45-54 years olds and 20-29 year olds) but the majority of cohorts are predicted to grow, albeit moderately. The exception is the number of older people, which is projected to grow quite notably; with the number of people aged 90 or over expected to almost double by 2028.

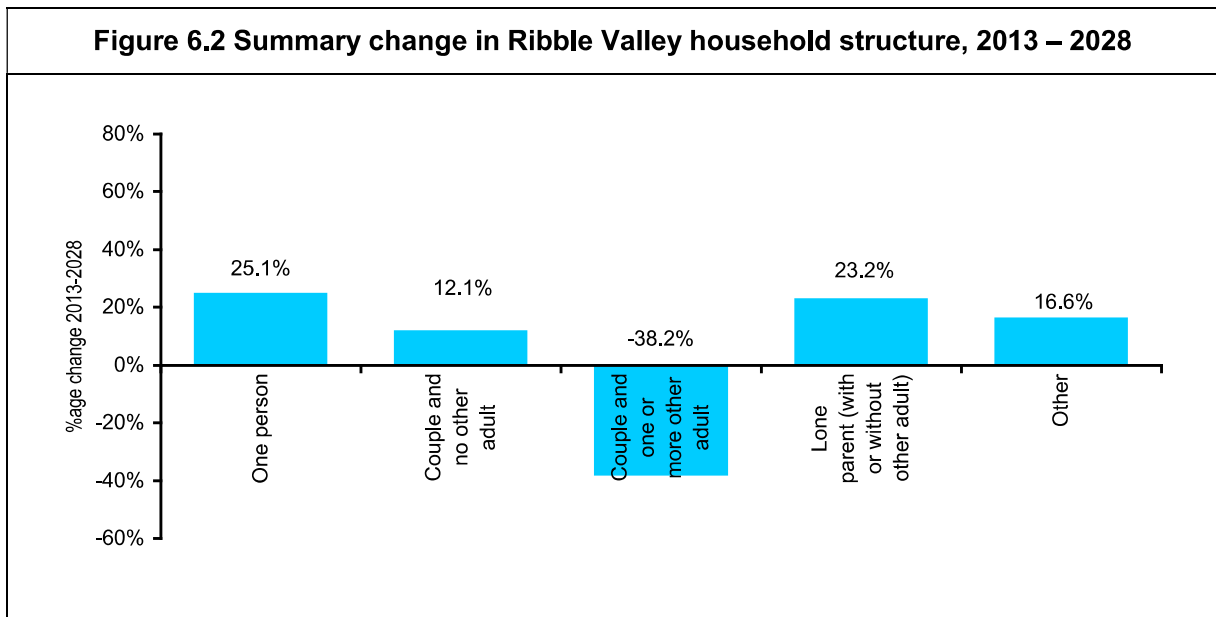
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<sup>8</sup> Nathaniel; Lichfield & Partners Implications of the 2011-based CLG Household Projections. Ribble Valley Housing Requirement Update (May, 2013)



Source: ONS 2010-based population projections

6.6 The most recently published long-term household projections available at a local level are the 2008-based ones from the CLG. These demonstrate that the household composition in Ribble Valley is likely to change over time. Figure 6.2 shows the projected change in household structure in the Borough. The figure shows that the number of ‘couple and one or more other adult’ households is expected to decrease by 38.2%. In contrast single person households are anticipated to increase by 25.1% and lone parent households to rise by 23.2%.



Source: ONS 2008-based household projections

## Methodology of the model

- 6.7 The Census provides information on the size (in terms of bedrooms) and tenure of accommodation in Ribble Valley in 2011. This has been adjusted<sup>9</sup> to reflect the changes since 2011 to provide an accommodation profile in 2013. The 2001 Census provides detail on the occupational patterns of different household groups in Ribble Valley, which means that the profile of housing occupied by each household type can be determined. As equivalent data from the 2011 Census has not yet been published these occupational patterns have been compared to those recorded in recent household datasets we hold. The 2001 distribution for Ribble Valley has been adjusted to reflect changes caused by the different housing market environment as noted in these datasets. This adjusted distribution is applied to the household and population profile for 2013 as recorded in the latest projections.
- 6.8 Rather than assuming the current occupational patterns for each household group will apply to the future population of that household group, the model addresses over the long-term any undesirable elements of market imbalance that exist currently. This means that the future housing stock will better reflect the requirements of the future population in the Borough.
- 6.9 The adjustments made to counter market imbalance are:
- Households currently overcrowded will be housed in adequately sized accommodation in the future.
  - Households currently in the social rented stock with the aid of Housing Benefit that under-occupy their home are assumed to require a dwelling with no spare bedrooms in the future (to reflect the changes being introduced in April 2013).
  - Households currently resident in the private rented sector without Local Housing Allowance that spend more than 40% of their gross income on entry-level private rent (according to the differentiated household income distribution) are assigned to a suitable affordable tenure in the future.
- 6.10 Some further adjustments are also made to use the affordable stock and any housing subsidy paid most economically (this adjustment also allows the introduction of Affordable Rent to be assessed):
- Households currently resident in the private rented sector on Local Housing Allowance (LHA) that can afford market, shared ownership or Affordable Rented accommodation are assumed to require this in the future, to ensure that the stock is being most appropriately and efficiently used.
  - Households currently in social rented accommodation that can afford market, shared ownership or Affordable Rented accommodation are assumed to require this in the future, to ensure that the stock is being most appropriately and efficiently used.

