



Housing Need Assessment and Affordable Rent Review

Prepared on behalf of

Five Berkshire Authorities

Bracknell Forest Council, Reading Borough
Council, Slough Borough Council, West Berkshire
District Council & Wokingham Borough Council

Final Report February 2012

DTZ
125 Old Broad Street
London
EC2N 2BQ

PRIVATE & CONFIDENTIAL
www.dtz.com

Contents

1	Introduction	3
1.1	Objectives	3
1.2	Approach	4
1.3	Report outline	6
2	Reading	7
2.1	Estimating Housing Need	7
2.2	Estimating the Cost of Renting	15
2.3	Analysis of Incomes and Affordability	16
2.4	Key points	19
3	Slough	21
3.1	Estimating Housing Need	21
3.2	Estimating the Cost of Renting	29
3.3	Analysis of Incomes and Affordability	30
3.4	Key points	34
4	West Berkshire	36
4.1	Estimating Housing Need	36
4.2	Estimating the Cost of Renting	44
4.3	Incomes and Affordability	45
4.4	Key Points and Policy Implications	49
5	Wokingham	52
5.1	Estimating Housing Need	52
5.2	Estimating the Cost of Renting	59
5.3	Incomes and Affordability	61
5.4	Key points	64
6	Bracknell Forest	66
6.1	Estimating the Cost of Renting	66
6.2	Incomes and Affordability	68
6.3	Key points	72

1 Introduction

1.1 Objectives

There are two key objectives in relation to this study. These are:

- To update the housing need assessment for 5 of the authorities to ensure that the authorities continue to have a robust evidence base for their Local Development Frameworks, housing strategies and other key policy documents.
- To take account of the government's new requirement that new affordable housing is provided as 'Affordable Rent' and the implications of this for those identified as in housing need within the five authorities.

A key requirement of PPS3 and the CLG's SHMA guidance is that SHMAs provide estimates of the level of need for affordable housing within the local authority area¹. DTZ undertook housing need assessments for the authorities in 2007 as part of the Berkshire SHMA. These assessments are now over 4 years old and reflect conditions pre-dating the economic and housing market downturn. Whilst updating these assessments is the priority for this work, in order for the updated housing need assessment to be robust it needs to take into account the changing nature of affordable housing supply, particularly the introduction of Affordable Rent.

Affordable Rent has been designed to provide landlords, primarily Registered Providers of affordable housing but also local authorities, with scope to increase rents on new lettings. It represents a shift from capital to revenue funding of affordable housing and it is broadly acknowledged that although short term savings will be made on grant, the Housing Benefit bill will rise as rents increase. Providers will also need to borrow more to fund development.

Landlords will also be able to offer Affordable Rent properties on flexible tenancies with a minimum of 2 years; although 5 year fixed tenancies are considered the default. At present, only those Providers in contracts with HCA are able to develop new Affordable Rented properties or convert existing stock to Affordable Rent. Like Social Rented housing, Affordable Rent is intended to be for people in housing need on local authority waiting lists. The stated aim is to 'develop a stock of affordable homes that better reflects the ability of households to afford them and to provide providers with greater funds which can be channelled back into new development.'

Government guidance states that Affordable Rents can be set at *up to* 80% of market rents. There is very little other guidance on how Affordable Rents should be determined. In Berkshire, the gap between social rents and market rents is relatively wide and so 80% of market rents would represent a very significant step up from social rents.

A key issue for authorities and for Registered Providers is what sort of people can be housed in the new Affordable Rent homes, taking account of their incomes and access to benefits. It might be that a significant number of those in housing need might not be able to afford rents set at an 80% of market levels. There may be a need, as in London, to focus on seeking RPs and the HCA to agree to rents being set at below the 80% level. Then again it may be that Affordable Rent can be targeted at those that can afford the rents; and some strain taken off the demand for social rented housing.

¹ PPS3 will be replaced by the National Planning Policy Framework which is currently under consultation. The NPPF, as currently drafted, takes forward the principles in PPS3 and states that local authorities should meet demand and need in their areas.

1.2 Approach

The analysis in this report consists of three stages which includes a repeat of the housing need assessment undertaken for the five local authorities in 2007 as part of the Berkshire SHMA:

- Estimating the level of housing need
- Calculating market and affordable rents
- Analysing the incomes levels of those in housing need and the affordability of different rents

The approach to this analysis and the key sources of information used is summarised below. Specific sources and assumptions are described in the section relating to each local authority.

Estimating the level of housing need within each local authority area

The inputs in the housing need assessment are based on a variety of data sources which, in most cases, represent **actual** numbers and the real circumstances of individual households who have approached the local authority and housing associations for assistance regarding their housing situation². DTZ has also used projections based on historic trends to estimate the extent to which households will fall into need in the future. This approach reflects the objective of the CLG SHMA guidance to undertake housing needs assessment using secondary data as far as possible.

There are three main stages in the assessment of housing need:

- Current need (often referred to as the backlog of housing need). Current need comprises three main groups of households:
 - Current occupiers of affordable housing in need i.e. existing tenants in need
 - Households from other tenures in need – predominately the private rented sector
 - Households without self-contained accommodation i.e. homeless households and households living with family/friends or multi-adult households sharing facilities.

Current need is established using each Council's waiting list and including only those households where housing need can be identified.

- Newly arising need, which considers the number of new and existing households who are likely to fall into housing need in the future. This stage of the assessment is based upon:
 - New household formation and the proportion of newly forming households unable to rent in the market
 - Existing households falling into need

Newly arising need is estimated by using household projections, the affordability of private rents and the number of new households joining Council waiting lists each year.

- Supply of affordable homes to meet need, which seeks to establish the level of supply available to offset need and takes into account:
 - The number of units that will become available when existing tenants are re-housed (transfers within the social rented stock)
 - Re-lets within the existing stock

² As at August 2011 for each authority with the exception of Slough where data relates to March 2011 (year end)

- Any surplus social rented units e.g. long term vacant property
- Any units that will be taken out of management e.g. demolitions, disposals
- Supply of new affordable homes each year through new build.

These components are taken together in order to estimate the shortfall of affordable housing in order to meet identified needs. It is important to note that this shortfall is an estimate which is sensitive to a number of assumptions about the future. In the 2007 Berkshire SHMA, a range of estimates were produced to demonstrate how the level of housing need might vary depending on household growth and new supply. This assessment provides updated baseline estimates, though it would be possible to test under different future scenarios by varying key assumptions.

Calculating market and affordable rents

In order to examine how far households in need or existing social rented tenants could afford tenures other than social rent, it is necessary to calculate Affordable Rent and market rent levels. Affordable Rents are defined as up to 80% of market rents. We have used data on rents available through Rightmove and cross checked these with local agents. Given that advertised market rents are 'asking rents' they may not reflect achieved levels if tenants are able to negotiate with the agent or landlord. For most authorities, we have discounted these asking rents by 10% to provide an estimate of achieved levels. This may be too large a discount in some cases and in more robust markets it may not be possible to achieve a discount at all. For this reason, in consultation with the Council in West Berkshire we have not applied a discount. We have used mean average market rents as the basis for establishing levels of Affordable Rent within each authority. Our analysis suggests that the median and mean average rents are similar in any case. The starting point is 80% of market rents with 10% incremental reductions (70%, 60% etc) to give a sliding scale of rental costs to compare against the incomes identified in the next task.

Analysis of incomes and affordability

Using the Affordable Rents established above, we have calculated the income a household will require to rent affordably. DTZ has used the threshold of 33% of *gross* household incomes to calculate the affordability of various housing tenures. This is consistent with the CLG's SHMA guidance although in practice many low income households spend more than 33% of their income on rent.

The study analyses the incomes of those in need (where available) and then the affordability of different options for those households. The extent to which this analysis can be achieved depends on the information recorded by each local authority's waiting list. This is relevant now because of the proposed introduction of Affordable Rent, with the stated aim of giving landlords more flexibility to vary rents.

The focus of the analysis is on households in housing need and how far they might be able to afford Affordable Rents, depending on the cost. However, there are a significant number of households living in social rented accommodation in Berkshire who are not on the Council's waiting list. Some of these households may be able to afford more than a social rent, perhaps because their incomes have increased since they were first housed, or because affordable options, other than social rent, were not available at the time.

The assessment also draws on data from Catalyst (Local HomeBuy Agent for Berkshire) on intermediate housing demand within the five authorities. This information provides evidence on the tenure, type and size preferences of intermediate households, the extent to which those interested can actually afford intermediate options and the extent of overlap with local authority waiting lists.

It is increasingly important for the Councils to understand how far their tenants, or the tenants of housing associations within Berkshire, might be able to afford Affordable Rent (or indeed low cost home ownership, private rents or even home ownership). Whilst many of these households will have secure tenancies, some may be willing and able to move from their social rented home into an Affordable Rented property if it offers them, for example, a better location, a more suitable property, more space etc. This would then allow the Councils to free up social rented accommodation for those in priority need who can only afford low rents.

1.3 Report outline

Each section of this report provides a separate assessment for each local authority. This allows the five Councils to use their own self contained section to make available as information or evidence to support their own policies and strategies.

- Section 2: Reading
- Section 3: Slough
- Section 4: West Berkshire
- Section 5: Wokingham
- Section 6: Bracknell – this does not include an updated housing need assessment since an update was undertaken earlier in the year as part of a Bracknell specific housing market assessment.

2 Reading

This section demonstrates the broad scale and nature of housing need within Reading. DTZ has repeated the housing need assessment which was undertaken for Reading and the other Berkshire authorities as part of the Berkshire SHMA (2007). A consistent approach has been followed and key assumptions and inputs are explained in more detail below.

2.1 Estimating Housing Need

Figure 2.1 summarises the assessment and suggests there is a need for an additional 932 affordable homes each year to address current and newly arising housing need within the Borough.

Figure 2.1: Housing Need Assessment Update

READING HOUSING NEED ESTIMATE	
Stage and Step in Calculation	Estimate
STAGE 1: CURRENT NEED	
1.1 Current Occupiers of affordable housing in need	1,119
1.2 <i>plus</i> households from other tenures in housing need	54
1.3 <i>plus</i> Households without self-contained accommodation	3,244
1.4 <i>equals</i> Total current housing need (gross) (1.1 + 1.2 + 1.3)	4,417
1.5 <i>times</i> annual quota for the reduction of current need	20%
1.6 <i>equals</i> annual requirement of units to reduce current need (2.6 x 2.7)	883
STAGE 2: NEWLY ARISING NEED	
2.1 New household formation (per year)	570
2.2 <i>times</i> proportion of new households unable to rent in the market	57%
2.3 <i>plus</i> existing households falling into need	429
2.4 <i>equals</i> Total newly arising need per year (2.1 x 2.2) + 2.3	754
STAGE 3: SUPPLY OF AFFORDABLE HOUSING	
3.1 Current occupiers of affordable housing	224
3.2 <i>plus</i> annual Supply of social re-lets (net)	264
3.3 <i>plus</i> annual supply of intermediate housing available for re-let or re-sale at sub market levels	26
3.4 <i>plus</i> surplus stock	0
3.5 <i>plus</i> committed supply of new affordable units (per annum)	191
3.6 <i>minus</i> units to be taken out of management	0
3.7 <i>equals</i> annual supply of affordable units (3.1 + 3.2 + 3.3 + 3.4 + 3.5 - 3.6)	705
NET SHORTFALL (OR SURPLUS) OF AFFORDABLE UNITS PER ANNUM	
Overall shortfall (or surplus) (1.6 + 2.4 – 3.7) per annum	932

Note that Figure 2.1 includes supply from the future delivery of **new** affordable home of almost 200 units each year. This is uncertain and if this level of supply was not forthcoming the overall shortfall of affordable housing within the Borough would rise.

Approach to the Housing Need Assessment

The inputs in this assessment are based on a variety of data sources which, in most cases, represent **actual** numbers and the real circumstances of individual households who have approached Reading Borough

Council and housing associations in Reading for assistance regarding their housing situation³. DTZ has also used projections based on historic trends. This approach reflects the objective of the CLG SHMA guidance to undertake housing needs assessment using secondary data as far as possible.

There are three main stages in the assessment of housing need, which are explained in the rest of this section:

- Current need (often referred to as the backlog of housing need)
- Newly arising need
- Supply of affordable homes to meet need

Current Need (Backlog)

Stage 1 of the assessment considers the number of existing and hidden households who are currently in housing need. Current need comprises three main groups of households:

- Current occupiers of affordable housing in need i.e. existing tenants in need
- Households from other tenures in need – predominately living in the private rented sector
- Households without self-contained accommodation i.e. homeless households and households living with family/friends temporarily or multi-adult households sharing facilities.

There are 8,574 households registered on the Reading housing waiting list which represents around 14% of all households within the Borough.

However, the estimate set out in Figure 2.1 includes only those applicant households whose circumstances fall within the housing need criteria set out in Table 5.1 of the CLG guidance i.e. households who are:

- Homeless or have insecurity of tenure
- Overcrowded
- Living in property too difficult to maintain
- Living in accommodation where they lack/share facilities such as a kitchen and/or bathroom
- Living in unsuitable dwellings without the means to repair or adapt
- In social need due to harassment or threats of harassment which cannot be resolved except through a move.

Reading's housing waiting list allocates applicants to Bands according to their needs. Bands A to E contain households experiencing the needs described above, with Band A being most acute and covering urgent homeless cases. Band F (4,211 households) has been excluded from the need assessment because these applicants do not have a clear priority need or they are able to meet their needs in the market on the basis of their financial resources. There will also be a small proportion of applicants in Bands A-E who have been included in the HNA but who have sufficient incomes to afford to rent in the open market.⁴ We have been unable to extract data on the incomes of those in need although this information is collected as part of the application process. If we were able to extract this data and exclude those households who may be able to

³ As at the end of August 2011

⁴ In DTZ's experience around 5-10% of households in housing need actually have sufficient incomes to afford market rents. This does not take into account whether their wider financial circumstances would prevent them from accessing market housing.

afford to rent in the market this would reduce the backlog of housing need. However, it is only likely to have a marginal effect on the overall shortfall.

Figure 2.1 shows that in total there are 4,417 current applicants who fall into Bands A, B, C, D and E and are therefore in housing need. These households have been included in this assessment. Figure 2.1 breaks this figure down:

- 1,119 are existing social rented tenants in need of a transfer
- 54 are homeless households in acute need - an unequivocal indicator of housing need within Reading
- 3,244 are households from other tenures in housing need (predominately the private rented sector or sharing with other households)

The need assessment assumes that this backlog of households in need will be addressed over a 5 year period. This equates to an annual backlog of 883 households.

Stage 2: Newly Arising Need

Stage 2 of the housing needs assessment considers the number of new and existing households who are likely to fall into housing need in the future. This stage of the assessment is based upon:

- New household formation and the proportion of those households unable to rent in the market
- Existing households falling into need

The projected level of household growth in Reading is based on the assumption that 5,720 new homes will be delivered in the period 2011-2016 (as set out in the adopted Core Strategy). This equates to 570 dwellings per annum and this is the level at which we assume household growth will take place. Given the uncertainties around future dwelling provision and indeed economic growth and migration patterns, household growth could be higher or lower than projected.

The assessment then estimates the number of these new households unable to afford to rent in the market place. The guidance recommends that the approach taken here is based on a comparison of minimum incomes required to access market housing against the distribution of incomes for **newly** forming households. However, while data on the distribution of incomes amongst the general household population is available, it is only possible to estimate the incomes of **newly forming** households. DTZ has used CACI household income data to provide the proportion of households unable to afford to *rent* market housing in Reading.⁵

In Reading the household income threshold required to rent a two bedroom property is £34,000 per annum. DTZ has used 2 bedroom properties as a proxy for the affordability of rented homes to new households. In practice, some will need smaller homes and some larger. It is important to note that the incomes of new households are significantly lower than households as a whole.⁶ However, in the absence of specific evidence on the incomes of new households in Reading, we have used data for households as a whole. This means that around 57% of households are unable to afford to rent in the open market. Combining estimates of household growth with the proportion of households unable to rent in the open market equates to 274 new households falling into need each year.

This component of newly arising need has been calculated differently to the 2007 SHMA. In the 2007 assessment, newly arising need was estimated on the basis of the proportion of households who could not

⁵ The CACI income data relates to 2006 households incomes (which was used in the original SHMA).

⁶ The Berkshire SHMA demonstrated that the incomes of new households are on average around two thirds of the incomes of households as a whole.

afford to buy in the open market, as well as those who could not afford to rent. In this assessment, we have only included new households unable to rent since these households have fewer options. Those unable to buy but able to rent could meet their own needs in the private rented sector and may also be eligible for intermediate housing options. This means that the housing need shortfall identified in this Housing Need Assessment largely excludes intermediate households. Demand for intermediate housing is considered separately, using data from the Local HomeBuy Agent (Catalyst).

The second component of the estimate of newly arising need is the number of *existing* households falling into need. The CLG guidance considers that this should be estimated by the net average number of households joining housing registers each year, i.e. the gross number of new applicants adjusted to reflect those applicants who are in need. We have used the average figure for the last 5 years. We assume around 52% of new applicants are registered in Bands A-E (and can demonstrate housing need). We have excluded new applicants falling into Band F. This equates to 429 households falling into need each year.

It is important to highlight that the housing need assessment is sensitive to assumptions about newly arising need. This element of the assessment is uncertain as it relies on projections of future household growth and assumptions about affordability. In practice, many of these households will be unable to form because they cannot afford to live independently and some will be forced to live in unsuitable or overcrowded conditions. Furthermore, the approach set out in the CLG guidance is likely to result in the double counting of newly arising need. New households falling into need and those newly registering on the waiting list will overlap to some extent. If just one of these inputs was used, rather than both, this would reduce the shortfall substantially but the shortfall would still exceed Reading's overall housing allocation for the next 5 years.

Stage 3: Affordable Housing Supply to Offset Need

Stage 3 in the assessment seeks to establish the level of supply available to offset need and takes into account:

- The number of units that will become available when existing tenants are re-housed (transfers within the social rented stock)
- Re-lets within the existing stock
- Re-lets and re-sales of intermediate homes
- Any surplus social rented units e.g. long term vacant property
- Any units that will be taken out of management e.g. demolitions, disposals.

The rate at which transfer applicants are re-housed varies depends on turnover rates, allocation policies and the priority afforded to different categories of applicants. The assumption set out in the CLG guidance has been adopted. This assumes that those existing tenants (transfer applicants) in housing need identified in Stage 1 of the assessment will be re-housed and will therefore create a vacancy for another household in need (thus having a nil effect on the overall housing need figures). In Reading, 224 dwellings will become available when existing tenants on the transfer list are re-housed each year.

The annual supply of social rented re-lets is based on past trends and excludes lets to transfers. This provides a net annual supply figure for social rented stock. In Reading, local authority and housing association re-lets taken together, excluding transfers, give an estimated supply of 264 rented units per annum.

The latest figure on vacant social rented dwellings within Reading across both local authority and RSL stock is 199 units (CLG vacant dwellings statistics 2010) which represents less than 2% of the social rented stock. The CLG guidance states that '*a certain level of voids is normal and allows for transfers and works on properties. However, if the rate is in excess of approximately 3 per cent and properties are vacant for*

*considerable periods of time, these should be counted as surplus stock.*⁷ Voids within Reading are therefore not considered as part of the available supply.

The assessment also includes an estimate of the number of intermediate tenure units becoming available for re-let each year using data provided by Catalyst (Local HomeBuy Agent for Berkshire).

Future Supply of Affordable Housing

DTZ has estimated future affordable housing supply in Reading at an average of 191 new affordable homes each year, over the next 5 years. This estimate is based on past delivery rates and is cross checked with future allocations. As this assessment is designed to inform and support affordable housing policies it would be justifiable to exclude assumptions about the future supply of affordable homes. Nevertheless, this figure has been included in the assessment of supply and has the effect of reducing the shortfall in Reading. When estimates of future supply are excluded the shortfall rises from 932 to 1,123 per annum.

The Shortfall of Affordable Housing

The assessment suggests that there is an annual shortfall of 932 affordable homes per annum within Reading. This shortfall is almost double the level of housing to be delivered in the Borough over the next 5 years, as set out in Reading's Core Strategy. Over half of the shortfall is due to the significant backlog of - households in need on Reading's waiting list. We have assumed that this backlog will be addressed over 5 years, though the scale of housing need suggests that a longer period may be more realistic.

