

# **Winchester District Local Plan Part 1 – Joint Core Strategy**

## **Background Paper 2 Affordable Housing Policies**

### **Supplement A**

- (1) Updated Housing Needs  
Assessment**
- (2) Council House Building  
Update**

**September 2012**



**Winchester**  
City Council

## Introduction

- 1.1. This paper is provided to support *Background Paper 2 – Affordable Housing Policies* in order to reflect the updated Housing Needs Assessment (HNA), that forms part of the Strategic Housing Market Assessment (SHMA) (published as part of the Local Plan Part 1 Evidence Base in September 2012) and also to update progress on the Council's programme of house building.
- 1.2. A review of the Council's Housing Register took place earlier in 2012. As part of this review each household on the Housing Register was contacted to see if they wished to remain on the Register or whether their circumstances had changed. This resulted in a reduction in the numbers in housing need, on the Register, of approximately 500 households to 2,300 households.
- 1.3. Although the numbers in housing need has reduced, the supply of affordable properties through re-lets has also fallen, by 150 homes a year.
- 1.4. As these numbers are key inputs to the HNA model it was considered desirable to re-run the model in order to update it. As part of that process the opportunity was taken to update other inputs to take account of changes in circumstances that affect some of the inputs into the model (SHMA Fig 7.1).
- 1.5. The changes to the SHMA are confined to those impacted upon by the re-run HNA. These changes are limited to chapters 7 and 8 and have been appended to this Supplement and highlighted in yellow in order to aid readers. The full updated SHMA can be found at:  
<http://www.winchester.gov.uk/planning-policy/evidence-base/housing/winchester-district-housing-market-housing-need-as/>
- 1.6. The changes relate solely to the need for Social or Affordable Rented properties. The need for Intermediate Housing remains the same and is in addition to this.
- 1.7. The Council has now developed a programme of Council house-building and has progressed one Council house building scheme to the planning application stage. The opportunity provided by this Supplement to update this situation has been taken and further details together with an overview of the expected scale of development are provided below.

## The Updated Housing Needs Assessment

- 2.1 The net annual shortfall of Social or Affordable Rented housing need is now estimated to be 371 homes per year (SHMA Fig 7.1). In

accordance with Government guidance, this assumes needs are met over a 5 year period.

- 2.2 The final bullet point in paragraph 7.52 of the SHMA update explains that, taking account of *all* housing needs (Social/Affordable Rent and Intermediate Affordable Housing), the shortfall equates to 519 affordable homes per year (not taking account of supply from new-build).
- 2.3 Fig 7.3 illustrates shortfalls over longer time horizons. However, as noted in paragraph 7.6 of *Background Paper 2 – Affordable Housing Policies*, there is little point in increasing yet further the time that people need to live in unsuitable accommodation. It remains sensible, therefore, to set the most ambitious requirements for new affordable housing, that are realistic and viable, in order to try to meet housing needs as quickly as *reasonably* possible.
- 2.4 Paragraph 7.52 of the SHMA update explains that *if* 40% of all new housing were to be affordable (i.e. the supply increased) the annual shortfall would reduce. However, it must be noted that not all delivery would meet the need for Social or Affordable Rented housing (e.g. Policy CP3 requires, normally, 70% of affordable housing to meet rented needs on sites that are considered under this policy). Furthermore, a significant proportion of the total housing requirement will have permission by the time the new Local Plan is adopted. These sites will have been considered under current planning policy and so many will not have provided any affordable housing, or will have been permitted with less than 40% affordable. Consequently, the time horizons to meet Social or Affordable Rented need are likely to be longer than suggested in the third bullet point in that paragraph. However, even if 40% of all new homes built from 2012 were affordable, and all those affordable homes were to be for Social or Affordable Rent, the SHMA concludes a shortfall of 150 homes a year would remain.