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<sup>9</sup> Using the latest data from the Homes & Communities Agency's Statistical Data Return dataset, the Council's ELASH return and trends indicated within the English Housing Survey

6.11 This profile of suitable accommodation for each household type is applied to the household population in 15 years' time. The accommodation profile required in 2028 is then compared to the current tenure profile and the nature of additional housing required is derived. The model assumes that the maximum Objectively Assessed Need will be met, therefore 250 new homes will be required per year over the next 15 years, equating to a total of 3,750 additional dwellings. The following section presents the outputs of this model.

**Tenure of housing required**

6.12 Table 6.1 shows the tenure profile of households resident in Ribble Valley currently. The table indicates that 89.0% of households are resident in market accommodation (without the aid of Local Housing Allowance), 0.4% live in a shared ownership home, 3.3% live in a social rented property (without the aid of Housing Benefit ) and 7.2% live in rented accommodation with the aid of benefit (Housing Benefit or Local Housing Allowance).

<b>Table 6.1 Current tenure profile in Ribble Valley</b>		
<i>Tenure</i>	<i>Number of households</i>	<i>Percentage of households</i>
Market	21,830	89.0%
Shared ownership	110	0.4%
Social rented	813	3.3%
Benefit supported (both private and social rented)	1,767	7.2%
<b>Total</b>	<b>24,520</b>	<b>100.0%</b>

Source: Ribble Valley Strategic Housing Market Assessment, 2013

6.13 The tenure of Affordable Rent is being introduced and the distinction in the affordable sector will be between those able to afford Affordable Rent (or shared ownership) and those requiring subsidy for their housing costs (those needing LHA or HB to live in the rented sector). Taking this into account, Table 6.2 shows the ideal tenure profile for the Borough in 15 years' time (presuming the affordable stock is to be used most efficiently). The data shows that in 2028 the housing stock should comprise 86.5% market dwellings, 1.2% shared ownership properties, 2.5% Affordable Rented homes and 9.8% dwellings occupied with the support of benefit.

**Table 6.2 Ideal tenure profile in 2028 in Ribble Valley**

<i>Tenure</i>	<i>Number of homes</i>	<i>Percentage of households</i>
Market	24,449	86.5%
Shared Ownership	345	1.2%
Affordable Rent	694	2.5%
Benefit supported (both private and social rented)	2,782	9.8%
Total	28,270	100.0%

Source: Ribble Valley Strategic Housing Market Assessment, 2013

- 6.14 Table 6.3 shows the tenure profile required in Ribble Valley in 15 years' time in comparison to the tenure profile recorded currently. The difference between these two distributions is the change required to the housing stock over this period. The results show that 69.8% of new housing should be in the market sector, 6.3% should be shared ownership properties and 18.5% Affordable Rent. It is assumed that the current LHA supported private rented homes and the social rented stock will principally house households unable to afford Affordable Rent, including those requiring benefit. However the model indicates that an additional 202 homes will be required for these households. It is suggested that these new dwellings be social rented accommodation. These additional social rented dwellings constitute 5.4% of the total new homes required in Ribble Valley.

**Table 6.3 Tenure of new accommodation required in Ribble Valley over the next 15 years**

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
Market	21,830	24,449	2,619	69.8%
Shared ownership	110	345	235	6.3%
Affordable Rent*	0	694	694	18.5%
Social rented	813	2,782	202	5.4%
Benefit supported	1,767			
Total	42,530	28,270	3,750	100.0%

\*It should be noted that there are a very limited number of Affordable Rented units already in Ribble Valley (25 as at April 2012 according to the HCA's Statistical Data Return 2012), however for the purpose of this model the stock is presumed to be 0.

Source: Ribble Valley Strategic Housing Market Assessment, 2013

- 6.15 The model is able to also provide detail on the size of new dwellings required within each of these tenures. This is shown for the current model in the section below.

## Size of housing required within each tenure

- 6.16 Table 6.4 presents the size of market accommodation required in Ribble Valley in 15 years' time in comparison to the size profile recorded in the sector currently. The implied change to the housing stock is also presented. The table shows that some 37.2% of new market dwellings should be two bedroom properties, with 34.1% containing three bedrooms 22.9% having four or more bedrooms and 5.9% having one bedroom.

<b>Table 6.4 Size of new market accommodation required in Ribble Valley over the next 15 years</b>				
<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	584	738	154	5.9%
Two bedrooms	5,993	6,966	973	37.2%
Three bedrooms	8,984	9,876	892	34.1%
Four or more bedrooms	6,269	6,868	599	22.9%
<b>Total</b>	<b>21,830</b>	<b>24,449</b>	<b>2,619</b>	<b>100.0%</b>

Source: Ribble Valley Strategic Housing Market Assessment, 2013

- 6.17 This analysis can be repeated for shared ownership housing and is presented in Table 6.5. The data indicates that of the 235 shared ownership dwellings required within the Borough, 44.7% should be two bedroom properties with a further 29.5% three bedroom accommodation. Some 17.3% should have one bedroom and 8.5% should have four or more bedrooms.