Size Requirements for Social Rented Homes

The housing need assessment has identified more need than can be addressed through new affordable housing development. This means that Reading Borough Council need to continue to prioritise who they assist. The type, size and tenure of housing to address these priority needs may well be different to the generality of need identified. For example, households with children living in overcrowded conditions are likely to be a high priority for housing on Reading's waiting list and this implies the need for family type accommodation. This contrasts to the need implied by looking at the generality of households on the waiting lists who need a 1 bed property.

In reality, even those households judged to need a 1 bed property may prefer a larger home but given the shortage of affordable housing, local authority allocation policies will provide households with only their minimum requirements. This means that households identified on waiting lists as needing a 1 bed property include couples, as well as single people. Many of these younger couples may go on to start a family and will therefore need re-housing in the short term.

Similarly, households containing two young children may be allocated a home with just two bedrooms, with the expectation that the children can share a bedroom. In contrast, in the market sector households may be able to choose more space to allow for the expansion of their household or to provide space for other activities, visitors etc.

In examining the size requirements of those identified as in housing need it is important to keep this rationing process in mind. Furthermore, small properties become available for re-let most frequently in Reading (as in most authority areas), both because they are more numerous and also because households living in these properties are more likely to move for the reasons discussed above. Similarly, larger properties are less numerous and are more likely to have been sold through Right to Buy, and households living in larger homes are less likely to move, having reached the 'top' of the housing ladder.

7 Step 3.2, Chapter 5, CLG (March 2007) Strategic Housing Market Assessments – Practice Guidance

Figure 2.2: Number of Households Requiring Different Sized Properties by Band

	Number of Bedrooms					Total
	1	2	3	4	5	
Number of households	4,280	2,740	1,120	250	60	8,470
Percentage	51%	32%	13%	3%	1%	100%

Source: Reading Borough Council

Overall, just over half of households on Reading's waiting list require a one bedroom property (Figure 2.2). 17% of households need a 3 bedroom home or larger. Figure 2.3 shows that the pattern of re-lets broadly mirrors the profile of need although this does not take into account the needs of households in highest priority, which may be different to the overall waiting list population.

Figure 2.3: Number of Properties Available for Re-let by Size

	Number of Bedrooms			Total
	1	2	3+	
Number of households	190	150	60	390
Percentage	47%	38%	15%	100%

Source: Reading Borough Council

Intermediate Housing Demand

Whilst the housing need assessment captures a small proportion of households who might be able to afford to access intermediate housing products the vast majority of households will need subsidised rented accommodation (or support to access the private rented sector through Housing Benefit). Nevertheless, there is a significant number of additional households who live within Reading who are interested in accessing intermediate housing products. These households are largely unable to access home ownership and to some extent the private rented sector, on the basis of their incomes.

Catalyst Housing Group is the Local HomeBuy Agent which covers Reading and surrounding authority areas. Catalyst keeps a register of households who are actively interested in intermediate housing options. To be eligible, households must have incomes of less than £60,000.

The data in this section relates to households on Catalyst's register who live within Reading. We have filtered out those households who work but do not live in Reading and those who live or work in adjacent authority areas. This means that in practice there is a wider range of households who may access intermediate homes within the Borough. But it is also the case that some of those households who live in Reading may access intermediate homes outside of the Borough.

Figure 2.4 shows that there is substantial interest in intermediate affordable housing amongst households within Reading. 1,240 households who live within Reading are actively interested in accessing such products. The majority of these households are single or couple households without children but there is representation from all household groups, including families who are unable to access the size of homes they require either to buy or rent.

Figure 2.4 illustrates that the majority of these households are small, containing either one or two people. The minimum number of bedrooms these households are likely to require is estimated in Figure 2.4 but in practice many of these households would prefer a larger property and it is important to keep in mind that many of these households can afford to rent in the private sector and therefore have a choice in the housing market.

Figure 2.4: Intermediate Households by Household Size in Reading

Household Size	Number	Estimated Minimum Bedrooms Required	%
1 person	470	1	38%
2 people	450	1 or 2	36%
3 people	190	2	15%
4+ people	140	3	11%
Total	1,240		100%

Source: Catalyst Housing Group (figures rounded to nearest 10 and may not sum)

The largest group of households interested in intermediate products are currently living with friends or family or within the private rented sector (Figure 2.5). This confirms that there is significant overlap between the private rented sector and intermediate sector. There is a small proportion of households who currently live within the social rented sector. This indicates that there is potential for targeting products at these households, with the benefit that this could release social rented homes for those in priority need.

Figure 2.5: Tenure of Households Interested in Intermediate Products

Tenure	Number	%
Private Rented Sector	610	49%
Living with Family/ Friends	390	31%
Social Rented Sector	130	10%
Owner occupation	0	0%
Shared ownership	4	0%
Other	130	10%
Total	1,240	100%

Source: Catalyst Housing Group (figures rounded to nearest 10 and may not sum due to rounding)

Many intermediate households are able to access the private rented sector and this sector has been meeting the needs of this intermediate market for many years. Data from Catalyst suggests that around half of those interested in intermediate affordable housing can afford to access a suitably sized property within the private rented sector. However, lower quartile house prices at the end of 2010 were £165,000 in Reading, with the income required to buy a property on the open market around £49,500⁸. Therefore, few intermediate households can afford to buy in the open market. Even those with sufficient sized household incomes (of £50,000 or more) are unable to access ownership because of insufficient savings to afford a deposit. There are 83 households who would have sufficient incomes to purchase a lower quartile property but only 5 of these have sufficient savings for a deposit.

In 2008 the Government introduced intermediate rental products (Rent to HomeBuy and Intermediate Market Rent) which give households up to a 20% discount on market rents. The same eligibility criteria used for Low Cost Home Ownership has been applied to these products and so in practice they have been aimed at and accessed by households on the margins of home ownership rather than those on the margins of private renting or those in housing need on Council waiting lists.

The majority of intermediate applicants in Reading do not have savings sufficient for a deposit. The implication being that these households may also be unable to access low cost home ownership given

⁸ This assumes that the household can borrow 3 times their income and has a deposit of at least 10% of the purchase price

lenders' current criteria. Currently, the only option for these households is to access Rent to HomeBuy products, which would allow the household a period of time to save for a deposit whilst benefiting from a subsidised rent.

Figure 2.6: Household Incomes of Intermediate Households

Household Income	Number	%
Less than £10,000	70	5%
£10-20,000	200	16%
£20-30,000	500	40%
£30-40,000	250	20%
£40-50,000	150	12%
£50-60,000	70	6%
Total	1,240	100%

Source: Catalyst Housing Group

Based on the analysis of the incomes of those on the intermediate list, the introduction of Affordable Rent could be used to meet the needs of these households. Those who have indicated interest in intermediate products by and large have sufficient incomes to afford rents at 80% of market value.

There are also 131 households on the intermediate list who currently occupy social rented homes (Figure 2.7). Some of these households have incomes which would be sufficient for Affordable Rent (at 80% of market rents) or even open market rents. This suggests that there are existing tenants within the social rented sector who are able to access other tenures and offer the potential to free up social rented homes for those on lower incomes. However, these households may not be willing to give up a secure tenancy and the local authority or housing association cannot require them to move into a different tenure.

Figure 2.7: Households Interested in Intermediate Affordable Housing Currently Occupying Social Rented Homes

	1 person (1 bed)	2 person (min 1 bed)	3 person (min 2 bed)	4 person + (min 3 bed)	Total
Social Rented Tenants	27	35	23	46	131
Could afford Affordable rent (at 80% market rent)	20	25	13	26	84
Could afford market rent (for household size)	14	17	9	13	53
Could afford LQ property (income + deposit)	0	0	0	0	0

Source: Catalyst Housing Group. Note: there are 9 households who have sufficient incomes but do not have sufficient savings for a deposit to afford to buy a LQ property.

Intermediate Housing Supply

Over the last 5 years, around 110 intermediate homes have been delivered in Reading each year.⁹ The majority of these have been low cost home ownership products. In the last 5 years, the supply of intermediate homes has exceeded the supply of new social rented dwellings, which has averaged around 70 dwellings per annum.¹⁰ It is difficult to directly compare the shortfall from the HNA with the number of households on the intermediate list. The vast majority of the latter group are not in housing need and most could afford to rent in the open market, though they are by and large excluded from home ownership.

⁹ Data from Reading Borough Council – there have been an additional 40 households helped into homeownership each year through market homebuy or firstbuy

¹⁰ There were 100 extra care rented units delivered in 2011/12 in addition to general needs social rented homes

However, given the scale of demand for intermediate products (around 1,240 households actively interested) compared to the much more significant scale of need for subsidised rented accommodation, the intermediate sector appears to have been well catered for in recent years. Albeit, there is a much wider group within the population who are eligible for intermediate products and therefore significant potential demand. However, it is also important to note that the supply of intermediate products also reflects considerations of viability and tenure mix on specific sites.

2.2 Estimating the Cost of Renting

Figure 2.8 presents average market rents for different property sizes within Reading. As set out in the introduction to this report, market rents have been established by surveying asking rents within Reading and reducing these by 10% to reflect likely achieved rents. We have applied this discount so as not to over-estimate achieved rents within Reading, recognising that some tenants negotiate on asking rents. This is more likely to be the case in Reading which has a large supply of rental properties and where there is perhaps more competitive pressure on prices. However, it is also worth noting that those tenants accessing properties at the lower end of the market may have less leverage in negotiating down the asking rent because there are fewer properties within their price range. Rents are based on data from October 2011.

Figure 2.8: Market Rents, Reading

Number of bedrooms	Average	Lowest Rent	Highest Rent
1 (includes studios)	£700	£310	£990
2	£960	£610	£2,500
3	£1,000	£700	£2,250
4	£1,060	£765	£2,250
5+	£1,230	£830	£3,420

Source: Rightmove asking rents discounted by 10% to reflect achieved levels

In Reading, average rents for a 1 bedroom property are £700 per month. However, there are a large number of properties available at a cheaper rent, the lowest being £310 per month and at the other end of the spectrum rents for some 1 bedroom properties are as high as £990 per month. House shares have been excluded from these figures as have properties with specific eligibility criteria eg retirement flats. The average figures for 1 and 2 bedroom properties are affected by a significant number of higher end flats within the Borough. These average market rents have been used to estimate the level of Affordable Rent within the Borough if this is set by reference to market rents (see Figures 2.9-2.10). It is worth noting that Local Housing Allowance rates for Reading are as follows:

	1 bed	2 bed	3 bed	4 bed	Shared Room
Maximum amount per month	£625	£795	£895	£1,300	£320

Source: Directgov website

This shows that Housing Benefit (LHA rates) is insufficient to cover the full market rent of properties within Reading. The Affordable Rents presented in Figure 2.9 would be accessible to households receiving the full Local Housing Allowance within Reading since these rents fall below the maximum levels which can be claimed in the Borough.

It is important to note that if Affordable Rents are set in relation to average market rents, there will still be properties available in Reading that are cheaper in the open market than Affordable Rented properties because of the large number of rental properties available at the lower priced end of the market. Albeit, Affordable Rented homes may offer better quality accommodation in different locations to that available at the lower end of the private rented sector. They will also offer more secure tenancies than available in the private rented sector.

Figure 2.9: Affordable Rents (@80% of market rents), Reading

Number of bedrooms	Based on Average Market Rents	Based on Lowest Priced Market Rents
1	£560	£250
2	£770	£490
3	£800	£560
4	£850	£610
5+	£980	£660

Source: DTZ, based on market rents.

Figure 2.10: Affordable Rents (@70% of market rents), Reading

Number of bedrooms	Based on Average Market Rents	Based on Lowest Priced Market Rents
1	£490	£210
2	£670	£430
3	£700	£490
4	£740	£540
5+	£860	£580

Source: DTZ, based on market rents.

2.3 Analysis of Incomes and Affordability

Using the rental levels set out above, Figures 2.11-2.12 calculate the annual income a household would need to be able to rent affordably. This calculation assumes that households spend no more than 33% of their gross income on rental costs.

Figure 2.11 shows that, in the Borough as a whole, the income required to access average market rents starts at £25,300 per annum. This would allow the household to afford an average priced 1 bedroom property. If a household is able to access a lower priced property, it might be possible for those on incomes of £11,000 or more to afford a market rent. The income required to afford an average priced 2 bedroom property is over £34,600, rising to £35,900 for a 3 bed and £38,200 for a 4 bed property.

Figure 2.11: Income Required to Afford Market Rents, Reading

Number of bedrooms	Based on Average Market Rent	Based on Lowest Market Rent
1	£25,300	£11,000
2	£34,600	£21,900
3	£35,900	£25,100
4	£38,200	£27,500
5+	£44,200	£30,000

Source: DTZ

Affordable Rents set at 80% of market rents would allow those with incomes over £20,000 to access a 1 bedroom property. Those with modest incomes of between £20-30,000 could access most sizes of properties within the Borough under Affordable Rent.

Figure 2.12: Income Required to Afford Affordable Rents (at 80% of market rents) in Reading

Number of bedrooms	Based on Average Market Rent	Based on Lowest Market Rent
1	£20,200	£8,800
2	£27,700	£17,500
3	£28,700	£20,100
4	£30,600	£22,000
5+	£35,400	£24,000

Source: DTZ

Figure 2.13: Income Required to Afford Affordable Rents (at 70% of market rents) in Reading

Number of bedrooms	Based on Average Market Rent	Based on Lowest Market Rent
1	£17,690	£7,711
2	£24,222	£15,309
3	£25,129	£17,577
4	£26,762	£19,278
5+	£30,958	£20,979

Source: DTZ

Figure 2.11 demonstrates that households on low and modest incomes are able to access open market rents at the cheaper end of the rental market. Affordable Rents set at 80% of average market levels would overlap and effectively compete with this market.

Data on the incomes of those on Reading's waiting list was not available in the time frame for this study so it is only possible to make broad estimates of the extent to which households within the Borough, and specifically households in housing need, could afford Affordable Rent. DTZ has examined income data for all households in Reading (used in the Berkshire SHMA 2006), the English Housing Survey (2010) which includes data on the incomes of households in different tenures and the latest CORE lettings report for Reading (2010/11) which provides information on the net incomes of new tenants.

The household incomes of Reading residents (modelled in 2006 by CACI) are presented in Figure 2.14. Similar figures for England as a whole are presented in the 3rd column, using English Housing Survey data from 2010. This shows that, on average, Reading has fewer households in the lower income bands than England as a whole and this is consistent with the pattern of earnings and incomes in the South East.

This data suggests 26% of Reading households have incomes of less than £20,000 – less than the income needed to afford a one bedroom property (with the income required being around £25,000). A further 21% have incomes lower than £30,000 which would prevent most of these households from accessing a two bedroom rented property on the open market (with the income needed being around £34,000). Based on this data, DTZ estimates that Affordable Rents (set at 80% of market levels) would allow an additional 10-20% of households to afford a rented property. This is based on the fact that those in the £20-30,000 income bracket are currently priced out of the market but Affordable Rent (at 80% of market rents) would make renting most property sizes affordable to this group of households. If Affordable Rents were set at 70% of average market rents, this could assist up to a further 10% of households to access Affordable Rents, though this would only make 1 bedroom properties affordable to this income group.

Figure 2.14: Households Incomes in Reading

	Reading (2006) (All households)	England (2010) (All Households)	England (2010) (Social Rented Households)
<£5,000	3%	2%	6.6
£5,000-£10,000	5%	13%	30.5
£10,000-£15,000	8%	15%	26.6
£15,000-£20,000	10%	11%	13.1
£20,000-£30,000	21%	18%	14.2
£30,000-£40,000	17%	14%	5.9
£40,000-£50,000	12%	10%	2
>£50,000	23%	19%	1.3
Total	100%	100%	100%

Source: Berkshire SHMA 2007 (CACI income data); English Housing Survey 2010

However, the incomes of new households, those in social rented accommodation and those in housing need are lower than the household population as a whole. Figure 2.13 shows that, in England, the majority (77%) of households in social rented accommodation have incomes of less than £20,000 per annum. If the incomes of social rented tenants in Reading are similar to those in England as a whole there are up to 13% of households in the £15-20,000 income bracket who may be able to rent a 1 bedroom property affordably under Affordable Rents set at 70% of market levels. These households are currently priced out of the private rental market.

It is difficult to tell how far Affordable Rents would be accessible to social rented tenants without knowing the size of home they need and whether Affordable Rent would bring this within their reach. Less than 10% of households in social rented accommodation have incomes of £30,000 or more (Figure 2.14). If this holds true in Reading it would suggest that fewer than 10% of these households could afford a property with two or more bedrooms on the open market (which require an income in the region of £34,000 plus). In practice, around half of those in housing need on Reading's waiting list need a property with two or more bedrooms.

Affordable Rents set at 80% of market rents would allow those on incomes of £20-30,000 to access a range of different sized properties within Reading. Data from the Survey of English Housing suggests there are around 14% of households in the social rented sector with this level of income. This means that Affordable Rent would appear to significantly improve affordability for those households currently living in social rented accommodation but it would not be affordable to all. The same message is likely to apply to those in housing need on Reading's waiting list. Data from other authorities¹¹ where income data has been obtained suggests that Affordable Rent (at 80%) of market rents would be affordable to up to one third of those in housing need. Affordability improves incrementally as Affordable Rent levels are reduced but even when rents are set at 50% of market levels many remain unable to afford. There are a number of reasons for this:

- Some of those on the waiting list (new applicants) do not yet receive Housing Benefit but they may be eligible for it. This will allow some to rent in the private rented sector or afford Affordable Rent, particularly if they are eligible for the full rate of Local Housing Allowance. The same applies to transfer applicants claiming Housing Benefit. Their incomes reflect the cost of their current tenure – most would be able to claim more for an Affordable Rented property – in effect 'boosting' their incomes. All of this implies that these households will need to keep claiming benefits to be able to afford Affordable Rents with the risk that this entails for work incentives.
- Many of those on low incomes will be spending more on housing costs than 33% of their gross income. Whilst analysis of their incomes suggests that market rents or Affordable Rents are unaffordable to the

¹¹ 3 Berkshire authorities and 4 authorities in Hampshire where DTZ is working

majority of those in housing need the reality is that many households are already paying this level of rent and that rental costs account for more than half of their income.

- The incomes of those needing 1 bedroom are distorted by those young single households (under the age of 35) who are only entitled to the shared room rate under the LHA. Their entitlement to Housing Benefit is limited and not intended to afford them access to a 1 bedroom property. If these people were excluded from the analysis, the affordability of Affordable Rent to households needing a 1 bedroom property would be likely to improve.

It is worth highlighting that Government proposals to cap the total benefits any household can receive will impact on the level Affordable Rents can be set. The maximum amount that can be received in benefits under the cap is likely to be £26,000. Benefits are untaxed so this represents a net income, equivalent to a gross income of around £35,000. Taking this gross income, if households spend 33% of their income on housing costs then this implies an upper limit of £220 per week (£970 pcm) on rent. This implies that households wholly reliant on benefits spend around 45% of their net income on rent.

Furthermore, in future LHA levels will be increased in line with CPI rather than RPI. There is a significant risk that market rents will rise at faster rate than CPI (as they have done in the past). This means that if Affordable Rents are set in relation to market rents and increased in line with market rents they are likely to exceed LHA levels at some point in the future. Providers will need to take care to set initial rents which have room to increase *within* LHA levels, or take the risk that rents will exceed LHA levels and some tenants will increasingly find their rents unaffordable. This is a particular risk for larger properties which are likely to be at or near the maximum LHA rates.

2.4 Key points

There are a number of key points that it is useful to highlight from this analysis:

- There is a shortfall of around 932 affordable homes each year within Reading, based on a backlog of over 4,000 households on the waiting list and taking into account estimates of newly arising need in the future.
- New supply of affordable homes has made a significant contribution to addressing needs over the last 5 years – without which the shortfall would be higher.
- Most of those identified as in housing need have very low incomes and therefore need to be accommodated through subsidised rented homes or within the private rented sector, supported by Housing Benefit.
- The majority of those on Reading's waiting list in housing need are likely to be unable to afford Affordable Rents set at 80% of market rents but in practice many will spend more than 33% of their income on rent because most have very low incomes.
- In theory, any households in receipt of the full amount of Housing Benefit would be able to afford Affordable Rent, since these would likely fall within Local Housing Allowance limits.
- If Affordable Rents are set in relation to average market rents there will be a large number of open market properties that are cheaper than those available at Affordable Rents unless Affordable Rents are set at or below 70% of average market values.
- However, there is uncertainty around the level of Housing Benefit that will be available in the future, particularly if a cap is introduced on the overall level of benefits that can be received by an individual household. This may mean that Affordable Rents on larger properties will need to be set at levels well below 80% of market rents to remain affordable to those on benefits.