### Council House Building Update

- 3.1 Paragraph 3.7 of *Background Paper 2 – Affordable Housing Policies* provides an overview of the Council's approach to Council house building. The Council is actively pushing forward its programme of Council house building and, since the Background Paper was published, the Council has submitted a planning application for development on one site that, should permission be granted, will deliver 5 new homes. It is estimated that over a 10 year period in the region of 30 new Council homes per year will be provided.
- 3.2 The approach being taken is consistent with the Local Plan – Part 1's strategy of maximising affordable housing supply. Most Council development is likely to take place on small sites already within the

Council's ownership and within existing built-up areas, in effect 'windfall' sites. While the additional homes will represent an important increase in supply, taking into account the figures set out elsewhere in this Paper, there is likely to remain a very high level of unmet housing need and the affordable housing provisions of the Plan continue to be needed in order to tackle this as quickly as reasonably possible.

### Conclusion

- 4.1 Although the revised HNA reduces the annual shortfall of supply, it does not bring it with acceptable limits and unmet need persists for an unacceptably long period of time into the future. To put things into perspective, a family in housing need living in unsuitable accommodation could still expect to wait around 6 years for a 3-bedroom home. This equates a child living in unsuitable accommodation for all of its primary, or secondary, school life.
- 4.2 Changes in the headline numbers of those on the Housing Register need to be viewed against a backdrop which sees around 100 new households joining the Housing Register each month. There is, therefore, again, an upward trend in the size of the Register. Current supply of new affordable homes is well under 100 homes a year and significantly below the 130 homes a year discussed in the SHMA. Furthermore, supply from re-lets has fallen over the past year. It is, therefore, important that overall affordable housing supply is significantly increased if in-roads are to be made in meeting the backlog of housing needs and meet newly arising need.
- 4.3 Finally, although the Council house building programme will represent an extremely valuable increase in housing supply, there will remain a significant level of unmet affordable housing need.
- 4.4 Accordingly, the Council concludes that there is no need to change the proposed Local Plan Part 1 policies.

## **APPENDIX**

**Extract from Winchester Housing Market and Housing Need Assessment  
Update 2012 (Sections 7 & 8 showing updates highlighted yellow)**

## 7. Affordable Housing Need

- 7.1 This section demonstrates the broad scale and nature of housing need within Winchester. The analysis in this section has been updated in August 2012, following a review of the Council's waiting list. DTZ has repeated the housing need assessment which was undertaken for Winchester and the other Central Hampshire authorities in 2007 as part of the Central Hampshire and New Forest SHMA. A consistent methodology has been followed with three exceptions: data from the Council's new Choice Based Lettings System (Hampshire Home Choice) has been used, household projections have been updated and DTZ has reviewed the proportion of households unable to rent in the market (explained further below). We have also considered the implications of addressing the backlog over a longer time horizon.
- 7.2 DTZ has also undertaken research on the implications of the new Affordable Rent tenure – where rents can be set at up to 80% of market rents. This does not affect the results of the HNA but will have implications for how the identified needs can be met.

**Figure 7.1: Housing Need Assessment Update**

<b>WINCHESTER HOUSING NEED ESTIMATE UPDATE</b>	
<b>Stage and Step in Calculation</b>	<b>Baseline</b>
<b>STAGE 1: CURRENT NEED</b>	
1.1 Transfer tenants in housing need	450
1.2 plus Waiting list applicants in housing need	1,883
1.3 plus Homeless households without self-contained accommodation (included above)	0
1.4 equals Total current housing need (1.1 + 1.2 + 1.3)	2,333
1.5 times Annual quota for the reduction of current need (assuming the backlog of need will be addressed over 5 years)	20%
1.6 equals Annual requirement of units to reduce current need (2.6 x 2.7)	467
<b>STAGE 2: NEWLY ARISING NEED</b>	
2.1 New household formation (per year)	550
2.2 times Proportion of new households unable to rent in the market	30%
2.3 plus Existing households falling into need	173
2.4 equals Total newly arising need per year (2.1 x 2.2) + 2.3	338
<b>STAGE 3: SUPPLY OF AFFORDABLE HOUSING</b>	
3.1 Dwellings available when transfer tenants (1.1) re-housed over 5 years	90
3.2 plus Annual supply of social rented re-lets (net - excluding transfers, mutual exchanges etc)	344
3.3 plus Annual supply of intermediate housing available for re-let or re-sale at sub market levels	0
3.4 plus surplus stock	0
3.5 plus Committed supply of new social rented homes (per annum)	0
3.6 minus units to be taken out of management over 5 years	0
3.7 equals annual supply of affordable units (3.1 + 3.2 + 3.3 + 3.4 + 3.5 – 3.6)	434
<b>NET SHORTFALL (OR SURPLUS) OF AFFORDABLE UNITS PER ANNUM</b>	
Overall shortfall (1.6 + 2.4 – 3.7) per annum	371