<b>Table 6.5 Size of new shared ownership accommodation required in Ribble Valley over the next 15 years</b>				
<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	21	62	41	17.3%
Two bedrooms	56	161	105	44.7%
Three bedrooms	30	100	69	29.5%
Four or more bedrooms	3	23	20	8.5%
<b>Total</b>	<b>110</b>	<b>345</b>	<b>235</b>	<b>100.0%</b>

Source: Ribble Valley Strategic Housing Market Assessment, 2013

- 6.18 Table 6.6 shows the size of accommodation required in the Affordable Rented sector; as there is very little of this tenure in existence, it will almost all be new. The table shows that of the 694 additional Affordable Rented units required within Ribble Valley over the next 15 years, the majority (70.5%) should be two and three bedroom properties.

<b>Table 6.6 Size of new Affordable Rented homes required in Ribble Valley over the next 15 years</b>		
<i>Dwelling size</i>	<i>Size profile 2028</i>	<i>% of change required</i>
One bedroom	171	24.6%
Two bedrooms	305	43.9%
Three bedrooms	185	26.6%
Four or more bedrooms	33	4.8%
<b>Total</b>	<b>694</b>	<b>100.0%</b>

Source: Ribble Valley Strategic Housing Market Assessment, 2013

6.19 Table 6.7 presents the size of social rented/LHA supported private rented accommodation required in Ribble Valley in 15 years’ time in comparison to the size profile recorded in the social rented and LHA supported private rented sector currently. The implied additional housing required is also presented. It is assumed that the current LHA supported private rented sector stock will continue to be available to this group of households in the future and will form an ‘alternative affordable housing’ supply. It is presumed that all of the additional housing required for this group will be social rented. The table shows that 60.7% of the new social rented housing required should contain four or more bedrooms, 28.1% should have one bedroom, 11.6% should have a three bedrooms and no additional two bedroom accommodation is required.

<b>Table 6.7 Size of new social rented accommodation required in Ribble Valley over the next 15 years</b>				
<i>Dwelling size</i>	<i>Current size profile (social rented and LHA private rented)</i>	<i>Size profile 2028 (social rented and LHA private rented)</i>	<i>Change required (new social rented dwellings only)</i>	<i>% of change required</i>
One bedroom	1,052	1,109	57	28.1%
Two bedrooms	801	800	-1	-0.4%
Three bedrooms	636	659	24	11.6%
Four or more bedrooms	91	214	123	60.7%
<b>Total</b>	<b>2,580</b>	<b>2,782</b>	<b>202</b>	<b>100.0%</b>

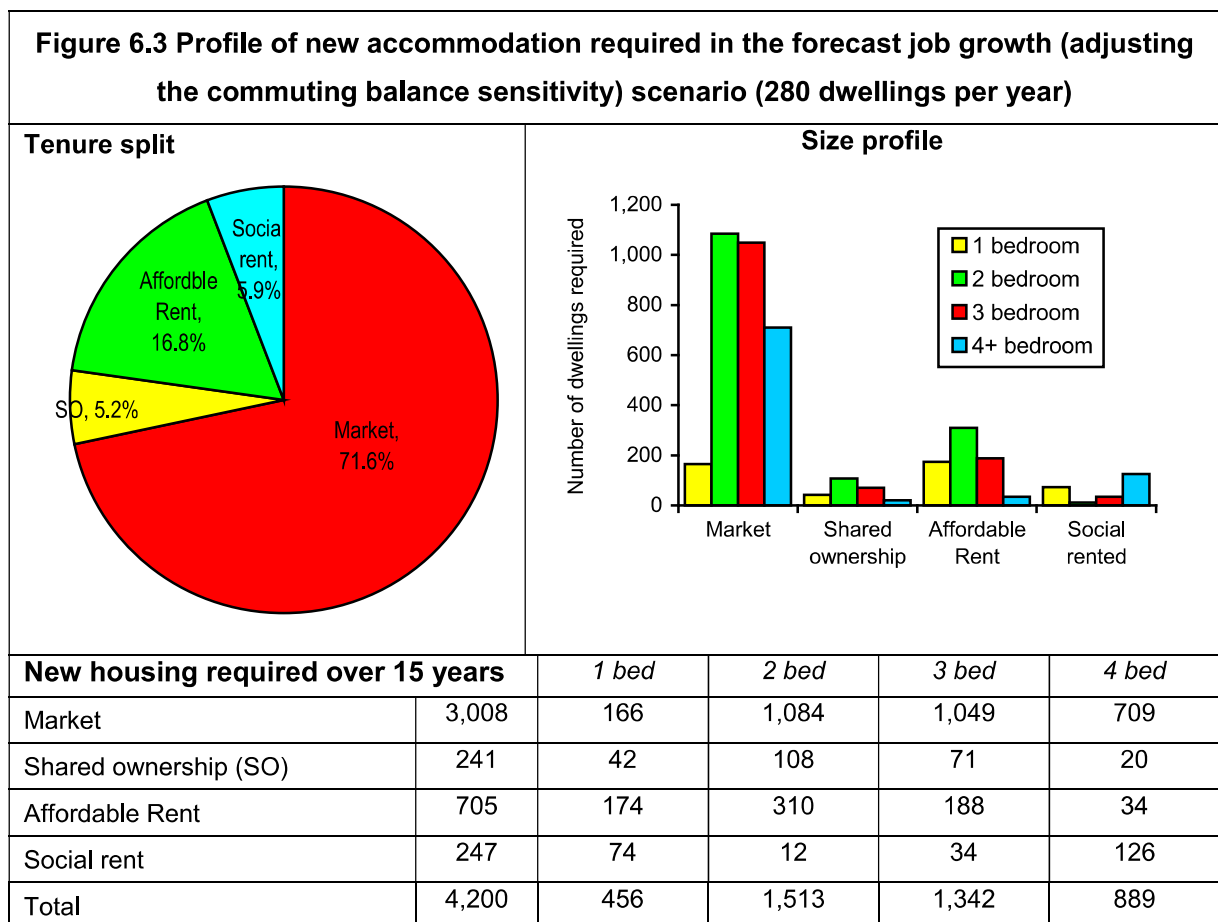
Source: Ribble Valley Strategic Housing Market Assessment, 2013