- There is a group of existing social rented tenants who would be able to afford other tenures, including Affordable Rent. These households have expressed an interest in intermediate housing options through the Local HomeBuy Agent, Catalyst.

3 Slough

This section demonstrates the broad scale and nature of housing need within Slough. DTZ has repeated the housing need assessment which was undertaken for Slough and the other Berkshire authorities as part of the Berkshire SHMA (2007). A consistent approach has been followed and key assumptions and inputs are explained in more detail below.

3.1 Estimating Housing Need

Figure 3.1 summarises the assessment and suggests there is a need for an additional 1,133 affordable homes each year to address current and newly arising housing need within the Borough.

Figure 3.1: Housing Need Assessment Update

SLOUGH HOUSING NEED ESTIMATE	
Stage and Step in Calculation	Estimate
STAGE 1: CURRENT NEED	
1.1 Current Occupiers of affordable housing in need	357
1.2 <i>plus</i> households from other tenures in housing need	5,151
1.3 <i>plus</i> Households without self-contained accommodation	62
1.4 <i>equals</i> Total current housing need (gross) (1.1 + 1.2 + 1.3)	5570
1.5 <i>times</i> annual quota for the reduction of current need	20%
1.6 <i>equals</i> annual requirement of units to reduce current need (2.6 x 2.7)	1,114
STAGE 2: NEWLY ARISING NEED	
2.1 New household formation (per year)	313
2.2 <i>times</i> proportion of new households unable to rent in the market	48%
2.3 <i>plus</i> existing households falling into need	506
2.4 <i>equals</i> Total newly arising need per year (2.1 x 2.2) + 2.3	642
STAGE 3: SUPPLY OF AFFORDABLE HOUSING	
3.1 Current occupiers of affordable housing	71
3.2 <i>plus</i> annual Supply of social re-lets (net)	360
3.3 <i>plus</i> annual supply of intermediate housing available for re-let or re-sale at sub market levels	4
3.4 <i>plus</i> surplus stock	0
3.5 <i>plus</i> committed supply of new affordable units (per annum)	202
3.6 <i>minus</i> units to be taken out of management	0
3.7 <i>equals</i> annual supply of affordable units (3.1 + 3.2 + 3.3 + 3.4 + 3.5 - 3.6)	637
NET SHORTFALL (OR SURPLUS) OF AFFORDABLE UNITS PER ANNUM	
Overall shortfall (or surplus) (1.6 + 2.4 – 3.7) per annum	1,133

Note that Figure 3.1 includes supply from the future delivery of **new** affordable home of 200 units each year. This is uncertain and if this level of supply was not forthcoming the overall shortfall of affordable housing within the Borough would rise.

Approach to the Housing Need Assessment

The inputs in this assessment are based on a variety of data sources which, in most cases, represent **actual** numbers and the real circumstances of individual households who have approached Slough Borough

Council and housing associations in Slough for assistance regarding their housing situation¹². DTZ has also used projections based on historic trends. This approach reflects the objective of the CLG SHMA guidance to undertake housing needs assessment using secondary data as far as possible.

There are three main stages in the assessment of housing need, which are explained in the rest of this section:

- Current need (often referred to as the backlog of housing need)
- Newly arising need
- Supply of affordable homes to meet need

Current Need (Backlog)

Stage 1 of the assessment considers the number of existing and hidden households who are currently in housing need. Current need comprises three main groups of households:

- Current occupiers of affordable housing in need i.e. existing tenants in need
- Households from other tenures in need – predominately the private rented sector
- Households without self-contained accommodation i.e. homeless households and households living with family/friends or multi-adult households sharing facilities.

There are 6,138 households registered on the Slough housing waiting list which represents around 11% of all households within the Borough.

The estimate set out in Figure 3.1 includes only those applicant households whose circumstances fall within the housing need criteria set out in Table 5.1 of the CLG guidance i.e. households who are:

- Homeless or have insecurity of tenure
- Overcrowded
- Living in property too difficult to maintain
- Living in accommodation where they lack/share facilities such as a kitchen and/or bathroom
- Living in unsuitable dwellings without the means to repair or adapt
- In social need due to harassment or threats of harassment which cannot be resolved except through a move.

Slough's housing waiting list allocates applicants to Bands according to their needs. Bands A to C contain households experiencing the needs described above, with Band A being most acute and covering urgent homeless cases. Band D (568 households) has been excluded from the need assessment because applicants in this Band do not have a clear priority need, or they are able to meet their needs in the market on the basis of their financial resources.

Figure 3.1 shows that in total there are 5,570 current applicants who fall into Bands A, B and C and are therefore in housing need and have been included in this assessment. Figure 3.1 breaks this figure down:

- 357 are existing social rented tenants in need of a transfer
- 62 are homeless households in acute need - an unequivocal indicator of housing need within Slough

12 As at the end of March 2011

- 5,151 are households from other tenures in housing need (predominately the private rented sector or sharing with other households)

The need assessment assumes that this backlog of households in need will be addressed over a 5 year period. This equates to an annual backlog of 1,114 households.

Stage 2: Newly Arising Need

Stage 2 of the housing needs assessment considers the number of new and existing households who are likely to fall into housing need in the future. This stage of the assessment is based upon:

- New household formation and the proportion of newly forming households unable to rent in the market
- Existing households falling into need

The projected level of household growth in Slough is based on the figure set out in the adopted Core Strategy, which equates to 313 dwellings per annum and this is the level at which we assume household growth will take place. Given the uncertainties around future dwelling provision and indeed economic growth and migration patterns, household growth could be higher or lower than projected.

The assessment then estimates the number of these new households unable to afford to rent in the market place. The guidance recommends that the approach taken here is based on a comparison of minimum incomes required to access market housing against the distribution of incomes for **newly** forming households. However, while data on the distribution of incomes amongst all households is available, it is only possible to estimate the incomes of **new** households. DTZ has used CACI household income data to provide the proportion of households unable to afford to *rent* market housing in Slough¹³.

In Slough the household income threshold required to rent a two bedroom property is around £26,600. This means that 48% of households are unable to afford to rent in the open market. DTZ has used 2 bedroom properties as a proxy for the affordability of rented homes to new households. In practice, some will need smaller homes and some larger. It is important to note that the incomes of new households are significantly lower than households as a whole¹⁴. However, in the absence of specific evidence on the incomes of new households in Slough, we have used data for all households. Combining estimates of household growth with the proportion of households unable to rent in the open market equates to 150 new households falling into need each year.

This component of newly arising need has been calculated differently to the 2007 SHMA. In the 2007 assessment, newly arising need was estimated on the basis of the proportion of households who could not afford to buy in the open market, as well as those who could not afford to rent. In this assessment, we have only included new households unable to rent since these households have fewer options. Those unable to buy but able to rent could meet their own needs in the private rented sector and may also be eligible for intermediate housing options. This means that the housing need shortfall identified in this Housing Need Assessment largely excludes intermediate households. Demand for intermediate housing is considered separately, using data from the Local HomeBuy Agent (Catalyst).

The second component of the estimate of newly arising need is the number of *existing* households falling into need. The CLG guidance considers that this should be estimated by the net average number of households joining housing registers each year, i.e. the gross number of new applicants adjusted to reflect those applicants who are in need. We have used the average figure for the last 5 years. We assume 90% of new applicants are registered in Bands A-C (and can demonstrate housing need) because 90% of existing households are in Bands A-C. We have excluded applicants falling into Band D. This equates to 506 households falling into need each year.

¹³ The CACI income data relates to 2006 households incomes (which was used in the original SHMA).

¹⁴ The Berkshire SHMA demonstrated that the incomes of new households are on average around two thirds of the incomes of households as a whole.

It is important to highlight that the housing need assessment is sensitive to assumptions about newly arising need. This element of the assessment is uncertain as it relies on projections of future household growth and assumptions about affordability. In practice, many of these households will be unable to form because they cannot afford to live independently and some will be forced to live in unsuitable or overcrowded conditions.

Furthermore, the approach set out in the CLG guidance is likely to result in the double counting of newly arising need. New households falling into need and those newly registering on the waiting list will overlap to some extent. If just one of these inputs was used, rather than both, this would reduce the shortfall but the shortfall of affordable housing would still significantly exceed Slough's overall housing allocation for the next 5 years.

Stage 3: Affordable Housing Supply to Offset Need

Stage 3 in the assessment seeks to establish the level of supply available to offset need and takes into account:

- The number of units that will become available when existing tenants are re-housed (transfers within the social rented stock)
- Re-lets within the existing stock
- Re-lets and re-sales of intermediate homes
- Any surplus social rented units e.g. long term vacant property
- Any units that will be taken out of management e.g. demolitions, disposals.

The rate at which transfer applicants are re-housed varies depends on turnover rates, allocation policies and the priority afforded to different categories of applicants. The assumption set out in the CLG guidance has been adopted. This assumes that those existing tenants (transfer applicants) in housing need identified in Stage 1 of the assessment will be re-housed and will therefore create a vacancy for another household in need (thus having a nil effect on the overall housing need figures). In Slough, 71 dwellings will become available when existing tenants on the transfer list are re-housed each year.

The annual supply of social rented re-lets is based on past trends and excludes lets to transfers. This provides a net annual supply figure for social rented stock. In Slough, local authority and housing association re-lets taken together, excluding transfers, give an estimated supply of 360 rented units per annum.

The latest figure on vacant social rented dwellings within Slough across both local authority and RSL stock is 49 units (less than 1% of the social rented stock) according to the HSSA return in 2011. The CLG guidance states that '*a certain level of voids is normal and allows for transfers and works on properties. However, if the rate is in excess of approximately 3 per cent and properties are vacant for considerable periods of time, these should be counted as surplus stock.*'¹⁵ Voids within Slough are therefore not considered as part of the available supply.

The assessment also includes an estimate of a small number of intermediate tenure units becoming available for re-let each year, using data from Catalyst (Local HomeBuy Agent for Berkshire).

Future Supply of Affordable Housing

DTZ has estimated future affordable housing supply in Slough at an average of 202 new affordable homes each year, over the next 5 years. This estimate takes into account past delivery rates and is cross checked with future allocations. As this assessment is designed to inform and support affordable housing policies it would therefore be justifiable to exclude assumptions about the future supply of affordable homes. Nevertheless, this figure has been included in the assessment of supply and has the effect of reducing the

¹⁵ Step 3.2, Chapter 5, CLG (March 2007) Strategic Housing Market Assessments – Practice Guidance

shortfall in Slough. When estimates of future supply are excluded the shortfall rises from 1,133 to 1,335 per annum.

The Shortfall of Affordable Housing

The assessment suggests that there is an annual shortfall of 1,133 affordable homes per annum within Slough. This shortfall is over three times the level of housing allocated in the Borough over the next 5 years, as set out in Slough’s Core Strategy. Two thirds of the shortfall is due to the significant backlog of households in need on Slough’s waiting list. We have assumed that this backlog will be addressed over 5 years, though the scale of housing need suggests that a longer period may be more realistic.

Size Requirements for Social Rented Homes

The assessment of housing need has identified more need than can be addressed through new affordable housing development. This means that Slough Borough Council need to continue to prioritise who they assist. The type, size and tenure of housing to address these priority needs may well be different to the generality of need identified. For example, households with children living in overcrowded conditions are likely to be a high priority for housing on Slough’s waiting list and this implies the need for family type accommodation. This contrasts to the need implied by looking at the generality of households on the waiting lists who ‘need’ a 1 bed property.

In reality, even those households judged to need a 1 bed property may prefer a larger home but given the shortage of affordable housing, local authority allocation policies will provide households with only their minimum requirements. This means that households identified on waiting lists as needing a 1 bed property include couples, as well as single people. Many of these younger couples may go on to start a family and will therefore need re-housing in the short term.

Similarly, households containing two young children may be allocated a home with just two bedrooms, with the expectation that the children can share a bedroom. In contrast, in the market sector households may be able to choose more space to allow for the expansion of their household or to provide space for other activities, visitors etc.

In examining the size requirements of those identified as in housing need it is important to keep this rationing process in mind. Furthermore, small properties become available for re-let most frequently in Slough (as in most authority areas), both because they are more numerous and also because households living in these properties are more likely to move for the reasons discussed above. Similarly, larger properties are less numerous and are more likely to have been sold through Right to Buy, and households living in larger homes are less likely to move, having reached the ‘top’ of the housing ladder.

Figure 3.2: Number of Households Requiring Different Sized Properties by Band

	Number of Bedrooms				
	1	2	3	4	Total
All households on Waiting List	2,827	1,756	1,191	364	6,138
% of all households on Waiting List	46%	29%	19%	6%	100%
Households in Need (Bands A-C)	2,550	1,569	1,115	336	5,570
% of Households in Need (Bands A-C)	46%	28%	20%	6%	100%

Source: Slough Borough Council

Overall, 46% of households on Slough’s waiting list require a one bedroom property (Figure 3.2). 25% of households need a 3 bedroom home or larger.

However, the majority of re-lets within the social rented stock are amongst 1 bedroom properties, with only 17% of re-lets amongst 3 and 4 bedroom properties (Figure 3.3). This indicates that the pressure on larger properties may be greater within the Borough, even though relatively fewer households (in number) need these sized homes.

Figure 3.3: Number of Properties Available for Re-let by Size

	Number of Bedrooms				Total
	1	2	3+	4	
Number of households	200	90	50	10	350
Percentage	56%	27%	15%	2%	100%

Source: Slough Borough Council

Intermediate Housing Demand

Whilst the housing need assessment (summarised in Figure 3.1) captures a small proportion of households who might be able to afford to access intermediate housing products the vast majority of these households will need subsidised rented accommodation (or support to access the private rented sector through Housing Benefit). Nevertheless, there is a significant number of additional households who live within Slough who are interested in accessing intermediate housing products. These households are unable to access home ownership and to some extent the private rented sector, on the basis of their incomes.

Catalyst Housing Group is the Local HomeBuy Agent which covers Slough and neighbouring authority areas. Catalyst keeps a register of households who are actively interested in intermediate housing options. To be eligible, households must have incomes of less than £60,000.

The data in this section relates to households on Catalyst’s register who live within Slough. We have filtered out those households who work but do not live in the authority area and those who live or work in adjacent authority areas. This means that in practice there is a wider range of households who may access intermediate homes within the Borough. But it is also the case that some of those households who live in Slough may access intermediate homes outside of the Borough.

Figure 3.4 shows that there is substantial interest in intermediate affordable housing amongst households within Slough. 750 households who live within Slough are actively interested in accessing such products. The majority of these households are single or couple households without children but there is representation from all household groups, including families who are unable to access the size of homes they require either to buy or rent.

Figure 3.4: Intermediate Households by Household Size in Slough

Household Size	Number	Estimated Minimum Bedrooms Required	%
1 person	250	1	33%
2 people	260	1 or 2	35%
3 people	120	2	16%
4+ people	120	3	15%
Total	750		100%

Source: Catalyst Housing Group (figures rounded to nearest 10 and may not sum)

Figure 3.4 illustrates that the majority of these households are small, containing either one or two people. The minimum number of bedrooms these households are likely to require is estimated in Figure 3.4 but in practice many of these households would prefer a larger property and it is important to keep in mind that

around half of these households can afford to rent in the private sector and therefore have a choice in the housing market.

The largest proportions of households interested in intermediate products are currently living with friends or family or within the private rented sector. This confirms that there is significant overlap between the private rented sector and intermediate sector. But there is a small proportion of households who currently live within the social rented sector which indicates that there is potential for targeting products at these households with the added benefit that this could release social rented homes for those in priority need.

Figure 3.5: Tenure of Households Interested in Intermediate Products

Tenure	Number	%
Private Rented Sector	350	46%
Living with Family/ Friends	270	35%
Social Rented Sector	70	9%
Owner occupation	0	0%
Shared ownership	2	0%
Other	70	10%
Total	750	100%

Source: Catalyst Housing Group (figures rounded to nearest 10 and may not sum due to rounding)

It is important to remember that many of these intermediate households are able to access the private rented sector and that this sector has been meeting the needs of this intermediate market for many years. Over half of those interested in intermediate affordable housing can afford to access a suitably sized property within the private rented sector. However, lower quartile house prices were £150,300 at the end of 2010 in Slough, with the income required to buy a property on the open market around £45,000¹⁶. There are 96 households with incomes of £45,000 or more. However, only 6 of these households have sufficient savings for a deposit.

Figure 3.6: Household Incomes of Intermediate Households

Household Income	Number	%
Less than £10,000	30	4%
£10-20,000	120	15%
£20-30,000	270	36%
£30-40,000	180	23%
£40-50,000	110	15%
£50-60,000	50	6%
Total	750	100%

Source: Catalyst Housing Group

In 2008 the Government introduced intermediate rental products (Rent to HomeBuy and Intermediate Market Rent) which give households up to a 20% discount on market rents. The same eligibility criteria used for Low Cost Home Ownership has been applied to these products and so in practice they have been aimed at and accessed by households on the margins of home ownership rather than those on the margins of private renting or those in housing need on Council waiting lists.

The majority of intermediate applicants in Slough do not have savings sufficient for a deposit. The implication being that these households may also be unable to access low cost home ownership given lenders' current

¹⁶ This assumes that the household can borrow 3 times their income and has a deposit of at least 10% of the purchase price

criteria. Currently, the only option for these households is to access Rent to HomeBuy products, which would allow the household a period of time to save for a deposit whilst enjoying a subsidised rent.

Based on the analysis of the incomes of those on the intermediate list, the introduction of Affordable Rent could be used to meet the needs of these households. Those who have indicated interest in intermediate products by and large have sufficient incomes to afford rents at 80% of market value.

There are also 68 households on the intermediate list who currently occupy social rented homes. Some of these households have relatively substantial incomes which would be sufficient for Affordable Rent or even open market rents (32 and 23 households respectively). This suggests that there are existing tenants within the social rented sector who are able to access other tenures (whether they are willing to do so is another matter) and offer the potential to free up social rented homes for those on lower incomes. A small number of these households have incomes sufficient to access a lower quartile property within the Borough, but none has sufficient savings for a deposit.

Figure 3.7: Households Interested in Intermediate Affordable Housing Currently Occupying Social Rented Homes

	1 person	2 person	3 person	4 person +	Total
Social Rented Tenants	16	12	14	26	68
Could afford Affordable rent (at 80% market rent)	10	11	8	3	32
Could afford market rent (for household size)	8	9	6	0	23
Could afford LQ property (income + deposit)	0	0	0	0	0

Source: Catalyst Housing Group

Intermediate Housing Supply

Over the last 5 years, around 40 intermediate homes have been delivered in Slough each year.¹⁷ The majority of these have been low cost home ownership products. In the last 5 years, the supply of social rented homes has exceeded the supply of new intermediate homes at around 140 dwellings per annum.¹⁸

It is difficult to directly compare the shortfall from the HNA with the number of households on the intermediate list. The vast majority of the latter group are not in housing need and most could afford to rent in the open market, though they are by and large excluded from home ownership. However, given the scale of demand for intermediate products (around 750 households actively interested) compared to the need for subsidised rented accommodation, the balance of social rented and intermediate homes appears to have appropriate in recent years. However, it is important to note that the supply of intermediate products also reflects considerations of viability and tenure mix on specific sites rather than the scale of need amongst this group.

¹⁷ Data from Slough Borough Council – there have been an additional 40 households helped into homeownership each year through market homebuy or firstbuy

¹⁸ There were an extra 20 units delivered each year in addition to social rented and LCHO, including homebuy products

3.2 Estimating the Cost of Renting

Figure 3.8 presents average market rents for different property sizes within Slough. As set out in the introduction to this report, market rents have been established by surveying asking rents within Slough and reducing these by 10% to reflect likely achieved rents. We have applied this discount so as not to over-estimate achieved rents within Slough, recognising that some tenants negotiate on asking rents. This is more likely to be the case in Slough which has a relatively large supply of rental properties and where there is perhaps more competitive pressure on prices. However, it is also worth noting that those tenants accessing properties at the lower end of the market may have less leverage in negotiating down the asking rent because there are fewer properties within their price range. Rents are based on data from October 2011.