- 7.3 Figure 7.1 summarises the assessment and concludes there is a need for around 371 affordable homes each year, provided at subsidised rents, to address the current backlog over 5 years as well as meeting newly arising housing need within the District. It should be noted that this estimate only includes the need for subsidised rented accommodation (social or affordable rented housing). This is because the incomes of those identified as in housing need in Figure 7.1 would not allow them to access the private rented sector and low cost home ownership options are also likely to be out of reach of these households. The need for intermediate affordable housing is considered separately in this section.
- 7.4 The shortfall in affordable accommodation in Figure 7.1 is broadly consistent with the shortfall calculated in the Central Hampshire SHMA (2007) and 2010 report although there are some differences in the inputs to each assessment, including:
- Higher number of households in need on the waiting list in 2012 (3,505) compared to 2007 (2,590), including those in Band 5.
  - We have also assumed that households can stretch their incomes to spend 33% of their gross income on rent, rather than 25%. This is much more reflective of what households do in practice and particularly those on lower incomes.
- 7.5 As with the HNA in the original SHMA (2007) and 2010 report, the calculation excludes Band 5 applicants on the waiting list as they are unable to demonstrate a clear need for housing under government guidance. If all applicants on the waiting list were counted the net shortfall would be 605<sup>1</sup>.
- 7.6 Figure 7.1 excludes supply from the delivery of new affordable housing since it is uncertain. If an average level of new affordable supply (over last 4 years) is assumed this would reduce the outstanding requirement for affordable homes by around 130 units, leaving the needs of around 241 households unmet each year though re-lets and new supply.
- 7.7 We have not assessed whether households are currently *in need* as part of this housing need assessment unless they are registered on the authority's waiting lists. However, it is worth noting that the Central Hampshire SHMA (2007) suggested that Winchester's waiting list did not appear to be reflective of the scale of households receiving housing assistance to the same extent as other Central Hampshire authorities. There were relatively fewer households on Winchester's waiting list when compared to the other authorities although the authority had one of the highest proportions of its population on housing benefit. This reflected the fact that Winchester has a relatively significant rural population and that households in housing need within rural areas often do not register their needs with the local authority because of they perceive that there is limited opportunity to accessing affordable housing. This updated assessment suggests that the proportion of Winchester's households on the Council's waiting list has increased since the 2007 assessment. However, it is still likely that affordable housing needs are in excess of those suggested by the model, due to the hidden nature of some need (eg non registration of households).

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<sup>1</sup> The Central Hampshire SHMA 2007 also provided an upper estimate of housing need, assuming that all waiting list applicants required affordable housing, not just those demonstrating clear needs. This upper estimate suggested a shortfall of around 440 affordable homes per annum.

## Approach to the Housing Need Assessment

- 7.8 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 Winchester City Council for assistance regarding their housing situation<sup>2</sup>. 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.
- 7.9 Therefore, the figures arising from this housing needs assessment are not directly comparable to those produced using the household survey approach. Housing need surveys record the situations and aspirations of a sample of households and these are then grossed up to provide estimates of the level of housing need among the population as a whole.
- 7.10 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)

- 7.11 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.
- 7.12 There are 3,505 households registered on the Winchester City Council's waiting list (choice based letting system) which represents around 8% of all households within the District.
- 7.13 The estimate set out in Figure 7.1 includes 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

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<sup>2</sup> As at August 2012