6.20 It should be noted that if the amount of LHA supported private rented sector homes reduces as a consequence of the introduction of the LHA caps and the accommodation reverts to ‘standard’ market accommodation, then the reverted dwellings should be deducted from the total market requirement and dwellings of equivalent size be added to the social rented requirement.

### Alternative growth scenarios

6.21 The NLP report has modelled a range of data on population and economic growth to derive an annual dwelling requirement through to 2028 within the Borough, under a range of different demographic and economic scenarios. The results of the LTBHM model will be adjusted to identify the tenure and size requirement within two of the scenarios set out in the NLP report. The two scenarios being considered are forecast job growth of 280 additional dwellings per year and past trend job growth (adjusting the commuting balance sensitivity) of 434 additional dwellings per year. The alternative LTBHM outputs for these scenarios are presented in Figures 6.3 and 6.4 below.

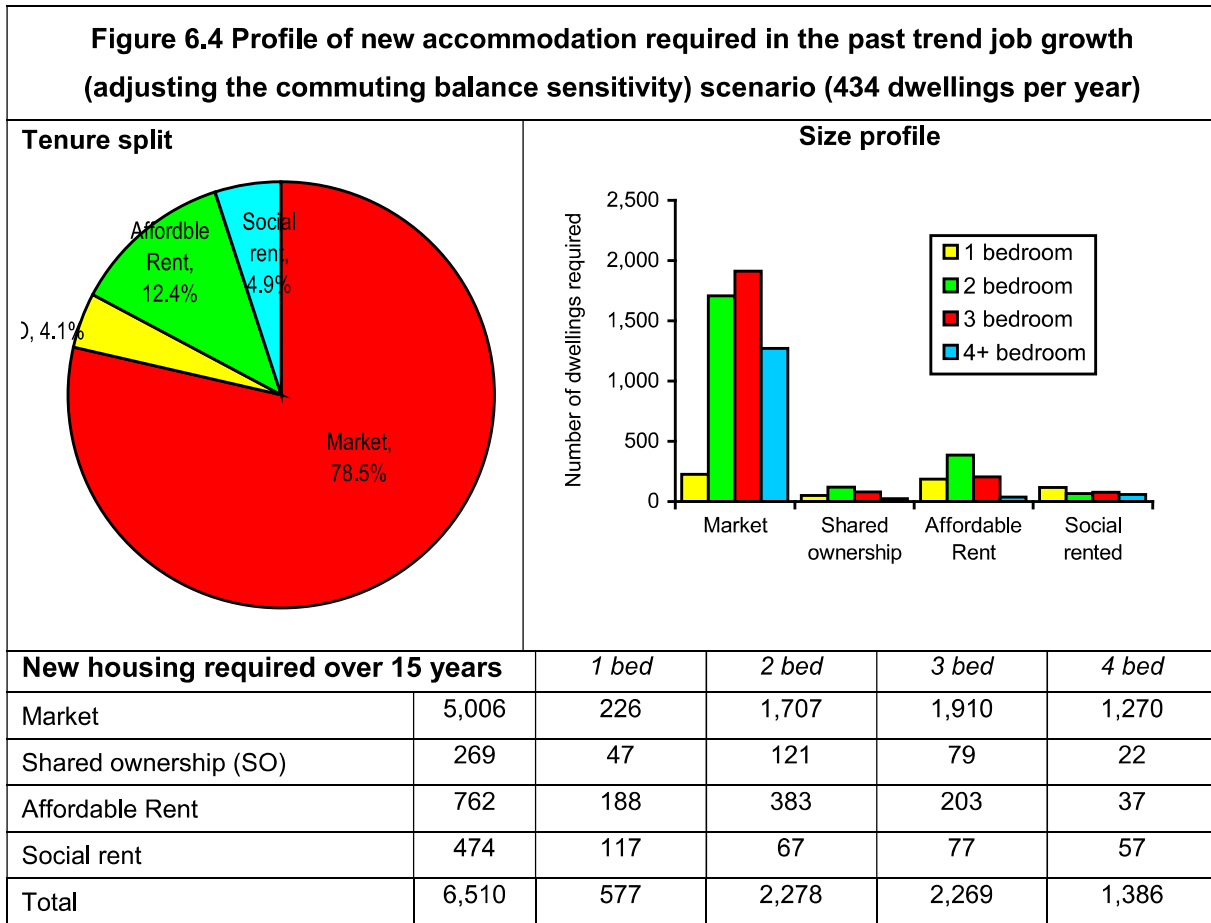
6.22 Figure 6.3 shows the results within the forecast job growth scenario. The results indicate that some 71.6% of new housing should be market accommodation, with 16.8% Affordable Rent, 5.9% social rent and 5.2% shared ownership. The majority of market accommodation required is two, three and four bedroom dwellings, although there is a greater requirement for four bedroom homes than in the base scenario. A range of property sizes are required within the affordable sector, with two bedroom Affordable Rent homes the biggest individual requirement.