Figure 3.8: Market Rents, Slough

Number of bedrooms	Average	Lowest	Highest
1 (includes studios)	£680	£320	£860
2	£740	£570	£1,040
3	£860	£680	£1,350
4	£1,390	£990	£2,610
5+	£1,700	£1,170	£4,500

Source: Rightmove asking rents discounted by 10% to reflect achieved levels

In Slough, average rents for a 1 bedroom property are £680 per month. However, there are a large number of properties available at a cheaper rent, the lowest being £320 per month and at the other end of the spectrum rents for some 1 bedroom properties are as high as £860 per month. House shares have been excluded from these figures as have properties with specific eligibility criteria eg retirement flats. These average market rents have been used to estimate the level of Affordable Rent within the Borough if this is set by reference to market rents (see Figures 3.9-3.10).

It is worth noting that Local Housing Allowance rates for Slough are as follows:

	1 bed	2 bed	3 bed	4 bed	Shared Room
Maximum amount per month	£625	£800	£975	£1,350	£325

Source: Directgov website

The LHA rates broadly cover the cost of average market rents within Slough, although market rents for 1 bed properties appear to exceed the allowance. Affordable Rents set at 80% of market rents would be affordable therefore to households eligible for the full Local Housing Allowance.

Figure 3.9: Affordable Rents (@80% of market rents), Slough

Number of bedrooms	Based on Average Market Rent	Based on Lowest Market Rent
1	£540	£250
2	£590	£460
3	£690	£540
4	£1,110	£790
5+	£1,360	£930

Source: DTZ, based on market rents

Figure 3.10: Affordable Rents (@70% of market rents), Slough

Number of bedrooms	Based on Average Market Rent	Based on Lowest Market Rent
1	£480	£220
2	£520	£400
3	£610	£470
4	£970	£690
5+	£1,190	£820

Source: DTZ, based on market rents

It is important to note that if Affordable Rents (at 80%) are set in relation to average market rents, there will still be properties available in Slough that are cheaper in the open market than Affordable Rented properties because of the large number of rental properties available at the lower priced end of the market. Albeit, Affordable Rented homes may offer better quality accommodation in different locations to that available at the lower end of the private rented sector. They will also offer more secure tenancies. If Affordable Rents are set at 70% of market rents or lower, they would be cheaper than the lowest priced market rents and would no longer overlap with the market sector.

3.3 Analysis of Incomes and Affordability

Using the rental levels set out above, Figures 3.11-12 calculate the annual income a household would need to be able to rent affordably. This calculation assumes that households spend no more than 33% of their gross income on rental costs.

Figure 3.11 shows that, in the Borough as a whole, the income required to access average market rents starts at £24,500 per annum. This would allow the household to afford an average priced 1 bedroom property. If a household is able to access a lower priced property, it might be possible for those on incomes of £11,300 or more to afford a market rent. The income required to afford an average priced 2 bedroom property is £26,600, rising to £31,100 for a 3 bed and £50,100 for a 4 bed property.

Figure 3.11: Income Required to Afford Market Rents, Slough

Number of bedrooms	Average Market Rent	Lowest Market Rent
1	£24,500	£11,300
2	£26,600	£20,600
3	£31,100	£24,300
4	£50,100	£35,600
5+	£61,200	£42,000

Source: DTZ

Figure 3.12: Income Required to Afford Affordable Rents (at 80% of market rents) in Slough

Number of bedrooms	Based on Average Market Rent	Based on Lowest Market Rent
1	£19,600	£9,100
2	£21,300	£16,500
3	£24,900	£19,400
4	£40,100	£28,500
5+	£49,000	£33,600

Source: DTZ

Affordable Rents set at 80% of market rents would allow those with incomes over £19,600 to access a 1 bedroom property. Figure 3.11 demonstrates that households on low and modest incomes are able to

access open market rents at the cheaper end of the rental market. Affordable Rents set at 80% of average market levels would overlap and effectively compete with this market.

It is possible to analyse the incomes of households on Slough’s waiting list and those who have been identified as in housing need as part of this assessment. There are two serious caveats which need to be borne in mind in using this income data. First, it is based on households self reporting and relies on households accurately disclosing their income from earnings and benefits on the application form. Second, this information is not verified by the Council until a household is offered a home. This means that the data below may not be accurate for all applicants. However, this data represents the best available information on the incomes of households in need.

Figures 3.13 – 3.16 examine the extent to which new applicant household on Slough’s waiting list and those identified as in housing need are able to afford different housing options (transfer applicants are considered separately).

- Figure 3.13 shows that around 430 (9%) new applicant households on the waiting list could afford to rent in the market. 385 of these are in housing need (Bands A-C), which represents around 8% of those in housing need. This suggests that there is some scope for households in need to find their own accommodation, without the need for assistance from the Council, albeit they may already be receiving Housing Benefit.
- A further 350 new applicant households on the waiting list could afford Affordable Rent, if rents are set at 80% of market levels. This represents an additional 8% of new applicant households on the waiting list. 320 of these households are in housing need (Bands A-C) and so Affordable Rent could help to address the needs of a relatively substantial number of households.
- The ability of households on the waiting list to afford market rents is marginally greater amongst lower priority applicants (Bands C and D).
- Affordability is generally poorer amongst those households who need larger properties. This is because household incomes do not increase with household size. Although affordability also appears poor amongst those needing 1 bedroom properties this may be distorted by the inclusion of young single households who are only entitled to the shared room rate under LHA rules.

Figure 3.13: Number of New Applicant Household in Need who can Afford Market Rents, by Band and Size of Home Required

Minimum size of property required	Income Required for Market Rent	Band A	Band B	Band C	Band D	Total
1 bed	24,000	1	93	58	20	172
2 bed	26,000	1	63	81	17	162
3 bed	31,000	0	39	41	6	86
4 bed	50,000	0	3	5	0	8
Total		2	198	185	43	428
Total in Band		33	2,536	2,004	453	5,026

Source: DTZ, based on data provided by Slough Borough Council

Figure 3.14: Percentage of New Applicant Households in Need who can Afford Market Rents, by Band and Size of Home Required

Minimum size of property required	Income Required for Market Rent	Band A	Band B	Band C	Band D	Total
1 bed	24,000	10%	7%	9%	9%	8%
2 bed	26,000	8%	11%	10%	12%	11%
3 bed	31,000	0%	9%	9%	9%	9%
4 bed	50,000	0%	2%	6%	0%	3%
Total		6%	8%	9%	9%	9%

Source: DTZ, based on data provided by Slough Borough Council

Figure 3.15: Number of New Applicant Households in Need who can Afford 80% Market Rents, by Band and Size of Home Required

Minimum size of property required	Income Required for Affordable Rent (at 80% of market)	Band A	Band B	Band C	Band D	Total
1 bed	20,000	1	158	90	38	287
2 bed	21,000	4	121	156	28	309
3 bed	25,000	1	73	87	11	172
4 bed	40,000	0	6	7	1	14
Total		6	358	340	78	782
Total in Band		33	2,536	2,004	453	5,026

Source: DTZ, based on data provided by Slough Borough Council

Figure 3.16: Percentage of New Applicant Households in Need who can Afford 80% Market Rents, by Band and Size of Home Required

Minimum size of property required	Income Required for Affordable Rent (at 80% of market)	Band A	Band B	Band C	Band D	Total
1 bed	20,000	10%	11%	14%	17%	13%
2 bed	21,000	33%	22%	19%	20%	20%
3 bed	25,000	20%	17%	19%	17%	18%
4 bed	40,000	0%	4%	8%	4%	5%
Total		18%	14%	17%	17%	16%

Source: DTZ, based on data provided by Slough Borough Council NB: Includes households who can afford market rents

Figure 3.17: Percentage of New Applicant Households in Need who can at Different Levels of Rent

% of new applicant households on waiting list who can afford					
Property Size needed	Market Rent	Affordable Rent at 80%	Affordable Rent at 70%	Affordable Rent at 60%	Affordable Rent at 50%
1	8%	13%	18%	26%	35%
2	11%	20%	28%	37%	49%
3	9%	18%	24%	34%	43%
4	3%	5%	6%	10%	17%
Total	9%	16%	21%	30%	40%

Source: Slough Borough Council; data analysed by DTZ

Figure 3.17 shows that affordability improves incrementally as Affordable Rent levels are reduced but even when rents are set at 50% of market levels most households in need, remain unable to afford. There are a number of reasons for this:

- Some of those on the waiting list (new applicants) do not yet receive Housing Benefit but they may be eligible for it. This will allow some to rent in the private rented sector or afford Affordable Rent, particularly if they are eligible for the full rate of Local Housing Allowance. The same applies to transfer applicants claiming Housing Benefit. Their incomes reflect the cost of their current tenure – most would be able to claim more for an Affordable Rented property – in effect ‘boosting’ their incomes. All of this implies that these households will need to keep claiming benefits to be able to afford Affordable Rents with the risk that this entails for work incentives.
- Many of those on low incomes will be spending more on housing costs than 33% of their gross income. Whilst analysis of their incomes suggests that market rents or Affordable Rents are unaffordable to the majority of those in housing need the reality is that many households are already paying this level of rent and that rental costs account for more than half of their income in many cases.
- The incomes of those needing 1 bedroom are distorted by those young single households (under the age of 35) who are only entitled to the shared room rate under the LHA. Their entitlement to Housing Benefit is limited and not intended to afford them access to a 1 bedroom property. If these people were excluded from the analysis, the affordability of Affordable Rent to households needing a 1 bedroom property would be likely to improve.

Whilst Figures 3.13-3.17 show the affordability of Market and Affordable Rents to new applicant households on the waiting list, Figures 3.18 and 3.19 present results for transfer tenants alone. There are 376 transfer tenants with the largest number in Band B (there are none that fall within Band C). These households already occupy social rented accommodation so it is useful to examine the extent to which they could afford to move to other tenures. It is important to point out that these households may not be willing to give up a secure tenancy to move to a more expensive property even though they have requested to move.

Figure 3.19 shows that around 5% of transfer tenants could afford to rent in the open market. This is extended to 7% for Affordable Rent at 80% of market rents. This income data suggests that those in housing need and already living in Social Rented accommodation are less able to afford market and Affordable Rents than other households on the waiting list. The ability to afford market and Affordable Rents appears to be higher amongst new applicants. However, caution needs to be applied in interpreting income data of transfer tenants. These households live in social rented accommodation and those that receive Housing Benefit to cover all or part of their rent are likely to have it paid directly to their landlord. These households may not count this in their reported income and thus may under report their incomes. Furthermore, the level of Housing Benefit they receive will relate to their social rent. They may be entitled to receive a higher level of benefit if they were to rent in the private rented sector. DTZ expect that the affordability of Affordable Rent to tenants in Social Rented accommodation is actually higher than implied by Figure 3.19.

Figure 3.18: Percentage of Transfer Tenants (in Social Rented Homes) who can afford Market Rents

Minimum size of property required	Market Rent	Band A	Band B	Band C	Band D	Total
1 bed	24000	6%	0%	n/a	5%	5%
2 bed	26000	0%	6%	n/a	9%	6%
3 bed	31000	0%	7%	n/a	0%	6%
4 bed	50000	0%	2%	n/a	0%	2%
		4%	5%	n/a	6%	5%

Source: DTZ, based on data provided by Slough Borough Council NB: Includes households who can afford market rents

Figure 3.19: Percentage of Transfer Tenants (in Social Rented Homes) who can afford Affordable Rents

Minimum size of property required	Affordable Rent (at 80% of market pcm)	Band A	Band B	Band C	Band D	Total
1 bed	20000	9%	11%	n/a	9%	9%
2 bed	21000	10%	11%	n/a	18%	14%
3 bed	25000	0%	15%	n/a	17%	15%
4 bed	40000	14%	7%	n/a	0%	8%
		9%	13%	n/a	12%	12%

Source: DTZ, based on data provided by Slough Borough Council NB: Includes households who can afford market rents

It is worth highlighting that Government proposals to cap the total benefits any household can receive will impact on the level Affordable Rents can be set. The maximum amount that can be received in benefits under the cap is likely to be £26,000. Benefits are untaxed so this represents a net income, equivalent to a gross income of around £35,000. Taking this gross income, if households spend 33% of their income on housing costs then this implies an upper limit of £220 per week (£970 pcm) on rent. This implies that households wholly reliant on benefits spend around 45% of their net income on rent. Whilst this may allow Providers to set Affordable Rents at 80% of market rents for 1, 2 and 3 bedroom properties; rents on larger properties will need to be set at much lower levels in relation to market rents in order to be affordable.

Furthermore, in future LHA levels will be increased in line with CPI rather than RPI. There is a significant risk that market rents will rise at faster rate than CPI (as they have done in the past). This means that if Affordable Rents are set in relation to market rents and increased in line with market rents they are likely to exceed LHA levels at some point in the future. Providers will need to take care to set initial rents which have room to increase *within* LHA levels, or take the risk that rents will exceed LHA levels and some tenants will increasingly find their rents unaffordable. This is a particular risk for larger properties which are likely to be at or near the maximum LHA rates.

3.4 Key points

There are a number of key points that it is useful to highlight from this analysis:

- There is a shortfall of around 1,133 affordable homes each year within Slough, based on a backlog of over 5,000 households on the waiting list and taking into account estimates of newly arising need in the future.
- New supply of affordable homes has made a significant contribution to addressing needs over the last 5 years – without which the shortfall would be higher.
- Most of those identified as in housing need have low incomes and will need to be accommodated either through subsidised rented homes or in the private rented sector, supported by Housing Benefit.
- Around 16% (780) of those on Slough's waiting list would be able to afford Affordable Rents, set at 80% of market rents. However, around half of these households (430) could afford market rents for the property size they need, according to our analysis of their incomes. Affordable rent would therefore help an additional 350 households to access the rental market.
- The ability to afford Affordable Rents is marginally greater amongst lower priority applicants. Furthermore, most intermediate households living in Slough would be able to afford Affordable Rent.

- Transfer tenants (existing tenants of Social Rented homes who are in need) appear less able to afford Affordable or market rents on the basis of their current incomes though they may be entitled to higher levels of Housing Benefit if they were to move out of the Social Rent sector.
- In theory, any households in receipt of the full amount of Housing Benefit would be able to afford Affordable Rent, since rents set at 80% of market levels or lower would currently fall within the limits of the LHA in Slough.
- However, there is uncertainty around the level of Housing Benefit that will be available in the future, particularly if a cap is introduced on the overall level of benefits that can be received by an individual household. This implies the need to set Affordable Rents at levels which remain affordable to those on benefits. This may be well below 80% of market rents for larger properties.
- There are a small number of *existing* social rented tenants who would be able to afford other tenures, including Affordable Rent. Some of these households have expressed an interest in intermediate housing options through the Local HomeBuy Agent, Catalyst.

4 West Berkshire

This section demonstrates the broad scale and nature of housing need within West Berkshire. DTZ has repeated the housing need assessment which was undertaken for West Berkshire and the other Berkshire authorities as part of the Berkshire SHMA (2007). A consistent methodology has been followed and key inputs and assumptions are explained in more detail below.

4.1 Estimating Housing Need

Figure 4.1 summarises the assessment and suggests there is a need for an additional 746 affordable homes each year to address current and newly arising housing need within the District.

Figure 4.1: Housing Need Assessment Update

WEST BERKSHIRE HOUSING NEED ESTIMATE Version 1	
Stage and Step in Calculation	Estimate
STAGE 1: CURRENT NEED	
1.1 Current Occupiers of affordable housing in need	-
1.2 <i>plus</i> households from other tenures in housing need	-
1.3 <i>plus</i> Households without self-contained accommodation	-
1.4 <i>equals</i> Total current housing need (gross) (1.1 + 1.2 + 1.3)	3,924
1.5 <i>times</i> annual quota for the reduction of current need	20%
1.6 <i>equals</i> annual requirement of units to reduce current need (2.6 x 2.7)	785
STAGE 2: NEWLY ARISING NEED	
2.1 New household formation (per year)	525
2.2 <i>times</i> proportion of new households unable to buy or rent in the market	43%
2.3 <i>plus</i> existing households falling into need	384
2.4 <i>equals</i> Total newly arising need per year (2.1 x 2.2) + 2.3	610
STAGE 3: SUPPLY OF AFFORDABLE HOUSING	
3.1 Current occupiers of affordable housing	0
3.2 <i>plus</i> annual Supply of social re-lets (net)	438
3.3 <i>plus</i> annual supply of intermediate housing available for re-let or re-sale at sub market levels	26
3.4 <i>plus</i> surplus stock	0
3.5 <i>plus</i> committed supply of new affordable units (per annum)	184
3.6 <i>minus</i> units to be taken out of management	0
3.7 <i>equals</i> annual supply of affordable units (3.1 + 3.2 + 3.3 + 3.4 + 3.5 - 3.6)	648
NET SHORTFALL (OR SURPLUS) OF AFFORDABLE UNITS PER ANNUM	
Overall shortfall (or surplus) (1.6 + 2.4 – 3.7) per annum	746

Note that Figure 4.1 includes supply from the future delivery of **new** affordable homes of 746 units each year. This is uncertain and if this level of supply was not forthcoming the overall shortfall of affordable housing within the District would rise.

Approach to the Housing Need Assessment

The inputs in this assessment are based on a variety of data sources which, in most cases, represent **actual** numbers and the real circumstances of individual households who have approached West Berkshire Council

and housing associations in West Berkshire for assistance regarding their housing situation¹⁹. DTZ has also used projections based on historic trends and outturns. This approach reflects the objective of the CLG SHMA guidance to undertake housing needs assessment using secondary data as far as possible.

There are three main stages in the assessment of housing need, which are explained in the rest of this section:

- Current need (often referred to as the backlog of housing need)
- Newly arising need
- Supply of affordable homes to meet need

Current Need (Backlog)

Stage 1 of the assessment considers the number of existing and hidden households who are currently in housing need. Current need comprises three main groups of households:

- Current occupiers of affordable housing in need i.e. existing tenants in need
- Households from other tenures in need – predominately the private rented sector
- Households without self-contained accommodation i.e. homeless households and households living with family/friends or multi-adult households sharing facilities.

There are 4,754 households registered on the West Berkshire housing waiting list which represents around 7% of all households within the District.

The estimate set out in Figure 4.1 estimates only those applicant households whose circumstances fall within the housing need criteria set out in Figure 5.1 of the CLG guidance i.e. households who are:

- Homeless or have insecurity of tenure
- Overcrowded
- Living in property too difficult to maintain
- Living in accommodation where they lack/share facilities such as a kitchen and/or bathroom
- Living in unsuitable dwellings without the means to repair or adapt
- In social need due to harassment or threats of harassment which cannot be resolved except through a move.

West Berkshire's housing waiting list awards an applicant points according to their circumstances. The nature of the system in place means that we are unable to separate applicants into different priority bands or to identify which applicants are new applicants or transfer applicants. However, in discussion with the Council, we have applied a threshold of 30 points for an applicant to be considered as in housing need and included in this assessment. Those with fewer than 30 points are unlikely to be in housing need or may have limited needs. There are 830 applicants with 30 points or fewer (17% of applicants). These households have been excluded from the assessment as they are unlikely to have any of the above needs criteria.

Figure 4.1 shows that in total there are 3,924 current applicants who are therefore in housing need. The need assessment assumes that this backlog of households in need will be addressed over a 5 year period. This equates to an annual backlog of 785 households.

¹⁹ As at the end of August 2011

Stage 2: Newly Arising Need

Stage 2 of the housing needs assessment considers the number of new and existing households who are likely to fall into housing need in the future. This stage of the assessment is based upon:

- New household formation and the proportion of newly forming households unable to rent in the market
- Existing households falling into need

The projected level of household growth in West Berkshire is based on the assumption that 525 new homes will be delivered each year over the plan period to 2026 (as set out in the Core Strategy Submission document February 2010). This is the level at which we assume household growth will take place. Given the uncertainties around future dwelling provision, household growth could be higher or lower than projected.

The assessment then estimates the number of these new households unable to afford rent in the market place. The guidance recommends that the approach taken here is based on a comparison of minimum incomes required to access market housing against the distribution of incomes for **newly** forming households.²⁰ However, while data on the distribution of incomes amongst the general household population is available, it is only possible to estimate the incomes of **newly forming** households. DTZ has used CACI household income data to provide the proportion of households unable to afford to *rent* market housing in West Berkshire.

In West Berkshire the household income threshold required to rent a two bedroom property is around £29,300 per annum. This means that 43% of households are unable to afford to rent in the open market. DTZ has used 2 bedroom properties as a proxy for the affordability of rented homes to new households. In practice, some will need smaller homes and some larger. It is important to note that the incomes of new households are significantly lower than households as a whole²¹. However, in the absence of specific evidence on the incomes of newly forming households in West Berkshire, we have used data for households as a whole. Assuming household growth takes places at the level of new housing completions planned within West Berkshire (525 per annum) and combining estimates of household growth with the proportion unable to rent in the open market we estimate that 226 new households will fall into need each year.

This component of newly arising need has been calculated differently to the 2007 SHMA. In the 2007 assessment, newly arising need was estimated on the basis of the proportion of households who could not afford to buy in the open market, as well as those who could not afford to rent. In this assessment, we have only included new households unable to rent since these households have fewer options. Those unable to buy but able to rent could meet their own needs in the private rented sector and may also be eligible for intermediate housing options. This means that the housing need shortfall identified in this Housing Need Assessment largely excludes intermediate households. Demand for intermediate housing is considered separately, using data from the Local HomeBuy Agent (Catalyst).

The second component of the estimate of newly arising need is the number of *existing* households falling into need. The CLG guidance considers that this should be estimated by the net average number of households joining housing registers each year, i.e. the gross number of new applicants adjusted to reflect those applicants who are in need. We have used the average figure for the last 5 years which is 465 applicants each year. We have assumed that a proportion of new applicants will not be in housing need. Amongst current applicants, applying the point threshold of 30 suggests that 83% of applicants are in need. We have applied this proportion to new applicants which suggests newly arising need of 384 applicants each year.

²⁰ Not all of the new households in West Berkshire in future years will be newly formed – some will be existing households who have migrated from other local authority areas

²¹ The Berkshire SHMA demonstrated that the incomes of new households are on average around two thirds of the incomes of households as a whole.

It is important to highlight that the housing need assessment is sensitive to assumptions about newly arising need. This element of the assessment is uncertain as it relies on projections of future household growth and assumptions about affordability. Furthermore, the approach set out in the CLG guidance is likely to result in the double counting of newly arising need. New households falling into need and those newly registering on the waiting list will overlap to some extent. If just one of these inputs was used, rather than both, this would reduce the shortfall substantially but the shortfall of affordable housing would still exceed the total housing allocation within West Berkshire over the next 5 years.

Stage 3: Affordable Housing Supply to Offset Need

Stage 3 in the assessment seeks to establish the level of supply available to offset need and takes into account:

- The number of units that will become available when existing tenants are re-housed (transfers within the social rented stock)
- Re-lets within the existing stock
- Any surplus social rented units e.g. long term vacant property
- Any units that will be taken out of management e.g. demolitions, disposals.

The rate at which transfer applicants are re-housed varies depends on turnover rates, allocation policies and the priority afforded to different categories of applicants and needs groups. The CLG guidance assumes that those existing tenants (transfer applicants) in housing need identified in Stage 1 of the assessment will be re-housed and will therefore create a vacancy for another household in need (thus having a nil effect on the overall housing need figures). In West Berkshire we have been unable to specifically identify transfer applicants on the waiting list so the supply of transfer properties has been treated differently. The overall effect will be the same as for the other authorities.

The annual supply of social rented re-lets is based on past trends and, for West Berkshire, includes lets to transfers. Re-lets to transfer tenants are excluded from the re-lets figure for the other authorities because a supply of transfer properties has been estimated from transfer applicants in need instead. In West Berkshire, re-lets within the existing stock of social rented homes give an estimated supply of 438 rented units per annum (average for the last 3 years).

The CLG guidance states that *'a certain level of voids is normal and allows for transfers and works on properties. However, if the rate is in excess of approximately 3 per cent and properties are vacant for considerable periods of time, these should be counted as surplus stock.'*²² We have been unable to obtain an up to date figure on the number of vacant social rented properties within West Berkshire but the number is believed to be small and well below 3% of the stock. Voids within West Berkshire are therefore not considered as part of the available supply.

The assessment includes an estimate of the small number of intermediate tenure units becoming available for re-sale and re-let each year based on data from Catalyst (Local HomeBuy Agent for Berkshire).

Future Supply of Affordable Housing

DTZ has estimated future affordable housing supply at an average of 184 new affordable units to be delivered each year over the next 5 years. This estimate assumes that 35% of all housing (an overall allocation of 525 dwellings per annum) will be delivered as affordable, in line with West Berkshire's emerging planning policies. Nevertheless, this figure has been included in the assessment of supply and has the effect of reducing the shortfall in West Berkshire.

²² Step 3.2, Chapter 5, CLG (March 2007) Strategic Housing Market Assessments – Practice Guidance

Size Requirements for Social Rented Homes

Figure 4.2 provides a breakdown of the size of property required by those on West Berkshire’s waiting list. Overall, just over half of households require a one bedroom property. 17% of households need a 3 bedroom home or larger.

Figure 4.2: Number of Households Requiring Different Sized Properties

	Number of Bedrooms					Total
	1	2	3	4	5+	
Number of households	2,480	1,460	560	180	80	4,750
Percentage	52%	31%	12%	4%	1%	100%

Source: West Berkshire Council (total waiting list). NB: Total waiting list figures have been used because DTZ was unable to obtain data on only those applicants in priority need.

Figure 4.3: Number of Properties Available for Re-let by Size, 2010/11

	Number of Bedrooms				Total
	1	2	3	4+	
Number of households	174	97	63	3	337
Percentage	52%	29%	19%	1%	100%

Source: West Berkshire Council

It is important to bear in mind in this analysis that the assessment of housing need has identified more need than can be addressed through new affordable housing development. This inevitably means that the local authority will need to prioritise who they assist. The type, size and tenure of housing to address those in priority need may well be different to the generality of need identified in Figure 4.2. For example, households with children living in overcrowded conditions are likely to be a high priority for housing on West Berkshire’s waiting list and this implies the need for family type accommodation. This contrasts to the need implied by looking at the generality of households on the waiting lists who ‘need’ a 1 bed property.

In reality, even those households judged to ‘need’ a 1 bed property may prefer a larger home but given the shortage of affordable housing, local authority allocation policies will provide households with only their minimum requirements. This means that households identified on waiting lists as needing a 1 bed property include couples, as well as single people. Many of these younger couples may go on to start a family and will therefore need re-housing in the short term.

Similarly, households containing two young children may be allocated a home with just two bedrooms, with the expectation that the children can share a bedroom. The size requirements of households accessing the social rented sector are therefore fundamentally different to the market sector because households are only allocated a property that meets their basic minimum requirements. In contrast, in the market sector households may be able to choose more space to allow for the expansion of their household or to provide space for other activities, visitors etc.

In examining the size requirements of those identified as in housing need it is important to keep this rationing process in mind. Figure 4.3 shows that small properties become available for re-let most frequently, both because they are more numerous and also because households living in these properties are more likely to move for the reasons discussed above. Similarly, larger properties are less numerous and, particularly in rural areas are more likely to have been sold through Right to Buy, and households living in larger homes are less likely to move. Figure 4.3 suggests that those households needing 4 or more bedrooms (5% of applicants) are likely to find it difficult to access such properties because so few become available for re-let each year in West Berkshire. Re-lets of 4 bedroom or larger homes make up less than 1% of re-lets.

Intermediate Housing Demand

Whilst the housing need assessment (summarised in Figure 4.1) captures a small proportion of households who might be able to afford to access intermediate housing products the vast majority of these households will need subsidised rented accommodation (or support to access the private rented sector through Housing Benefit). Nevertheless, there is a significant number of additional households who live within West Berkshire who are interested in accessing intermediate housing products. These households are largely unable to access home ownership and to some extent the private rented sector, on the basis of their incomes.

Catalyst Housing Group is the Local HomeBuy Agent which covers West Berkshire and the other Berkshire authority areas. Catalyst keeps a register of households who are actively interested in intermediate housing options. To be eligible, households must have incomes of less than £60,000.

The data in this section relates to households on Catalyst’s register who live within West Berkshire. We have filtered out those households who work but do not live in the authority area and those who live or work in adjacent authority areas. This means that in practice there is a wider range of households who may access intermediate homes within the District. But it is also the case that some of those households who live in West Berkshire may access intermediate homes outside of the District.

Figure 4.4 shows that there is substantial interest in intermediate affordable housing amongst households within West Berkshire. 720 households who live within West Berkshire are actively interested in accessing such products. The majority of these households are single or couple households without children but there is representation from all household groups, including families who are unable to access the size of homes they require either to buy or rent.

Figure 4.4: Intermediate Households by Household Size in West Berkshire

Household Size	Number	Estimated Minimum Bedrooms Required	%
1 person	270	1	37%
2 people	290	1 or 2	40%
3 people	90	2	13%
4+ people	80	3	11%
Total	720		100%

Source: Catalyst Housing Group (figures rounded to nearest 10 and may not sum)

Figure 4.4 illustrates that the majority of these households are small, containing either one or two people. The minimum number of bedrooms these households are likely to require is estimated in Figure 4.4 but in practice many of these households would prefer a larger property and it is important to keep in mind that half of these households can afford to rent in the private sector and therefore have a choice in the housing market.

The largest proportions of households interested in intermediate products are currently living with friends or family or within the private rented sector. This confirms that there is significant overlap between the private rented sector and intermediate sector. But there is a small proportion of households who currently live within the social rented sector which indicates that there is potential for targeting products at these households with the added benefit that this could release social rented homes for those in priority need.

Figure 4.5: Tenure of Households Interested in Intermediate Products

Tenure	Number	%
Private Rented Sector	250	35%
Living with Family/ Friends	350	49%
Social Rented Sector	50	8%
Owner occupation	2	0%
Shared ownership	0	0%
Other	60	8%
Total	720	100%

Source: Catalyst Housing Group (figures rounded to nearest 10 and may not sum due to rounding)

It is important to remember that many of these intermediate households are able to access the private rented sector and that this sector has been meeting the needs of this intermediate market for many years. Just over half (55%) of those interested in intermediate affordable housing can afford to access a suitably sized property within the private rented sector. However, lower quartile house prices were £190,000 at the end of 2010 in West Berkshire, with the income required to buy a property on the open market around £57,000²³. Therefore, few intermediate households can afford to buy in the open market. There are only 2 households with sufficient sized household incomes but these households remain unable to access ownership because of insufficient savings to afford a deposit.

Figure 4.6: Household Incomes of Intermediate Households

Household Income	Number	%
Less than £10,000	40	5%
£10-20,000	160	23%
£20-30,000	240	34%
£30-40,000	160	22%
£40-50,000	90	13%
£50-60,000	30	4%
Total	720	100%

Source: Catalyst Housing Group (figures rounded to nearest 10)

In 2008 the Government introduced intermediate rental products (Rent to HomeBuy and Intermediate Market Rent) which give households up to a 20% discount on market rents. The same eligibility criteria used for Low Cost Home Ownership has been applied to these products and so in practice they have been aimed at and accessed by households on the margins of home ownership rather than those on the margins of private renting or those in housing need on Council waiting lists.

The vast majority of intermediate applicants in West Berkshire (95%) do not have savings sufficient for a deposit. We have assumed they would need savings of £19,000 to afford to pay a 10% deposit on a lower quartile priced property within the District. These households will also be unable to access low cost home ownership given lenders' current criteria. In recognition of this barrier, West Berkshire District Council and Newbury Building Society launched a scheme to loan eligible households funds for a deposit (called First Step Next Step). Since its launch in 2010 the scheme has helped 9 households into home ownership.

²³ This assumes that the household can borrow 3 times their income and has a deposit of at least 10% of the purchase price

Based on the analysis of the incomes of those on the intermediate list, the introduction of Affordable Rent could be used to meet the needs of these households. Those who have indicated interest in intermediate products by and large have sufficient incomes to afford rents at 80% of market value.

There are also 54 households on the intermediate list who currently occupy social rented homes (Figure 4.7). Some of these households have relatively substantial incomes which would be sufficient for Affordable Rent or even open market rents. This suggests that there are existing tenants within the social rented sector who are able to access other tenures and offer the potential to free up social rented homes for those on lower incomes. However, they are very unlikely to give up a secure tenancy and a low rent unless the products available provide sufficient incentive to move – for most the aim is home ownership rather than another form of rented property. A small number of these households have incomes sufficient to access a lower quartile property within the District, but none has sufficient savings for a deposit.²⁴

Figure 4.7: Households Interested in Intermediate Affordable Housing Currently Occupying Social Rented Homes

	1 person	2 person	3 person	4 person +	Total
Social Rented Tenants	9	13	13	19	54
Could afford Affordable rent (at 80% market rent)	7	11	8	12	38
Could afford market rent (for household size)	3	10	5	7	25
Could afford Lower Quartile priced property (income + deposit)	0	0	0	0	0

Source: Catalyst Housing Group

Intermediate Housing Supply

Over the last 4 years, around 65 intermediate homes have been delivered in West Berkshire each year.²⁵ The majority of these have been low cost home ownership products. In the last 4 years, the supply of social rented homes has exceeded the supply of new intermediate homes, averaging 93 dwellings per annum.

It is difficult to directly compare the shortfall from the HNA with the number of households on the intermediate list. The vast majority of the latter group are not in housing need and most could afford to rent in the open market, though they are by and large excluded from home ownership. However, given the scale of demand for intermediate products (just over 700 households actively interested) compared to the need for subsidised rented accommodation, the intermediate sector appears to have been relatively well catered for in recent years. Albeit, there is a much wider group within the population who are eligible for intermediate products and therefore significant potential demand. Supply of intermediate products also reflects considerations of viability and tenure mix on specific sites.

²⁴ Catalyst collect data on households' savings so it is possible to analyse whether they have sufficient savings for a deposit.

²⁵ Data from West Berkshire District Council

4.2 Estimating the Cost of Renting

Figure 4.8 presents average market rents for different property sizes within West Berkshire. In West Berkshire there is a more limited supply of rental properties than in the urban areas of Berkshire (Reading and Slough for example). This is likely to mean that tenants are less able to negotiate down asking rents because there is more competitive pressure within the rental market and fewer properties available at the lower end of the market. In discussion with West Berkshire Council officers we decided to use asking rents as the market rent, assuming tenants would be unlikely to secure a discount in practice. The suburbs in east of the District are continuous with the Reading urban area and so tenants wishing to access properties in this area have a wider choice of properties available given the size of the rental market in Reading. Rents are based on data from October 2011.

Figure 4.8: Market Rents, West Berkshire

Number of bedrooms	Average	Lowest	Highest
1 (includes studios)	£690	£400	£850
2	£900	£600	£1,300
3	£1,170	£750	£2,300
4	£1,360	£890	£2,750
5+	£1,620	£1,200	£2,500

Source: Rightmove asking rents

In West Berkshire, average rents for a 1 bedroom property are £690 per month. House shares have been excluded from these figures as have properties with specific eligibility criteria eg retirement flats. West Berkshire is covered by two rental market areas for the purposes of calculating the Local Housing Allowance for those on Housing Benefit. The Local Housing Allowance rates for West Berkshire are as follows:

	1 bed	2 bed	3 bed	4 bed	Shared Room
Newbury Broad Rental Market Area	£535	£650	£795	£1,050	£300
Reading Broad Rental Market Area	£625	£795	£895	£1,300	£320

Source: Directgov website

Given the different LHA limits that apply to different parts of the District, it is useful to consider market rents (and likely Affordable Rents) at the sub-district level. Figure 4.9 shows that average rents are lower in Newbury and Thatcham, compared to the east of the District which borders Reading (Tilehurst, Calcot, Pangborne and Theale). These rental levels suggest that Housing Benefit (LHA) would not cover the full market rent for average priced properties within the District. Furthermore, in Newbury and Thatcham, there are very few properties available at or below the LHA limit according to our survey of rents in October 2011.

The rural villages within West Berkshire have higher rents, on average, than those in Newbury and Thatcham. The LHA rates available in both broad rental market areas of West Berkshire would be insufficient to cover rents on average properties within the villages. The supply of rented properties is limited in the villages so there are few properties available which fall under the LHA limits and which are therefore affordable to households receiving Housing Benefit.

Figure 4.9: Average Market Rents at the Sub-District Level, West Berkshire

Number of bedrooms	Newbury & Thatcham	Reading Borders	Rural Villages	LHA: Newbury BRMA	LHA: Reading BRMA
1	£600	£710	£620	£535	£625
2	£880	£1,020	£900	£650	£795
3	£1,010	£1,310	£1,170	£795	£895
4	£1,400	£1,560	£1,440	£1,050	£1,300
5+	£2,150	n/a	£1,900	n/a	n/a

Source: Rightmove asking rents

These average market rents have been used to estimate the level of Affordable Rent within the District if this is set by reference to market rents (see Figures 4.10-4.11).

Figure 4.10: Affordable Rents (@80% of market rents), West Berkshire District

Number of bedrooms	District Average	Newbury & Thatcham	Reading Borders	Rural Villages	LHA: Newbury BRMA	LHA: Reading BRMA
1	£550	£480	£570	£500	£535	£625
2	£720	£700	£810	£720	£650	£795
3	£930	£810	£1,050	£930	£795	£895
4	£1,090	£1,120	£1,250	£1,150	£1,050	£1,300
5+	£1,300	£1,720	n/a	£1,520	n/a	n/a

Source: DTZ

Figure 4.11: Affordable Rents (@70% of market rents), West Berkshire

Number of bedrooms	District Average	Newbury & Thatcham	Reading Borders	Rural Villages	LHA: Newbury BRMA	LHA: Reading BRMA
1	£480	£420	£500	£430	£535	£625
2	£630	£610	£710	£630	£650	£795
3	£820	£710	£920	£820	£795	£895
4	£950	£980	£1,090	£1,000	£1,050	£1,300
5+	£1,130	£1,510	n/a	£1,330	n/a	n/a

Source: DTZ

The LHA rates would cover the cost of renting an Affordable Rented property (at 80% of market rents) within the District as a whole, although 2, 3 and 4 bedroom properties in the rural villages and Reading Borders remain unaffordable. Affordable Rents would need to be set at 70% of market rents or lower to fall within LHA limits across all parts of the District. Because of the significant price range within the District, Affordable Rented homes (at 80% of market rents) in the east (Reading borders) would be similarly priced to those available on the open market within Newbury and Thatcham. Although it is also important to note that Affordable Rented homes may offer better quality accommodation in different locations to that available at the lower end of the private rented sector. They will also offer more secure tenancies than available in the private rented sector.

4.3 Incomes and Affordability

Using the rental levels set out above, Figures 4.12-4.13 calculate the annual income a household would need to be able to rent affordably. This calculation assumes that households spend no more than 33% of their gross income on rental costs.

Figure 4.12 shows that, in the District as a whole, the income required to access average market rents starts at £24,800 per annum. This would allow the household to afford an average priced 1 bedroom property to rent. The number of entry level properties available is very limited unless tenants are able to access cheaper entry level accommodation in neighbouring Reading.

The income required to afford an average priced 2 bedroom property in West Berkshire is £32,360, rising to £42,010 for a 3 bed and £48,920 for a 4 bed property. It is cheaper to rent in the open market in Newbury and Thatcham, compared to the rural villages of West Berkshire and the suburbs joined to Reading (although there is also a significant supply of lower end rented properties within Reading). However, the income required to afford market rents for the smallest properties (1 bedroom dwellings) is over £20,000 across the District. The income required to afford a property with two or more bedrooms rises steeply. Figure 4.13 shows that an income in the region of £30,000+ is needed to access a two bedroom home.