Source: Ribble Valley Strategic Housing Market Assessment, 2013

6.23 Figure 6.4 shows the results within the past trend job growth (adjusting the commuting balance sensitivity) scenario. The results indicate that some 78.5% of new housing should be market

accommodation, with 12.4% Affordable Rent, 4.9% social rent and 4.1% shared ownership. Three bedroom market accommodation is most commonly required. A range of size homes are required in the affordable tenures.



## 7. Policy implications of the results

### Introduction

- 7.1 Both the NPPF and the Practice Guidance are clear that the ultimate aim of a Strategic Housing Market Assessment is to provide robust evidence that will inform local housing strategy and planning policies. This report will set out a series of suggestions about possible policy responses in light of the findings of this SHMA, set in the context of the NPPF requirements.
- 7.2 In Ribble Valley the Core Strategy has been prepared and this report will provide up-to-date evidence to determine whether the housing policies set out within it are suitable. This final chapter will describe the housing related policies in the Core Strategy and determine whether they are supported by the evidence set out in this SHMA. There are three housing policies within the Core Strategy that are required to be reviewed; the size of the planned growth in dwellings across the Borough, the balance of new housing to be pursued and the amount of affordable housing required. Each of these will be appraised separately. The chapter also presents some further policy suggestions evidenced by this SHMA that do not relate to existing Core Strategy policies.

### Overall scale of housing growth

- 7.3 'Key Statement H1 – Housing Provision' of the Core Strategy states that it is intended that the dwelling stock will increase by approximately 4,000 dwellings over the 20-year period (2008 to 2028). This equates to an average annual increase of 200 homes per year. The Nathaniel Lichfield & Partners report identified that there is an Objectively Assessed Need for between 220 and 250 additional homes per year in Ribble Valley.
- 7.4 The Objectively Assessed Need constitutes the figure that the Council should seek to plan towards in accordance with the NPPF, but it does not constitute the housing target. The Council also has to take into account a range of other factors; including the availability of suitable sites for housing development, the number of vacant properties available to help meet future demand, the environmental impact of potential development, how future housing development will impact on other infrastructure and how it corresponds to other priorities in the Borough. The objectively assessed need therefore informs the total dwelling growth proposed, but does not determine it.
- 7.5 In addition the limitations to the projections indicate that they should not be used as the sole information source for determining a housing target as the CLG Quality Report indicates *"...these are demographic and trend-based only and do not take into account any policy changes that may affect actual household formation in future."*

- 7.6 Although a target of 200 dwellings per year can be justified based on practical constraints in the Borough and other imperatives, to better meet the objectively assessed need in Ribble Valley the Council could consider increasing their target toward the figure of 250 dwellings per year.

### **Market/affordable tenure split**

- 7.7 ‘Key Statement H1 – Affordable Housing’ indicates that 30% of new housing as affordable will be sought on all sites with 10 or more dwellings in Clitheroe and Longridge or 5 or more dwellings elsewhere in the Borough.
- 7.8 The level of housing need in the Borough, as set out in chapter 5, is very high at 404 affordable homes per year. This represents 202% of the total planned additional dwellings in the Borough each year, however this figure does not equal the number of new affordable units to be built. The need will be met through a wide range of sources – but particularly make better use of vacant, making better use of the existing stock and through the continued use of the benefit-supported private rented sector as ‘alternative affordable housing’.
- 7.9 The LTBHM model, based on the maximum Objectively Assessed Need of 250 new homes per year in Ribble Valley, indicates that around 30% of the housing required over the next 15 years in the Borough should be affordable. The LTBHM outputs show however that a lower proportion of new housing as affordable would be suitable if the number of new homes built each year was to increase, as this additional population relates to increased employment opportunities so would be more affluent; if 434 additional homes were added each year (and the associated economic growth occurred) then only 22.5% of these would need to be affordable.
- 7.10 This evidence suggests that the current target is appropriate, although if a significant number of new dwellings come forward on sites that are below the thresholds set out in the Core Strategy and are therefore not covered under the current policy, then the Council must provide other mechanisms to ensure that these smaller development also contribute to the overall market/affordable mix required across Ribble Valley.

### **Mix of housing required**

- 7.11 ‘Key Statement H2 – Housing Plan’ sets out that developments will only be permitted where it provides *‘a suitable mix of housing that accords with the projected future household requirements and local need across the Ribble Valley as a whole as evidenced by the Strategic Housing Market Assessment’*.

### ***Mix of affordable housing required***

- 7.12 Analysis of the affordability of households in need in Chapter 5 suggests that just 20% of households could afford Affordable Rented accommodation, with the vast majority of households in need requiring subsidy for any form of affordable accommodation. As Affordable Rent set at 70% market median

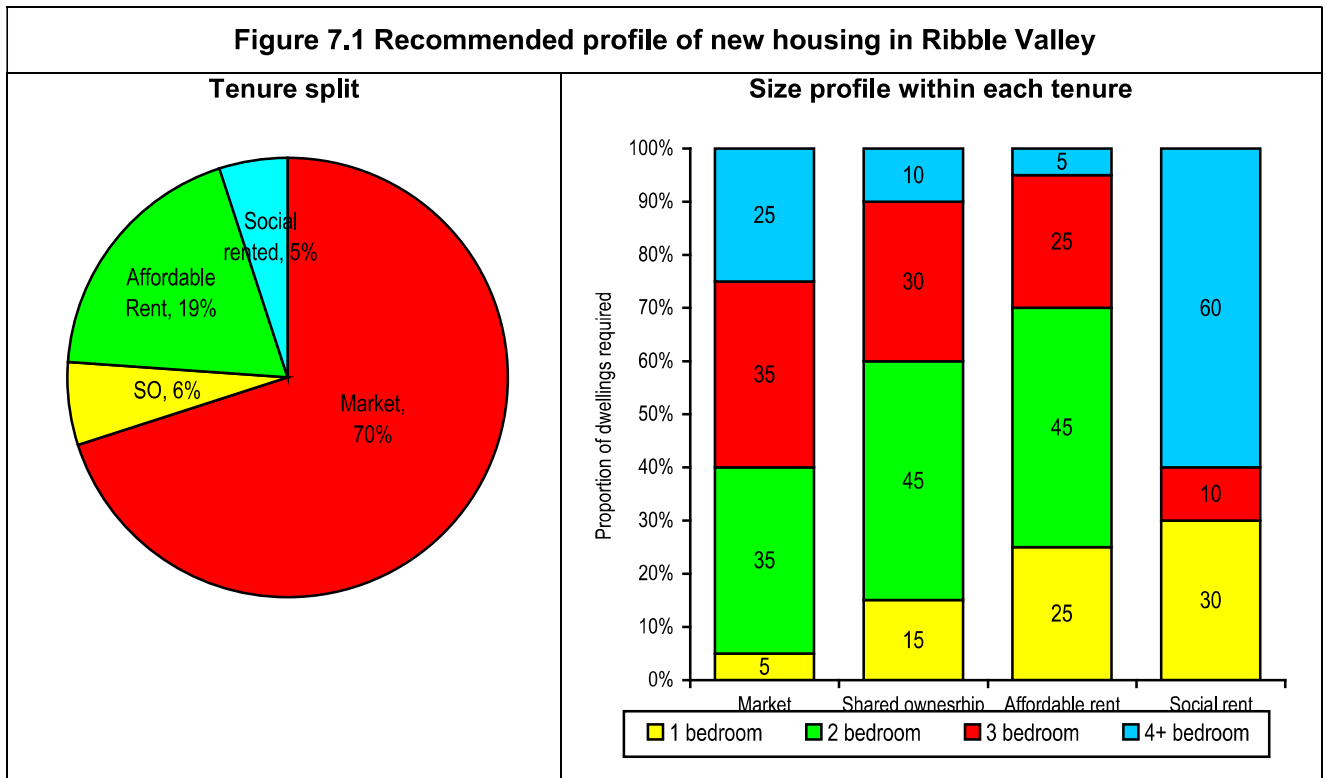
rents is below the LHA cap, it would be possible to house households requiring subsidy within this accommodation.

7.13 The LTBHM model based on the Objectively Assessed dwelling growth in the Borough, suggests that 61.3% of new affordable housing could be Affordable Rent, 20.8% shared ownership and 17.9% social rent. The larger proportional requirement for Affordable Rent within the LTBHM model reflects that in fifteen years households that can afford it, will be housed in the Affordable Rented sector, rather than resident in the social rented sector, as they are likely to be currently.