Figure 4.12: Income (Gross) Required to Afford Market Rents, West Berkshire

Number of bedrooms	District Average
1	£24,800
2	£32,360
3	£42,010
4	£48,920
5+	£58,320

Source: DTZ

Figure 4.13: Income (Gross) Required to Afford Market Rents at the Sub-District level, West Berkshire

Number of bedrooms	District Average	Newbury & Thatcham	Reading Borders	Villages
1	£24,800	£21,530	£25,450	£22,280
2	£32,360	£31,570	£36,650	£32,360
3	£42,010	£36,470	£47,090	£42,050
4	£48,920	£50,220	£56,090	£51,700
5+	£58,320	£77,470	n/a	£68,540

Source: DTZ

Figure 4.14: Income (Gross) Required to Afford Affordable Rents (at 80% of Market Rents), West Berkshire

Number of bedrooms	District Average	Newbury & Thatcham	Reading Borders	Villages
1	£19,840	£17,220	£20,360	£17,830
2	£25,890	£25,260	£29,320	£25,890
3	£33,610	£29,170	£37,670	£33,640
4	£39,140	£40,180	£44,870	£41,360
5+	£46,660	£61,980	n/a	£54,840

Source: DTZ

Figure 4.15: Income (Gross) Required to Afford Affordable Rents (at 70% of Market Rents), West Berkshire

Number of bedrooms	District Average	Newbury & Thatcham	Reading Borders	Villages
1	£17,360	£15,070	£17,820	£15,600
2	£22,660	£22,100	£25,650	£22,660
3	£29,410	£25,530	£32,960	£29,430
4	£34,250	£35,150	£39,260	£36,190
5+	£40,820	£54,230	n/a	£47,980

Source: DTZ

Affordable Rents set at 80% of market rents would allow those with incomes over £17,220 to access a 1 bedroom property in Newbury and Thatcham or £20,360 in the east of the District which borders Reading (Figure 4.14). At 70% of market rents, households with modest incomes of £20-30,000 would be able to access a range of different sized properties within the District.

It is only possible to make broad estimates of the extent to which households within the District, and specifically households in housing need, could afford Affordable Rent. Figure 4.16 presents data on the average incomes of those on the waiting list by the size of property they need. This is based on information from 2,268 applicants who completed the application form online (around half of all applicants). More detailed data on the incomes of those on West Berkshire's waiting list is not available at present but Figure 4.16 provides an indication of the level of income that those in housing need receive, which can be compared to the cost of renting.

There are two serious caveats which need to be borne in mind in using this income data. First, it is based on households self reporting and relies on households accurately disclosing their income from earnings and benefits on the application form. Second, this information is not verified until a household is offered a home. This means that the data below may not be accurate for all applicants.

Figure 4.16: Average Incomes of Applicants on West Berkshire's Waiting List

Size of Home Required	Weekly Income (earnings and benefits)	Annual income (earnings and benefits)
1 bed	£176	£9,140
2 bed	£203	£10,580
3 bed	£595	£30,960
4 bed	£302	£15,720
5 bed	£363	£18,860

Source: Sovereign housing association

The average incomes presented in Figure 4.16 suggest that the majority of households on West Berkshire's waiting list would be unable to afford Affordable Rents set at 80% of market rents (assuming they spend no more than a third of their income on rent). There will be a proportion of households who can afford Affordable Rents set at 80% of market rents but it is not possible to tell how large this group is from the data. Data from three other Berkshire authorities and four authorities in Hampshire which DTZ is working with suggest that it is unlikely to be more than one third of applicants. For the average household to be able to afford Affordable Rents (and the majority of waiting list applicants), rents would need to be set at around 40-50% of market

levels. Households needing 3 bedroom homes are the exception and would appear to be able to afford rents set at 70% of market levels.²⁶

Although affordability improves incrementally as Affordable Rent levels are reduced even when rents are set at 50% of market levels most households in need, remain unable to afford. There are a number of reasons for this:

- Some of those on the waiting list (new applicants) do not yet receive Housing Benefit but they may be eligible for it. This will allow some to rent in the private rented sector or afford Affordable Rent, particularly if they are eligible for the full rate of Local Housing Allowance. The same applies to transfer applicants claiming Housing Benefit. Their incomes reflect the cost of their current tenure – most would be able to claim more for an Affordable Rented property – in effect ‘boosting’ their incomes. All of this implies that these households will need to keep claiming benefits to be able to afford Affordable Rents with the risk that this entails for work incentives.
- Many of those on low incomes will be spending more on housing costs than 33% of their gross income. Whilst analysis of their incomes suggests that market rents or Affordable Rents are unaffordable to the majority of those in housing need the reality is that many households are already paying this level of rent and that rental costs account for more than half of their income in many cases.
- The incomes of those needing 1 bedroom are distorted by those young single households (under the age of 35) who are only entitled to the shared room rate under the LHA. Their entitlement to Housing Benefit is limited and not intended to afford them access to a 1 bedroom property. If these people were excluded from the analysis, the affordability of Affordable Rent to households needing a 1 bedroom property would be likely to improve.

As further evidence of the incomes of households within West Berkshire, DTZ has examined income data for all households in West Berkshire (used in the Berkshire SHMA 2006), the English Housing Survey (2010) which includes data on the incomes of households in different tenures and the latest CORE lettings report for West Berkshire (2010/11) which provides information on the net incomes of new tenants.

The household incomes of West Berkshire residents (modelled in 2006 by CACI) are presented in Figure 4.17. Similar figures for England as a whole are presented in the 3rd column, using English Housing Survey data from 2010. This shows that, on average, West Berkshire has fewer households in the lower income bands than England as a whole, consistent with the pattern of earnings and incomes in the South East.

Figure 4.17: Households Incomes in West Berkshire

	West Berkshire (2006) (All households)	England (2010) (All Households)	England (2010) (Social Rented Households)
<£5,000	2%	2%	6.6
£5,000-£10,000	4%	13%	30.5
£10,000-£15,000	7%	15%	26.6
£15,000-£20,000	9%	11%	13.1
£20,000-£30,000	20%	18%	14.2
£30,000-£40,000	17%	14%	5.9
£40,000-£50,000	13%	10%	2
>£50,000	27%	19%	1.3
Total	100%	100%	100%

Source: Berkshire SHMA 2007 (CACI income data); English Housing Survey 2010

²⁶ Small sample size of applicants needing larger properties 4+ beds may distort the data

This data suggests 23% of West Berkshire households have incomes of less than £20,000 – less than the income needed to afford a one bedroom property (with the income required being around £24,000). A further 20% have incomes lower than £30,000 which would prevent most of these households from accessing a two bedroom rented property on the open market (with the income needed being around £31,000).

However, the incomes of new households, those in social rented accommodation and those in housing need are lower than the household population as a whole. Figure 4.17 shows that, in England, the majority (77%) of households in social rented accommodation have incomes of less than £20,000 per annum. If the incomes of social rented tenants in West Berkshire are similar to those in England as a whole there are 13% of households in the £15-20,000 income bracket who may be able to rent affordably under Affordable Rents set at 70-80% of market levels. These households are currently priced out of the private rental market.

It is difficult to tell how far Affordable Rents would be accessible to social rented tenants without knowing the size of home they need and whether Affordable Rent would bring this within their reach. Less than 10% of households in social rented accommodation have incomes of £30,000 or more (Figure 4.17). If this holds true in West Berkshire it would suggest that fewer than 10% of these households could afford a property with two or more bedrooms on the open market (which require an income in the region of £30,000). In practice, almost half of those in housing need on West Berkshire's waiting list need a property with two or more bedrooms.

Affordable Rents set at 70% of market rents would allow those on incomes of £20,000 or more to access a 2 bedroom property and those on £30,000 or more to access a 3 bedroom property. Affordable Rent set at this level would appear to significantly improve affordability for those households currently living in social rented accommodation and needing 2 or 3 bedrooms but it would not be affordable to all.

It is worth highlighting that Government proposals to cap the total benefits any household can receive will impact on the level Affordable Rents can be set. The maximum amount that can be received in benefits under the cap is likely to be £26,000. Benefits are untaxed so this represents a net income, equivalent to a gross income of around £35,000. Taking this gross income, if households spend 33% of their income on housing costs then this implies an upper limit of £220 per week (£970 pcm) on rent. This implies that households wholly reliant on benefits spend around 45% of their net income on rent. Whilst this may allow Providers to set Affordable Rents at 80% of market rents for 1, 2 and 3 bedroom properties in most areas of the District; rents on 3 bedroom properties in the part of the District that borders Reading and 4 bedroom properties in all parts of the District will need to be set at lower levels in relation to market rents in order to be affordable.

Furthermore, in future LHA levels will be increased in line with CPI rather than RPI. There is a significant risk that market rents will rise at faster rate than CPI (as they have done in the past). This means that if Affordable Rents are set in relation to market rents and increased in line with market rents they are likely to exceed LHA levels at some point in the future. Providers will need to take care to set initial rents which have room to increase *within* LHA levels, or take the risk that rents will exceed LHA levels and some tenants will increasingly find their rents unaffordable. This is a particular risk for larger properties which are likely to be at or near the maximum LHA rates.

4.4 Key Points and Policy Implications

There are a number of key points to highlight from this analysis:

- There is a shortfall of around 746 affordable homes each year within West Berkshire, based on a backlog of just under 4,000 households on the waiting list and taking into account estimates of newly arising need in the future.

- New supply of affordable homes has made a significant contribution to addressing needs over the last 5 years – without which the shortfall would be even higher.
- Most of those identified as in housing need have very low incomes and therefore need to be accommodated through subsidised rented homes, including in the private rented sector, supported by Housing Benefit. The vast majority of those in need continue to need access to subsidised rented accommodation and that this should form the majority of new affordable housing supply within the District.
- West Berkshire's policy is to seek 70% social rented housing and 30% intermediate housing within the affordable housing provided on new development sites and this tenure split is appropriate given the scale of need.
- However, Government intends new Affordable Rented homes to be aimed at those in housing need and there is no longer funding available for Social Rented accommodation unless Providers or local authorities are able and willing to cross subsidise it using their own resources (eg funding and/or land) or unless the cost can be passed on to developers or landowners and ultimately the land value.
- This implies that whilst the evidence supports the need for the majority of affordable housing to be provided as subsidised rented accommodation, where Providers are receiving funding from HCA, it is likely to be defined as Affordable Rent, with rents set in relation to what those in need can afford to pay. This means that Providers, working with West Berkshire District Council, need to set rents at appropriate levels so that those in housing need (and existing tenants) can afford them.
- In West Berkshire, households in receipt of the full amount of Housing Benefit would be able to afford Affordable Rent set at 70% or less across the District. 80% appears to be an insufficient discount to bring rents below LHA limits in most parts of the District.
- If Affordable Rents were set in relation to the incomes of those in need (on the waiting list), rents would need to be around 40-50% of market levels to be affordable to the majority of households. This assumes that households spend no more than 33% of their gross incomes on rent – in practice households often spend much more, especially those with low incomes.
- Based on data from other authorities, up to one third of those on the waiting list and in housing need may be able to afford Affordable Rents set at 80% of market rents with marginally more able to afford when they are set at 70%.
- Where Housing Benefit is received, the increased cost of the rent (compared to Social Rents) will feed through to the Housing Benefit bill rather than the tenant or Provider. However, there is uncertainty around the level of Housing Benefit that will be available in the future, particularly when a cap is introduced on the overall level of benefits that can be received by an individual household. This risk will need to be taken into consideration in setting Affordable Rents. It is likely that Affordable Rents will need to be set substantially lower for larger properties if they are to remain affordable to those on benefits.
- Providers will need to take care to set initial rents which have room to increase *within* LHA levels, or take the risk that rents will exceed LHA levels and some tenants will increasingly find their rents unaffordable.
- There remains relatively substantial interest in intermediate low cost home ownership within West Berkshire. Most of those registered have modest or even substantial incomes. However, a key limitation for the households who have registered their interest is a lack of a deposit, which is constraining their ability to access even low cost home ownership products.

- Data from the English Housing Survey (2010) suggests that there is a proportion of existing social rented tenants who would be able to afford other tenures, including Affordable Rent. In West Berkshire, some of these households have expressed an interest in intermediate housing options through the Local HomeBuy Agent, Catalyst, although they are unlikely to be willing to give up a secure tenancy on a low rent in exchange for Affordable Rented accommodation.

5 Wokingham

This section demonstrates the broad scale and nature of housing need within Wokingham. DTZ has repeated the housing need assessment which was undertaken for Wokingham and the other Berkshire authorities as part of the Berkshire SHMA (2007). A consistent approach has been followed and key assumptions and inputs are explained in more detail below.

5.1 Estimating Housing Need

Figure 5.1 summarises the assessment and suggests there is a need for an additional 296 affordable homes each year to address current and newly arising housing need within the Borough. Note that Figure 5.1 includes supply from the future delivery of new affordable home of 94 units each year. This is uncertain and if this level of supply was not forthcoming the overall shortfall of affordable housing within the Borough would rise. **In order to meet the total estimated housing need in the Borough, 390 new affordable homes are needed per annum.**

Figure 5.1: Housing Need Assessment Update

WOKINGHAM HOUSING NEED ESTIMATE Version 1	
Stage and Step in Calculation	Estimate
STAGE 1: CURRENT NEED	
1.1 Current Occupiers of affordable housing in need	445
1.2 <i>plus</i> households from other tenures in housing need	1,274
1.3 <i>plus</i> Households without self-contained accommodation	0
1.4 <i>equals</i> Total current housing need (gross) (1.1 + 1.2 + 1.3)	1,719
1.5 <i>times</i> annual quota for the reduction of current need	20%
1.6 <i>equals</i> annual requirement of units to reduce current need (2.6 x 2.7)	344
STAGE 2: NEWLY ARISING NEED	
2.1 New household formation (per year)	662
2.2 <i>times</i> proportion of new households unable to buy or rent in the market	44%
2.3 <i>plus</i> existing households falling into need	0
2.4 <i>equals</i> Total newly arising need per year (2.1 x 2.2) + 2.3	291
STAGE 3: SUPPLY OF AFFORDABLE HOUSING	
3.1 Current occupiers of affordable housing	89
3.2 <i>plus</i> annual Supply of social re-lets (net)	159
3.3 <i>plus</i> annual supply of intermediate housing available for re-let or re-sale at sub market levels	13
3.4 <i>plus</i> surplus stock	0
3.5 <i>plus</i> committed supply of new affordable units (per annum)	94
3.6 <i>minus</i> units to be taken out of management	15
3.7 <i>equals</i> annual supply of affordable units (3.1 + 3.2 + 3.3 + 3.4 + 3.5 - 3.6)	339
NET SHORTFALL (OR SURPLUS) OF AFFORDABLE UNITS PER ANNUM	
Overall shortfall (or surplus) (1.6 + 2.4 – 3.7) per annum	296

Approach to the Housing Need Assessment

The inputs in this assessment are based on a variety of data sources which, in most cases, represent **actual** numbers and the real circumstances of individual households who have approached Wokingham Borough

Council and housing associations in Wokingham for assistance regarding their housing situation²⁷. DTZ has also used projections based on historic trends and outturns. This approach reflects the objective of the CLG SHMA guidance to undertake housing needs assessment using secondary data as far as possible.

There are three main stages in the assessment of housing need, which are explained in the rest of this section:

- Current need (often referred to as the backlog of housing need)
- Newly arising need
- Supply of affordable homes to meet need

Current Need (Backlog)

Stage 1 of the assessment considers the number of existing and hidden households who are currently in housing need. Current need comprises three main groups of households:

- Current occupiers of affordable housing in need i.e. existing tenants in need
- Households from other tenures in need – predominately the private rented sector
- Households without self-contained accommodation i.e. homeless households and households living with family/friends or multi-adult households sharing facilities.

There are 2,456²⁸ households registered on the Wokingham's housing waiting list which represents around 4% of all households within the Borough.

The estimate set out in Figure 5.1 estimates only those applicant households whose circumstances fall within the housing need criteria set out in Figure 5.1 of the CLG guidance i.e. households who are:

- Homeless or have insecurity of tenure
- Overcrowded
- Living in property too difficult to maintain
- Living in accommodation where they lack/share facilities such as a kitchen and/or bathroom
- Living in unsuitable dwellings without the means to repair or adapt
- In social need due to harassment or threats of harassment which cannot be resolved except through a move.

Wokingham's housing waiting list awards an applicant points according to their circumstances. The nature of the system in place means that we are unable to separate applicants into different priority bands. However, in discussion with the Council, we have assumed that 70% of applicants are in housing need (ie they meet the criteria listed above). This proportion is based on DTZ's experience in undertaking housing need assessments across the South East of England and holds true when the combined figures for the 4 other authorities in this assessment are examined. We have therefore excluded 737 (30%) applicants from the assessment as DTZ estimates that they may not have any of the above needs criteria.

27 As at the end of August 2011

28 This includes a small backlog of applicants which have not yet been entered onto the system

Figure 5.1 shows that in total there are 1,719 current applicants who are considered in housing need. Figure 5.1 breaks this figure down:

- 445 are existing social rented tenants in need of a transfer
- 1,274 are households from other tenures in housing need (predominately the private rented sector or sharing with other households)
- homeless households in acute need are included in the overall waiting list figure

The need assessment assumes that this backlog of households in need will be addressed over a 5 year period. This equates to an annual backlog of 344 households.

Stage 2: Newly Arising Need

Stage 2 of the housing needs assessment considers the number of new and existing households who are likely to fall into housing need in the future. This stage of the assessment is based upon:

- New household formation and the proportion of newly forming households unable to rent in the market
- Existing households falling into need

The projected level of household growth in Wokingham is based on the assumption that 13,232 new homes will be delivered 2006-2026 (as set out in the adopted Core Strategy). This equates to 662 dwellings per annum and this is the level at which we assume household growth will take place. Given the uncertainties around future dwelling provision, and indeed economic growth and migration patterns, household growth could be higher or lower than projected.

The assessment then estimates the number of these new households unable to afford to rent in the market place. The guidance recommends that the approach taken here is based on a comparison of minimum incomes required to access market housing against the distribution of incomes for **newly** forming households. However, while data on the distribution of incomes amongst all households is available, it is only possible to estimate the incomes of new households.

DTZ has used CACI household income data to estimate the proportion of households unable to afford to *rent* market housing in Wokingham. In Wokingham the household income threshold required to rent a two bedroom property is £35,000. This means that 44% of households are unable to afford to rent in the open market. DTZ has used 2 bedroom properties as a proxy for the affordability of rented homes to new households. In practice, some will need smaller homes and some larger. It is important to note that the incomes of new households are significantly lower than households as a whole²⁹. However, in the absence of specific evidence on the incomes of new households in Wokingham, we have used data for all households. Combining estimates of household growth with the proportion unable to rent in the open market equates to 232 new households falling into need each year.

This component of newly arising need has been calculated differently to the 2007 SHMA. In the 2007 assessment, newly arising need was estimated on the basis of the proportion of households who could not afford to buy in the open market, as well as those who could not afford to rent. In this assessment, we have only included new households unable to rent since these households have fewer options. Those unable to buy but able to rent could meet their own needs in the private rented sector and may also be eligible for intermediate housing options. This means that the housing need shortfall identified in this Housing Need Assessment largely excludes intermediate households. Demand for intermediate housing is considered separately, using data from the Local HomeBuy Agent (Catalyst).

²⁹ The Berkshire SHMA demonstrated that the incomes of new households are on average around two thirds of the incomes of households as a whole.

The second component of the estimate of newly arising need is the number of *existing* households falling into need. The CLG guidance considers that this should be estimated by the net average number of households joining housing registers each year, i.e. the gross number of new applicants adjusted to reflect those applicants who are in need. Wokingham's waiting list has been subject to a number of reviews over recent years which mean that headline waiting list figures over the last 5 years are not representative of the growth in housing need within the Borough. In discussion with the Wokingham housing needs team, DTZ has assumed that the number of households on the waiting list has remained broadly stable over the last 5 years and we have therefore included a zero figure for existing households falling into need in the housing need assessment.

It is important to highlight that the housing need assessment is sensitive to assumptions about newly arising need. This element of the assessment is uncertain as it relies on projections of future household growth and assumptions about affordability. Furthermore, the approach set out in the CLG guidance is likely to result in double counting of newly arising need in most local authorities. New households falling into need and those newly registering on the waiting list will overlap to some extent. However, in Wokingham, we have assumed that the numbers of the waiting list are stable and so, in effect, newly arising need is assumed to arise only from the formation of new households. This means that the risk of double counting from this element of the need assessment does not apply in Wokingham.

Stage 3: Affordable Housing Supply to Offset Need

Stage 3 in the assessment seeks to establish the level of supply available to offset need and takes into account:

- The number of units that will become available when existing tenants are re-housed (transfers within the social rented stock)
- Re-lets within the existing stock
- Any surplus social rented units e.g. long term vacant property
- Any units that will be taken out of management e.g. demolitions, disposals.