7.14 It is clear that there is latent potential demand for this form of accommodation and because of the low level of existing stock, new Affordable Rent accommodation should be a priority over the short-term. It is therefore recommended that the proportions set out in the LTBHM model base scenario (maximum Objectively Assessed Need) are pursued. This is just a recommendation; it is up to the Council to determine policy.

**Affordable and market dwelling size mix**

7.15 The LTBHM model provides considerable detail on the size of accommodation required within each tenure. The base scenario (maximum Objectively Assessed Need) outputs have been used to inform the recommended dwelling size mix within each tenure in Ribble Valley. These results are summarised in Figure 7.1 and can be used to assess the suitability of proposed new housing developments in Ribble Valley as indicated in the Core Strategy.



Source: Ribble Valley Strategic Housing Market Assessment, 2013

## **Other issues**

### ***Affordable Rent***

- 7.16 This is the new social tenure, set at 80% of median market rent, or lower if there is evidence to justify it. If the Affordable Rent were set at 80% of median market rent, it would be affordable for relatively few households in housing need. But if it were set at 70% of market rent, it would be affordable for 111 households in housing need each year.
- 7.17 Affordable Rent can be achieved either by newbuild or by conversion of social re-lets. The latter is obviously cheaper and can be used to cross-subsidise newbuild. It is up to the Council to choose the level that Affordable Rent is finally set at: there is a considerable range of evidence in the report, however the current cost of Affordable Rent in the Borough (set out in Table 4.7) seems to be appropriate, particularly as it is at a lower level relative to market costs for larger dwellings where the intermediate gap is greater.

### ***The SHMA as an ‘evidence base’***

- 7.18 These findings form part of the ‘evidence base’ for policy, but do not form policy in itself. It is a policy issue for the Council to decide what types of affordable housing to build. The Council will want to consider its priorities in the light of the evidence, but will not in any way be dictated by it. It is recommended that the outputs from this report should also be viewed alongside the latest other information on the Council’s housing and planning priorities.

# Glossary

## **Affordability**

A measure of whether households can access and sustain the cost of private sector housing. There are two main types of affordability measure: mortgage and rental. Mortgage affordability assesses whether households would be eligible for a mortgage; rental affordability measures whether a household can afford private rental. Mortgage affordability is based on standard lending multipliers (3.5 times income) and considers any capital the household may have (existing equity or savings) to discount from the purchase price of the home. Rental affordability is defined as the rent being less than a proportion of a household's gross income (25% of gross income is used as the baseline).

## **Affordable housing**

NPPF (National Planning Policy Framework) defines affordable housing as *'Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.'*

## **Affordable Rent**

NPPF defines Affordable Rent as *'housing that is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).'*

## **Annual need**

The combination of the net future need plus an allowance to deal progressively with part of the net current need.

## **Average**

The term 'average' when used in this report is taken to be a mean value, unless otherwise stated.

### **Bedroom standard**

The bedroom standard is calculated as follows: a separate bedroom is allocated to each co-habiting couple, any other person aged 21 or over, each pair of young persons aged 10-20 of the same sex, and each pair of children under 10 (regardless of sex). Unpaired young persons aged 10-20 are paired with a child under 10 of the same sex or, if possible, allocated a separate bedroom. Any remaining unpaired children under 10 are also allocated a separate bedroom. The calculated standard for the household is then compared with the actual number of bedrooms available for its sole use, to indicate deficiencies or excesses. Bedrooms include bed-sitters, box rooms and bedrooms which are identified as such by respondents, even though they may not be in use as such.

### **Concealed household**

A household that currently lives within another household, but has a preference to live independently and is unable to afford appropriate market housing.

### **Current need**

Households whose current housing circumstances at a point in time fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing, and homeless people living in temporary accommodation or sharing with others.

### **Disaggregation**

Breaking a numerical assessment of housing need and supply down, either in terms of size and/or type of housing unit, or in terms of geographical price market within Ribble Valley.

### **Financial capacity**

This is defined as household income+savings+equity (the value of the property owned by owner-occupiers, typically the family home, net of mortgage). This provides an indication, when put on a capital basis, of the amount which the household could afford to pay for housing. Since equity is now a substantial part of the overall financial capacity of the large fraction of owner-occupiers, it is essential to use this measure rather than the old price/income ratio to measure the activity of a housing market.

### **Forecast**

Either of housing needs or requirements is a prediction of numbers which would arise in future years based on a model of the determinants of those numbers and assumptions about (a) the behaviour of households and the market and (b) how the key determinants are likely to change. It involves understanding relationships and predicting behaviour in response to preferences and economic conditions.

### **Grossing-up**

Converting the numbers of actual responses in a social survey to an estimate of the number for the whole population. This normally involves dividing the expected number in a group by the number of responses in the survey.

### **Household**

One person living alone or a group of people who have the address as their only or main residence and who either share one meal a day or share a living room.

### **Household formation**

The process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households which form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year which did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs).

### **Household living within another household**

Is a household living as part of another household of which they are neither the head nor the partner of the head.

### **Households sharing**

Are households (including single people) who live in non-self-contained accommodation but do not share meals or a living room (e.g. 5 adults sharing a house like this, constitute 5 one-person households).