The rate at which transfer applicants are re-housed varies depends on turnover rates, allocation policies and the priority afforded to different applicants. The assumption set out in the CLG guidance has been adopted. This assumes that those existing tenants (transfer applicants) in housing need identified in Stage 1 of the assessment will be re-housed and will therefore create a vacancy for another household in need (thus having a nil effect on the overall housing need figures). In Wokingham, 89 dwellings will become available when existing tenants on the transfer list are re-housed each year.

The annual supply of social rented re-lets is based on past trends and excludes lets to transfers. This provides a net annual supply figure for social rented stock. In Wokingham, local authority and RSL re-lets taken together, excluding transfers, give an estimated supply of 159 rented units per annum.

The latest figure on vacant social rented dwellings within Wokingham across both local authority and RSL stock is 21 units, less than 1% of the social rented stock (HSSA return 2011). The CLG guidance states that '*a certain level of voids is normal and allows for transfers and works on properties. However, if the rate is in excess of approximately 3 per cent and properties are vacant for considerable periods of time, these should be counted as surplus stock.*'³⁰ Voids within Wokingham are therefore not considered as part of the available supply.

The assessment includes an estimate of a small number of intermediate tenure units becoming available for re-let each year (13 dwellings), based on data provided by Catalyst (the Local HomeBuy Agent for Berkshire).

³⁰ Step 3.2, Chapter 5, CLG (March 2007) Strategic Housing Market Assessments – Practice Guidance

Future Supply of Affordable Housing

DTZ has estimated that Wokingham Borough Council is likely to deliver an average of 94 new affordable units over the next 5 years. This estimate is based on past delivery rates and is cross checked with future allocations. As this assessment is designed to inform and support affordable housing policies it would be justifiable to exclude assumptions about the future supply of affordable homes. Nevertheless, this figure has been included in the assessment of supply and has the effect of reducing the shortfall in Wokingham. When estimates of future supply are excluded the shortfall rises from 296 to 382 per annum.

Size Requirements for Social Rented Homes

Overall, just over half of households on Wokingham’s waiting list require a one bedroom property (Figure 5.2). 16% of households need a 3 bedroom home or larger. However, housing need assessments generally identify more need than can be addressed through new affordable housing development. This means that the local authority needs to prioritise who they assist. The type, size and tenure of housing to address these priority needs may be different to the generality of need identified. For example, households with children living in overcrowded conditions are likely to be a high priority for housing on Wokingham’s waiting list and this implies the need for family type accommodation. This contrasts to the need implied by looking at the generality of households on the waiting lists who need a 1 bed property.

Figure 5.2: Number of Households Requiring Different Sized Properties

	Number of Bedrooms					Total
	1	2	3	4	5	
Number of households	1,270	660	330	50	10	2,310
Percentage	55%	29%	14%	2%	0%	100%

Source: Wokingham Borough Council (excludes applications not yet entered onto system)

In reality, even those households needing a 1 bed property may prefer a larger home but given the shortage of affordable housing, allocation policies will provide households with only their minimum requirements. Households identified on waiting lists as needing a 1 bed property include couples, as well as single people. Many of these couples may go on to start a family and will therefore need re-housing in the short term. Similarly, households containing two young children may be allocated a home with just two bedrooms, with the expectation that the children can share a bedroom. The size requirements of households accessing the social rented sector are therefore fundamentally different to the market sector because households are only allocated a property that meets their basic minimum requirements. In contrast, in the market sector households may be able to choose more space to allow for the expansion of their household or to provide space for other activities, visitors etc.

In examining the size requirements of those identified as in housing need it is important to keep this rationing process in mind. Furthermore, small properties become available for re-let most frequently in Wokingham, both because they are more numerous and also because households living in these properties are more likely to move for the reasons discussed above. Figure 5.3 shows that the vast majority of re-lets within Wokingham are 1 and 2 bedroom properties. Whilst 16% of those on the waiting list require 3 or more bedrooms, only 13% of the properties available for re-let are of a suitable size.

Figure 5.3: Number of Properties Available for Re-let by Size, 2010/11

	Number of Bedrooms				Total
	1	2	3	4+	
Number of households	130	130	40	10	310
Percentage	43%	43%	13%	0%	100%

Source: Wokingham Borough Council

Intermediate Housing Demand

Whilst the housing need assessment (summarised in Figure 5.1) captures a small proportion of households who might be able to afford to access intermediate housing products the vast majority of these households will need subsidised rented accommodation (including support to access the private rented sector through Housing Benefit). Nevertheless, there are a significant number of additional households who live within Wokingham who are interested in accessing intermediate housing products. These households are largely unable to access home ownership and to some extent the private rented sector, on the basis of their incomes.

Catalyst Housing Group is the Local HomeBuy Agent which covers Wokingham and the other Berkshire authority areas. Catalyst keeps a register of households who are actively interested in intermediate housing options. To be eligible, households must have incomes of less than £60,000. The data in this section relates to households on Catalyst’s register who live within Wokingham. We have filtered out those households who work but do not live in the authority area and those who live or work in adjacent authority areas. This means that in practice there is a wider range of households who may access intermediate homes within the District. But it is also the case that some of those households who live in Wokingham may access intermediate homes outside of the District.

Figure 5.4 shows that there is substantial interest in intermediate affordable housing amongst households within Wokingham. 700 households who live within Wokingham are actively interested in accessing such products. The majority of these households are single or couple households without children but there is representation from all household groups, including families who are unable to access the size of homes they require either to buy or rent.

Figure 5.4: Intermediate Households by Household Size in Wokingham

Household Size	Number	Estimated Minimum Bedrooms Required	%
1 person	290	1	41%
2 people	260	1 or 2	37%
3 people	100	2	14%
4+ people	70	3	9%
Total	700		100%

Source: Catalyst Housing Group (figures rounded to nearest 10 and may not sum)

Figure 5.4 illustrates that the majority of these households are small, containing either one or two people. The minimum number of bedrooms these households are likely to require is estimated in Figure 5.4 but in practice many of these households would prefer a larger property and it is important to keep in mind that around half of these households can afford to rent in the private sector and therefore have a choice in the housing market.

The largest proportions of households interested in intermediate products are currently living with friends or family or within the private rented sector. This confirms that there is significant overlap between the private rented sector and intermediate sector. But there is a small proportion of households who currently live within the social rented sector which indicates that there is potential for targeting products at these households with the added benefit that this could release social rented homes for those in priority need.

It is important to remember that many of these intermediate households are able to access the private rented sector and that this sector has been meeting the needs of this intermediate market for many years. Many (around 52%) of those interested in intermediate affordable housing in Wokingham can afford to access a suitably sized property within the private rented sector. However, lower quartile house prices were £220,000 at the end of 2010 in Wokingham, with the income required to buy a property on the open market around

£66,000³¹. It is unlikely that many of the intermediate households on Catalyst’s list can afford to buy in the open market. Even those amongst the 70 household with incomes of £50,000 or more there are only 3 with sufficient savings to afford a deposit.

Figure 5.5: Tenure of Households Interested in Intermediate Products

Tenure	Number	%
Private Rented Sector	230	35%
Living with Family/ Friends	360	49%
Social Rented Sector	40	8%
Owner occupation	1	0%
Shared ownership	0	0%
Other	70	8%
Total	700	100%

Source: Catalyst Housing Group (figures rounded to nearest 10 and may not sum due to rounding)

Figure 5.6: Household Incomes of Intermediate Households

Household Income	Number	%
Less than £10,000	40	5%
£10-20,000	130	18%
£20-30,000	240	35%
£30-40,000	150	22%
£40-50,000	90	12%
£50-60,000	40	6%
Total	700	100%

Source: Catalyst Housing Group

In 2008 the Government introduced intermediate rental products (Rent to HomeBuy and Intermediate Market Rent) which give households up to a 20% discount on market rents. The same eligibility criteria used for Low Cost Home Ownership has been applied to these products and so in practice they have been aimed at and accessed by households on the margins of home ownership rather than those on the margins of private renting or those in housing need on Council waiting lists.

The majority of intermediate applicants in Wokingham do not have savings sufficient for a deposit. The implication being that these households will be unable to access low cost home ownership given lenders’ current criteria. Currently, the only option for these households is to access Rent to HomeBuy products, which would allow the household a period of time to save for a deposit whilst enjoying a subsidised rent.

Based on the analysis of the incomes of those on the intermediate list, the introduction of Affordable Rent could be used to meet the needs of these households. Those who have indicated interest in intermediate products by and large have sufficient incomes to afford rents at 80% of market value.

There are also 37 households on the intermediate list who currently occupy social rented homes. Most of these households have incomes which would be sufficient for Affordable Rent or even open market rents (Figure 5.7 shows that 26 out of 37 households would be able to afford Affordable Rents). This suggests that there are existing tenants within the social rented sector who are able to access other tenures (whether they

31 This assumes that the household can borrow 3 times their income and has a deposit of at least 10% of the purchase price.

are willing to do so is another matter) and offer the potential to free up social rented homes for those on lower incomes.

Figure 5.7: Households Interested in Intermediate Affordable Housing Currently Occupying Social Rented Homes

	1 person	2 person	3 person	4 person +	Total
Social Rented Tenants	13	7	5	12	37
Could afford Affordable rent (at 80% market rent)	7	7	4	8	26
Could afford market rent (for household size)	4	5	3	3	15
Could afford LQ property (income + deposit)	0	0	0	0	0

Source: Catalyst Housing Group

Intermediate Housing Supply

Over the last 5 years, around 60 intermediate homes have been delivered in Wokingham each year.³² The majority of these have been low cost home ownership products (shared ownership and equity share). In the last 5 years, the supply of intermediate homes has exceeded the supply of new social rented dwellings, which has averaged around 30 dwellings per annum (32% of overall affordable housing supply).³³ It is difficult to directly compare the shortfall from the HNA with the number of households on the intermediate list. The vast majority of the latter group are not in housing need and most could afford to rent in the open market, though they are by and large excluded from home ownership. However, given the scale of demand for intermediate products (around 700 households actively interested) compared to the need for subsidised rented accommodation, the intermediate sector appears to have been well catered for in recent years. Albeit, there is a much wider group within the population who are eligible for intermediate products and therefore significant potential demand. Supply of intermediate products also reflects considerations of viability and tenure mix on specific sites.

5.2 Estimating the Cost of Renting

Figure 5.8 presents average market rents for different property sizes within Wokingham. As set out in the introduction to this report, market rents have been established by surveying asking rents within Wokingham and reducing these by 10% to reflect likely achieved rents. Asking rents have been discounted so as not to over-estimate market rents as these feed through into our estimates of levels of Affordable Rents. However, in Wokingham District there is a much more limited supply of rental properties than in the urban areas of Berkshire (Reading and Slough for example). This is likely to mean that tenants are less able to negotiate down asking rents because there is less competitive pressure within the rental market and fewer properties available at the lower end of the market. The suburbs in west of the District are continuous with the Reading urban area and so tenants wishing to access properties in this area have a wider choice of properties available given the size of the rental market in Reading. Rents are based on data from October 2011.

³² Data from Reading Borough Council – there have been an additional 40 households helped into homeownership each year through market homebuy or firstbuy

³³ There were an extra 100 extra care rented units delivered in 2011/12 in addition to general needs social rented homes

Figure 5.8: Market Rents, Wokingham

Number of bedrooms	Borough Average	Lowest Priced	Highest Priced
1 (includes studios)	£660	£470	£1,080
2	£1,000	£630	£1,080
3	£1,080	£700	£1,760
4	£1,630	£1,080	£3,560
5+	£2,110	£1,530	£4,500

Source: Rightmove asking rents discounted by 10% to reflect achieved levels

In Wokingham, average rents for a 1 bedroom property are £660 per month. However, there are some properties available at a cheaper rent, the lowest being £470 per month and at the other end of the spectrum rents for some 1 bedroom properties are as high as £1,080 per month. House shares have been excluded from these figures as have properties with specific eligibility criteria eg retirement flats.

It is worth noting that Local Housing Allowance rates for Wokingham are as follows:

	1 bed	2 bed	3 bed	4 bed	Shared Room
Maximum amount per month	£625	£795	£895	£1,300	£320

Source: Directgov website

The LHA rates would not cover the full cost of average rents within Wokingham and there are very few properties available at rents lower than the LHA rates (ie fewer than 5 properties in each size on the market priced lower than LHA levels). However, Figure 5.9 shows that the average rental prices in the Borough are affected by higher rents in the villages. In Woodley and Earley (the suburbs that border Reading) average rents broadly fall within LHA limits (with the exception of 4 bedroom homes).

Figure 5.9: Market Rents at the Sub-District level, Wokingham

Number of bedrooms	Borough Average	Wokingham Town	Woodley/Earley	Villages
1 (includes studios)	£660	£680	£590	£630
2	£1,000	£770	£770	£1,040
3	£1,080	£910	£890	£1,200
4	£1,630	£1,580	£1,350	£1,750
5+	£2,110	£1,870	£2,330	£1,950

Source: Rightmove asking rents discounted by 10% to reflect achieved levels

The average market rents in Figure 5.9 have been used to estimate the level of Affordable Rent within the Borough if this is set by reference to market rents (see Figures 5.10-5.11). If Affordable Rents are set in relation to average market rents, there will be few properties available in the open market that are cheaper than Affordable Rented properties. Affordable Rents at 80% of market rents broadly bring rents down in line with the cheapest available private rented properties on the open market and the data suggests that there are very few of these properties available at present.

Affordable Rents at 80% of market rents would bring rents within the LHA levels in Wokingham town and within Woodley and Earley but the Villages within Wokingham would remain above LHA limits, with the exception of 1 bedroom properties. This suggests that it would be difficult to meet housing need through the provision of new Affordable Rented properties in parts of the Borough because Housing Benefit will not cover the full cost of the rent for larger properties. Affordable Rents set at 70% of market rents (or lower) would bring rents within LHA limits and therefore make them affordable to those receiving the full amount of Housing Benefit.

Figure 5.10: Affordable Rents (@80% of market rents), Wokingham

Number of bedrooms	Borough Average	Wokingham	Woodley/Earley	Villages
1	£530	£540	£480	£500
2	£800	£610	£610	£830
3	£860	£720	£710	£960
4	£1,310	£1,270	£1,080	£1,400
5+	£1,690	£1,500	£1,860	£1,560

Source: DTZ, using Rightmove rents

Figure 5.11: Affordable Rents (@70% of market rents), Wokingham

Number of bedrooms	Borough Average	Wokingham	Woodley/Earley	Villages
1	£460	£470	£420	£440
2	£700	£530	£540	£730
3	£750	£630	£620	£840
4	£1,140	£1,110	£950	£1,230
5+	£1,470	£1,310	£1,630	£1,370

Source: DTZ, using Rightmove rents

5.3 Incomes and Affordability

Using the rental levels set out above, Figures 5.12-5.13 calculate the annual income a household would need to be able to rent affordably. This calculation assumes that households spend no more than 33% of their gross income on rental costs.

Figure 5.12 shows that, in the Borough as a whole, the income required to access average market rents starts at £23,800 per annum. This would allow the household to afford an average priced 1 bedroom property. If a household is able to access a lower priced property, it might be possible for those on incomes of £17,000 or more to afford a market rent, though the availability of these properties is very limited. The income required to afford an average priced 2 bedroom property is over £35,900, rising to £38,700 for a 3 bed and £52,900 for a 4 bed property.

Figure 5.12: Income Required to Afford Market Rents, Wokingham

Number of bedrooms	Average Priced Property	Lowest Priced Property
1	£23,800	£17,000
2	£35,900	£22,500
3	£38,700	£25,100
4	£58,700	£38,900
5+	£75,800	£54,900

Source: DTZ

Figure 5.13: Income Required to Afford Market Rents at Sub-District level, Wokingham

Number of bedrooms	Borough Average	Wokingham	Woodley/Earley	Villages
1	£23,800	£24,400	£21,400	£22,600
2	£35,900	£27,500	£27,600	£37,300
3	£38,700	£32,600	£31,900	£43,200
4	£58,700	£57,000	£48,700	£63,000
5+	£75,800	£67,300	£83,800	£70,200

Source: DTZ

Affordable Rents set at 80% of market rents would allow those with incomes over £19,200 to access a 1 bedroom property and those on modest incomes of £20-30,000 to access two and three bedroom properties within the urban areas of the Borough (see Figure 5.14). Figure 5.15 repeats this analysis for Affordable Rents set at 70% of market rents.

Figure 5.14: Income Required to Afford Affordable Rents (80% market rents), Wokingham

Number of bedrooms	Borough Average	Wokingham	Woodley/Earley	Villages
1	£19,100	£19,500	£17,100	£18,000
2	£28,700	£22,000	£22,000	£29,800
3	£30,900	£26,000	£25,600	£34,600
4	£47,000	£45,600	£39,000	£50,400
5+	£60,700	£53,800	£67,000	£56,200

Source: DTZ

Figure 5.15: Income Required to Afford Affordable Rents (70% market rents), Wokingham

Number of bedrooms	Borough Average	Wokingham	Woodley/Earley	Villages
1	£16,670	£17,078	£14,969	£15,808
2	£25,152	£19,278	£19,301	£26,082
3	£27,080	£22,793	£22,362	£30,255
4	£41,096	£39,917	£34,088	£44,113
5+	£53,071	£47,106	£58,673	£49,170

Source: DTZ

It is possible to analyse the incomes of households on Wokingham's waiting list and assess how far those in housing need might be able to afford Affordable Rent or other tenures. Just under half of the applicants on Wokingham's waiting list have provided information on their incomes so the data represents a sample rather than a comprehensive picture of the incomes of those in housing need. It is not possible to tell whether this is a representative sample or whether those applicants who have not reported income information share certain characteristics.

There are two other caveats which need to be borne in mind in using this income data. First, it is based on households self reporting and relies on households accurately disclosing their income from earnings and benefits on the application form. Second, this information is not verified by the Council until a household is offered a home. This means that the data below may not be accurate for all applicants. However, this data represents the best available information on the incomes of households in need within the Borough and provides an important indication of the likely affordability of different tenures to those in housing need.

Figures 5.16 – 5.18 examine the extent to which households on Wokingham's waiting list are able to afford different housing options.

- Figure 5.16 shows that just 16 (3%) households on the waiting list could afford to rent in the market. These households all require a one bedroom property. This suggests that there is very limited scope for households in need to find their own accommodation, without the need for assistance from the Council.
- Figure 5.17 shows that a further 41 households on the waiting list could afford Affordable Rent, if rents are set at 80% of market levels. This represents an additional 9% of households on the waiting list and so Affordable Rent could help to address the needs of a relatively modest number of households. Again, it is largely households who require one bedroom who would be assisted by Affordable Rents set at 80% of

market levels, though a few households needing two and three bedrooms could also be helped to access accommodation this way.

Figure 5.16: Number and % of Households who can Afford Market Rents, by Size of Home Required

Minimum size of property required	Income Required for Market Rent	Total	Percentage
1 bed	£23,800	16	3%
2 bed	£35,900	0	0%
3 bed	£38,700	0	0%
4 bed	£58,700	0	0%
5 bed	£75,800	0	0%
Total		16	3%

Source: Wokingham Borough Council

Figure 5.17: Number and % of Households who can Afford 80% Market Rents, by Size of Home Required

Minimum size of property required	Income Required for Affordable Rent (at 80% of market)	Total	Percentage
1 bed	£19,100	50	9%
2 bed	£28,800	4	1%
3 bed	£31,000	3	2%
4 bed	£47,000	0	0%
5 bed	£60,700	0	0%
Total		57	12%

Source: Wokingham Borough Council

Figure 5.18: Number and % of Households who can Afford 70% Market Rents, by Size of Home Required

Minimum size of property required	Income Required for Affordable Rent (at 80% of market)	Total	Percentage
1 bed	£16,700	82	15%
2 bed	£25,200	10	3%
3 bed	£27,100	5	3%
4 bed	£41,100	0	0%
5 bed	£53,100	0	0%
Total		97	21%

Source: Wokingham Borough Council

If Affordable Rents were set at 70% of market levels, an additional 81 households would be able to afford to access rented accommodation, over and above the 16 households who appear to have sufficient incomes for market rents. Even when Affordable Rents are set at 70% of market levels there are few households requiring 3 bedroom homes who would be 'priced in' to the market. Affordability improves incrementally as Affordable Rents reduced but even when rents are set at 50% of market levels most households, remain unable to afford. There are a number of reasons for this:

- Some of those on the waiting list (new applicants) do not yet receive Housing Benefit but they may be eligible for it. This will allow some to rent in the private rented sector or afford Affordable Rent, particularly if they are eligible for the full rate of Local Housing Allowance. The same applies to transfer

applicants claiming Housing Benefit. Their incomes reflect the cost of their current tenure – most would be able to claim more for an Affordable Rented property – in effect ‘boosting’ their incomes. All of this implies that these households will need to keep claiming benefits to be able to afford Affordable Rents with the risk that this entails for work incentives.