### **Housing market area**

The geographical area in which a substantial majority of the employed population both live and work, and where most of those changing home without changing employment choose to stay.

### **Housing need**

Housing need is defined as the number of households lacking their own housing, or living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some financial assistance.

### **Housing Register**

A database of all individuals or households who have applied to a local authority or RSL for a social tenancy or access to some other form of affordable housing. Housing registers, often called waiting lists, may include not only people with general needs, but people with support needs or requiring access because of special circumstances, including homelessness.

**Housing size**

Measured in terms of the number of bedrooms, habitable rooms or floor space. This report uses the number of bedrooms.

**Income**

Income means gross household income unless otherwise qualified

**Intermediate housing**

NPPF defines intermediate housing as *'homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.'*

**Lending multiplier**

The number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multiplier quoted is 3.5 times income.

**Lower quartile**

The value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one quarter of the way up the ranking from the cheapest to the most expensive.

**Mean**

The mean is the most common form of average used. It is calculated by dividing the sum of a distribution by the number of incidents in the distribution.

**Median**

The median is an alternative way of calculating the average. It is the middle value of the distribution when the distribution is sorted in ascending or descending order.

**Migration**

The movement of people between geographical areas, primarily defined in this context as the local authority Borough area. The rate of migration is usually measured as an annual number of households, living in Ribble Valley at a point in time, who are not resident in Ribble Valley one year earlier.

**Net need**

The difference between need and the expected supply of available affordable housing units (e.g. from the re-letting of existing social rented dwellings).

**Newly arising need**

New households which are expected to form over a period of time and are likely to require some form of assistance to gain suitable housing together with other existing households whose circumstances change over the period so as to place them in a situation of need (e.g. households losing accommodation because of loss of income, relationship breakdown, eviction, or some other emergency).

**Non-self contained accommodation**

Where households share a kitchen, bathroom or toilet with another household, or they share a hall or staircase that is needed to get from one part of their accommodation to another.

**Overcrowding**

An overcrowded dwelling is one which is below the bedroom standard (see 'Bedroom Standard' above).

**Primary data**

Information that is collected from a bespoke data collection exercise (e.g. surveys, focus groups or interviews) and analysed to produce a new set of findings.

**Potential households**

Adult individuals, couples or lone parent families living as part of other households of which they are neither the head, nor the partner of the head, and who need to live in their own separate accommodation, and/or are intending to move to separate accommodation rather than continuing to live with their 'host' household.

**Projection**

Either of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

**Random sample**

A sample in which each member of the population has an equal chance of selection.

**Re-lets**

Social rented housing units which are vacated during a period and become potentially available for letting to new tenants.

### **Rounding error**

Totals in tables may differ by small amounts (typically one) due to the fact that fractions have been added together differently. Thus a table total may say 2011, and if the individual cell figures are added the total may come to 2012. This is quite normal and is a result of the computer additions made. Figures should never be taken to be absolutely accurate. No such state exists. The figures in this document are robust estimates, not absolutely precise ones. The usual practice is to use the stated total (in the above case 2011) rather than the figure of 2012 to which the individual figures sum. That is because the total will have resulted from a rounding after all the fractions are taken fully into account.

### **Sample survey**

Collects information from a known proportion of a population, normally selected at random, in order to estimate the characteristics of the population as a whole.

### **Sampling frame**

The complete list of addresses or other population units within the survey area which are the subject of the survey.

### **Secondary data**

Existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

### **Shared ownership schemes**

Housing of which a proportion is available to buy (usually at market value). There is the option for the other part to be rented.

### **SHMA (Strategic Housing Market Assessment)**

SHMA derives from government guidance suggesting that the 'evidence base' required for the good planning of an area should be the product of a process rather than a technical exercise.

### **Social rented housing**

NPPF defines social rented housing as housing '*Social rented housing is owned by local authorities and private registered providers, for which guideline target rents are determined through the national rent regime.*'

**Stratified sample**

A sample where the population or area is divided into a number of separate sub-sectors ('strata') according to known characteristics based, for example, on sub-areas and applying a different sampling fraction to each sub-sector.

**Specialised housing**

Refers to housing that has been specially designed for a particular client group to meet their particular needs (such as accommodation that is accessible to people with a physical disability, extracare housing where care services are provided on site, hostels, refuges or group homes) or housing specifically designated for particular groups (such as older people, people with physical disabilities, learning difficulties or mental health issues). This is characterised as housing that includes special design features and/or access to support to assist people to live independently for as long as possible in their own home.

**Support needs**

Relating to people who have specific needs: such as those associated with a disability.

**Under-occupation**

An under-occupied dwelling is one which exceeds the bedroom standard by two or more bedrooms.

**Unsuitably housed households**

All circumstances where households are living in housing which is in some way unsuitable, whether because of its size, type, design, location, condition or cost. Households can have more than one reason for being in unsuitable housing, and so care should be taken in looking at the figures: a total figure is presented for households with one or more unsuitability reason, and also totals for the numbers with each reason.