- Many of those on low incomes will be spending more on housing costs than 33% of their gross income. Whilst analysis of their incomes suggests that market rents or Affordable Rents are unaffordable to the majority of those in housing need the reality is that many households are already paying this level of rent and that rental costs account for more than half of their income.
- The incomes of those needing 1 bedroom are distorted by those young single households (under the age of 35) who are only entitled to the shared room rate under the LHA. Their entitlement to Housing Benefit is limited and not intended to afford them access to a 1 bedroom property. If these people were excluded from the analysis, the affordability of Affordable Rent to households needing a 1 bedroom property would improve.

It is worth highlighting that Government proposals to cap the total benefits any household can receive will impact on the level Affordable Rents can be set. The maximum amount that can be received in benefits under the cap is likely to be £26,000. Benefits are untaxed so this represents a net income, equivalent to a gross income of around £35,000. Taking this gross income, if households spend 33% of their income on housing costs then this implies an upper limit of £220 per week (£970 pcm) on rent. This implies that households wholly reliant on benefits spend around 45% of their net income on rent. Whilst this may allow Providers to set Affordable Rents at 80% of market rents for 1, 2 and 3 bedroom properties in the urban areas of the District; rents on 2, 3 and 4 bed properties in the rural villages and on 4 bedroom properties across the District will need to be set at much lower levels in relation to market rents in order to be affordable.

Furthermore, in future LHA levels will be increased in line with CPI rather than RPI. There is a significant risk that market rents will rise at faster rate than CPI (as they have done in the past). This means that if Affordable Rents are set in relation to market rents and increased in line with market rents they are likely to exceed LHA levels at some point in the future. Providers will need to take care to set initial rents which have room to increase *within* LHA levels, or take the risk that rents will exceed LHA levels and some tenants will increasingly find their rents unaffordable. This is a particular risk for larger properties which are likely to be at or near the maximum LHA rates.

5.4 Key points

There are a number of key points that it is useful to highlight from this analysis:

- There is a shortfall of around 296 affordable homes each year within Wokingham, based on a backlog of over 2,000 households on the waiting list and taking into account an estimate of newly arising need.
- New supply of affordable homes has made a significant contribution to addressing needs over the last 5 years – without which the shortfall would be even higher.
- Most of those identified as in housing need have very low incomes and are therefore need to be accommodated through subsidised rented homes or in the private rented sector, supported by Housing Benefit.
- There are an additional 700 intermediate households who are actively interested in intermediate products within Wokingham. On the basis of their incomes, many of these households could afford to rent in the open market. The supply of new intermediate homes has exceeded the supply of new social rented properties within Wokingham in recent years.

- Around 12% on Wokingham's waiting list would be able to afford Affordable Rents, set at 80% of market rents. However, some of these households could afford market rents for the property size they need, according to our analysis of their incomes.
- In theory, households in receipt of the full amount of Housing Benefit would be able to afford Affordable Rent (at 80% of market levels) in Wokingham town. If Affordable Rents were set at 70% or lower, this would bring rents in the rest of the Borough within LHA limits.
- However, there is uncertainty around the level of Housing Benefit that will be available in the future, particularly when a cap is introduced on the overall level of benefits that can be received by an individual household. This may mean that Affordable Rents would need to be set lower in order to ensure that households in need are able to afford the rent. This particularly applies to rents on larger properties since any cap on benefit levels is likely to affect the incomes of larger households.
- There are a number of *existing* social rented tenants who would be able to afford other tenures, including Affordable Rent. Some of these households have expressed an interest in intermediate housing options through the Local HomeBuy Agent, Catalyst and may therefore be willing to consider a move out of social rented accommodation. For many of these households a move to Affordable Rent would involve giving up a secure tenancy on a low rent and so Affordable Rented options may need to offer a strong incentive in terms of the quality of the accommodation, location and tenure.

6 Bracknell Forest

This section examines the introduction of Affordable Rent within Bracknell Forest. An updated Housing Need Assessment was completed as part of the Bracknell Forest HMA in 2011 and so a new HNA is not provided in this report.

6.1 Estimating the Cost of Renting

Figure 6.1 presents average market rents for different property sizes within Bracknell Forest. As set out in the introduction to this report, market rents have been established by surveying asking rents within Bracknell Forest and reducing these by 10% to reflect likely achieved rents. Asking rents have been discounted so as not to over-estimate market rents as these feed through into our estimates of levels of Affordable Rents. However, in Bracknell there is a more limited supply of rental properties than in the urban areas of Berkshire (Reading and Slough for example). This is likely to mean that tenants are less able to negotiate down asking rents because there is less competitive pressure within the rental market and fewer properties available at the lower end of the market. Rents are based on data from October 2011.

Figure 6.1: Market Rents, Bracknell Forest

Number of bedrooms	Average	Lowest	Highest
1 (includes studios)	£600	£500	£650
2	£860	£630	£1,670
3	£1,010	£650	£1,980
4	£1,250	£770	£3,150
5+	£2,300	£1,170	£8,820

Source: Rightmove asking rents discounted by 10% to reflect achieved levels

In Bracknell Forest, average rents for a 1 bedroom property are £600 per month. However, there are some properties available at a cheaper rent, the lowest being £500 per month and at the other end of the spectrum rents for some 1 bedroom properties are as high as £650 per month. House shares have been excluded from these figures as have properties with specific eligibility criteria eg retirement flats. It is worth examining the Local Housing Allowance rates that apply within Bracknell Forest and the extent to which they would enable households in receipt of Housing Benefit to afford an average rental property. There are three broad rental market areas that cover different parts of Bracknell Forest for the purposes of determining the Local Housing Allowance, though the majority of the District is covered by the Reading market area. These broad rental market areas are as follows:

	Areas covered within Bracknell Forest	1 bed	2 bed	3 bed	4 bed	Shared House
<i>Reading area</i>	Bracknell town, Crowthorne, Binfield	625	795	895	1300	320
<i>Blackwater Valley</i>	Sandhurst	595	725	875	1250	340
<i>East Thames Valley</i>	Rural settlements in North of District	625	800	950	1350	325

Source: Directgov website

Figure 6.2 presents average market rents at the sub-district level so show how the cost of renting varies within different settlements in Bracknell Forest. This suggests that those receiving the full amount of Housing Benefit within Bracknell town would be able to afford an average priced 1 or 2 bedroom property but average rents on larger homes exceed the Local Housing Allowance rates. The picture appears mixed for the rest of the District but in general,

LHA rates are insufficient for average priced larger properties and the availability of entry level 3 and 4 bed properties is more limited than for smaller (1 and 2 bed dwellings).

Figure 6.2: Market Rents at the Sub-District level, Bracknell Forest

Number of bedrooms	District Average	Bracknell Town	Crowthorne & Sandhurst	Villages
1 (includes studios)	£600	£600	£610	£600
2	£860	£740	£750	£1,010
3	£1,010	£1,060	£780	£1,290
4	£1,250	£1,580	£1,550	£1,250
5+	£2,300	£1,590	£1,760	£2,850

Source: Rightmove asking rents discounted by 10% to reflect achieved levels

The average market rents in Figure 6.2 have been used to estimate the level of Affordable Rent within the Borough if this is set by reference to market rents (see Figures 6.3-6.4).

Figure 6.3: Affordable Rents (@80% of market rents), Bracknell Forest

Number of bedrooms	District Average	Bracknell	Crowthorne & Sandhurst	Villages
1	£480	£480	£490	£480
2	£690	£590	£600	£810
3	£810	£850	£630	£1,040
4	£1,000	£1,270	£1,240	£1,000
5+	£1,840	£1,270	£1,410	£2,280

Source: DTZ

Figure 6.4: Affordable Rents (@70% of market rents), Bracknell Forest

Number of bedrooms	District Average	Bracknell	Crowthorne & Sandhurst	Villages
1	£420	£420	£420	£420
2	£610	£520	£530	£710
3	£710	£740	£550	£910
4	£870	£1,110	£1,080	£870
5+	£1,610	£1,110	£1,230	£2,000

Source: DTZ

Affordable Rents at 80% of market rents broadly bring rents down in line with the cheapest available private rented properties on the open market. If Affordable Rents are set in relation to average market rents, there will be few properties available in Bracknell that are cheaper in the open market than Affordable Rented properties.

Affordable Rents at 80% of market rents also bring rents within the LHA limits in most parts of the District although Affordable Rents within the villages remain above LHA rates for 2, 3 and 4 bedroom properties. Affordable Rents at 70% of market rents within the villages would bring prices down to LHA limits.

6.2 Incomes and Affordability

Using the rental levels set out above, Figures 6.5-6.7 calculate the annual income a household would need to be able to rent affordably. This calculation assumes that households spend no more than 33% of their gross income on rental costs.

Figure 6.4 shows that, in the District as a whole, the income required to access average market rents starts at £21,500 per annum. This would allow the household to afford an average priced 1 bedroom property. If a household is able to access a lower priced property, it might be possible for those on incomes of £17,800 or more to afford a market rent. The income required to afford an average priced 2 bedroom property is over £31,100, rising to £36,300 for a 3 bed and £44,800 for a 4 bed property.

Figure 6.5: Income Required to Afford Market Rents, Bracknell Forest

Number of bedrooms	Average Priced Property	Lowest Priced Property
1	£21,500	£17,800
2	£31,100	£22,500
3	£36,300	£23,500
4	£44,800	£27,500
5+	£82,700	£42,000

Source: DTZ

Affordable Rents set at 80% of market rents would allow those with incomes over £17,200 to access a 1 bedroom property.

Figure 6.6: Income Required to Afford Market Rents at the Sub-District Level, Bracknell Forest

Number of bedrooms	District Average	Bracknell Town	Crowthorne & Sandhurst	Villages
1	£21,500	£21,500	£21,800	£21,600
2	£31,100	£26,600	£27,000	£36,400
3	£36,300	£38,100	£28,200	£46,600
4	£44,800	£57,000	£55,700	£44,800
5+	£82,700	£57,100	£63,300	£102,700

Source: DTZ

Figure 6.7: Income Required to Afford Affordable Rents (at 80% of Market Rents), Bracknell Forest

Number of bedrooms	District Average	Bracknell Town	Crowthorne & Sandhurst	Villages
1	£17,200	£17,200	£17,400	£17,300
2	£24,900	£21,300	£21,600	£29,100
3	£29,000	£30,508	£22,600	£37,300
4	£35,900	£45,600	£44,500	£35,900
5+	£66,200	£45,700	£50,600	£82,100

Source: DTZ

Figure 6.8: Income Required to Afford Affordable Rents (at 70% of Market Rents), Bracknell Forest

Number of bedrooms	District Average	Bracknell	Crowthorne & Sandhurst	Villages
1	£15,000	£15,000	£15,300	£15,100
2	£21,800	£18,600	£18,900	£25,400
3	£25,400	£26,700	£19,800	£32,600
4	£31,400	£39,900	£39,000	£31,400
5+	£57,900	£40,000	£44,300	£71,900

Source: DTZ

It is possible to analyse the incomes of households on Bracknell Forest's waiting list and assess how far those in housing need might be able to afford Affordable Rent or other tenures. There are two caveats which need to be borne in mind in using this income data. First, it is based on households self reporting and relies on households accurately disclosing their income from earnings and benefits on the application form. Second, this information is not verified by the Council until a household is offered a home. This means that the data below may not be accurate for all applicants. However, this data represents the best available information on the incomes of households in need within the District and provides an important indication of the likely affordability of different tenures to those in housing need.

Figures 6.9 – 6.10 examine the extent to which new applicant households on Bracknell Forest's waiting list are able to afford different housing options:

- Figure 6.9 shows that 16% of new applicant households on the waiting list could afford to rent in the market. The majority of these households require a one bedroom property. This suggests that there is some scope for households in need to find their own accommodation, without the need for assistance from the Council. However, most of those who could afford to rent in the open market are in Band E on the waiting list and would not be considered as being in priority need by the Council.
- Figure 6.10 shows that a further 10% of these households on the waiting list could afford Affordable Rent, if rents are set at 80% of market levels. Again, it is largely households who require one bedroom who would be assisted by Affordable Rents set at 80% of market levels, although 16% and 11% of households needing two and three bedrooms could also be helped to access accommodation this way.

Figure 6.9: Percentage of Households in Need (New Applicants) Who Can Afford Market Rents, Bracknell Forest

Minimum size of property required	Market Rent	Band B	Band C	Band D	Band E	Total
1 bed	£21,481	33%	8%	15%	40%	21%
2 bed	£31,104	6%	9%	0%	9%	8%
3 bed	£36,288	3%	2%	0%	2%	2%
4 bed	£44,809	0%	0%	0%	0%	0%
Total		5%	7%	13%	24%	16%

Source: Bracknell Forest Council

Figure 6.10: Percentage of Households in Need (New Applicants) Who Can Afford Affordable Rents (80%), Bracknell Forest

Minimum size of property required	Income required for Affordable Rent (80%)	Band B	Band C	Band D	Band E	Total
1 bed	£17,185	33%	17%	28%	50%	33%
2 bed	£24,883	6%	17%	6%	19%	16%
3 bed	£29,030	3%	11%	0%	19%	11%
4 bed	£35,847	0%	0%	0%	0%	0%
Total		5%	16%	26%	35%	26%

Source: Bracknell Forest Council

Figures 6.11 – 6.12 examine the extent to which transfer applicant households on Bracknell Forest's waiting list are able to afford different housing options:

- Figure 6.11 shows that 10% of transfer applicant households on the waiting list could afford to rent in the market. The majority of these households require a one bedroom property and are in Band E (low priority). This suggests that there is limited some scope for social rented tenants in housing need to find their own accommodation, without the need for assistance from the Council.
- Figure 6.12 shows that a further 9% of these households on the waiting list could afford Affordable Rent, if rents are set at 80% of market levels. Again, it is largely households who require one bedroom who would be assisted by Affordable Rents set at 80% of market levels, although some households needing two and three bedrooms could also be helped to access accommodation this way.

Figure 6.11: Percentage of Households in Need (Transfer Applicants) Who Can Afford Market Rents, Bracknell Forest

Minimum size of property required	Market Rent	Band B	Band C	Band D	Band E	Total
1 bed	£21,481	0%	0%	0%	28%	18%
2 bed	£31,104	9%	6%	6%	15%	7%
3 bed	£36,288	0%	10%	0%	0%	5%
4 bed	£44,809	0%	0%	0%	0%	0%
Total		2%	6%	4%	23%	10%

Source: Bracknell Forest Council

Figure 6.12: Percentage of Households in Need (Transfer Applicants) Who Can Afford Affordable Rents (80%), Bracknell Forest

Minimum size of property required	Income required for Affordable Rent (80%)	Band B	Band C	Band D	Band E	Total
1 bed	£17,185	10%	10%	0%	34%	25%
2 bed	£24,883	9%	21%	11%	22%	19%
3 bed	£29,030	5%	16%	0%	0%	11%
4 bed	£35,847	0%	0%	0%	0%	0%
Total		6%	19%	8%	30%	19%

Source: Bracknell Forest Council

Figure 6.13 shows that affordability (for new applicants) improves incrementally as Affordable Rent levels are reduced but even when rents are set at 50% of market levels some households in need, remain unable to afford. There are a number of reasons for this:

- Some of those on the waiting list (new applicants) do not yet receive Housing Benefit but they may be eligible for it. This will allow some to rent in the private rented sector or afford Affordable Rent, particularly if they are eligible for the full rate of Local Housing Allowance. The same applies to transfer applicants claiming Housing Benefit. Their incomes reflect the cost of their current tenure – most would be able to claim more for an Affordable Rented property – in effect ‘boosting’ their incomes. All of this implies that these households will need to keep claiming benefits to be able to afford Affordable Rents with the risk that this entails for work incentives.
- Many of those on low incomes will be spending more on housing costs than 33% of their gross income. Whilst analysis of their incomes suggests that market rents or Affordable Rents are unaffordable to the majority of those in housing need the reality is that many households are already paying this level of rent and that rental costs account for more than half of their income in many cases.
- The incomes of those needing 1 bedroom are distorted by those young single households (under the age of 35) who are only entitled to the shared room rate under the LHA. Their entitlement to Housing Benefit is limited and not intended to afford them access to a 1 bedroom property. If these people were excluded from the analysis, the affordability of Affordable Rent to households needing a 1 bedroom property would be likely to improve.

Figure 6.13: Percentage of New Applicants who can Afford Rents at Different Levels

Minimum size of property required	Market Rent	80%	70%	60%	50%
1 bed	21%	33%	42%	58%	71%
2 bed	8%	16%	23%	32%	44%
3 bed	2%	11%	15%	18%	30%
4 bed	0%	0%	0%	0%	0%
Total	16%	26%	34%	48%	60%

Source: Bracknell Forest Council

It is worth highlighting that Government proposals to cap the total benefits any household can receive will impact on the level Affordable Rents can be set. The maximum amount that can be received in benefits under the cap is likely to be £26,000. Benefits are untaxed so this represents a net income, equivalent to a gross income of around £35,000. Taking this gross income, if households spend 33% of their income on housing costs then this implies an upper limit of £220 per week (£970 pcm) on rent. This implies that households wholly reliant on benefits spend around 45% of their net income on rent. Whilst this may allow Providers to set Affordable Rents at 80% of market rents for 1, 2 and 3 bedroom properties (with the exception of the rural villages); rents on larger properties will need to be set at much lower levels in relation to market rents in order to be affordable.

Furthermore, in future LHA levels will be increased in line with CPI rather than RPI. There is a significant risk that market rents will rise at faster rate than CPI (as they have done in the past). This means that if Affordable Rents are set in relation to market rents and increased in line with market rents they are likely to exceed LHA levels at some point in the future. Providers will need to take care to set initial rents which have room to increase *within* LHA levels, or take the risk that rents will exceed LHA levels and some tenants will increasingly find their rents unaffordable. This is a particular risk for larger properties which are likely to be at or near the maximum LHA rates.

6.3 Key points

There are a number of key points that it is useful to highlight from this analysis:

- Most of those in housing need within Bracknell Forest have very low incomes and therefore need to be accommodated through subsidised rented homes or in the private rented sector, supported by Housing Benefit.
- Around 16% of new applicants on Bracknell Forest's waiting list would be able to afford Market Rents although most of these households only need 1 bedroom properties. A further 10% of new applicants on the waiting list would be able to afford Affordable Rent at 80% of market rents.
- Around 10% of transfer applicants (existing social rented tenants) could afford market rents for the size of home they need. Again, most of those who can afford this only need a 1 bedroom home. Those needing larger properties cannot afford a market rent. Affordable Rent (at 80% market rents) would allow an additional 9% of transfer tenants to access affordable housing.
- In theory, most households in receipt of the full amount of Housing Benefit would be able to afford Affordable Rent (at 80% of market levels) in Bracknell Forest, with the exception of larger properties in the villages. If Affordable Rents were set at 70% or lower, this would bring rents in the rest of the District within LHA limits.
- However, there is uncertainty around the level of Housing Benefit that will be available in the future, particularly if a cap is introduced on the overall level of benefits that can be received by an individual household. This may mean that Affordable Rents would need to be set lower in order to ensure that households in need are able to afford the rent. This particularly applies to rents on larger properties since any cap on benefit levels is likely to affect the incomes of larger households.
- There are a number of *existing* social rented tenants who would be able to afford other tenures, including Affordable Rent. Some of these households have expressed an interest in intermediate housing options through the Local HomeBuy Agent, Catalyst and may therefore be willing to consider a move out of social rented accommodation. For many of these households a move to Affordable Rent would involve giving up a secure tenancy on a low rent and so Affordable Rented options may need to offer a strong incentive in terms of the quality of the accommodation, location and tenure.