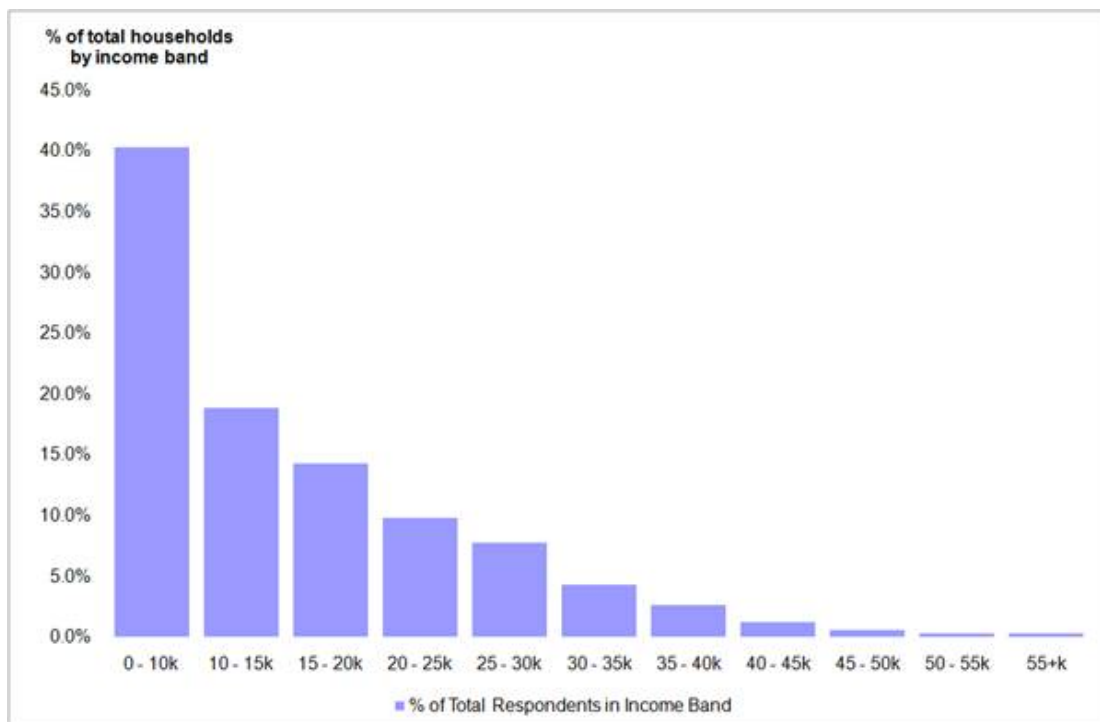


- Living in accommodation where they lack/share facilities such as a kitchen and/or bathroom
- Living in unsuitable dwellings without the means to repair or adapt
- In social need due to harassment or threats of harassment which cannot be resolved except through a move.

7.14 Winchester's housing waiting list (Hampshire Home Choice) allocates applicants to Bands according to their needs. Broadly, Bands 1 to 4 contain households experiencing the needs described above, with Band 1 being most acute and covering urgent homeless cases. Band 5 (763 households) has been excluded from the need assessment because these applicants do not have a clear need. A further 409 households in Bands 1-4 have been excluded from the assessment because they appear able to afford a market rent for the property size they need on the basis of their current income. This does not take into account any debts the household may have or whether they may need a more secure tenure.

7.15 It is worth noting that in the Central Hampshire SHMA DTZ recommended the collection of income data as part of the application process. This provides a useful addition to the authority's information in relation to assessing the scale of need and also the affordability of intermediate housing products to those households on local authority waiting lists. Since the SHMA, Winchester has implemented a new choice based lettings system which collects income data from applicants. This significantly increases the robustness of the need assessment. This data shows that the majority of applicants have incomes of less than £20,000 and therefore are unlikely to be able to afford low cost home ownership options. This income data also allows us to exclude households from the HNA who may be able to afford market rents for the property size they need.

**Figure 7.2: Annual Income (Including Earnings and Benefits) of Winchester's Choice Based Letting Applicants**



Source: Winchester City Council Hampshire Home Choice

7.16 Figure 7.1 shows that in total there are 2,333 current applicants who fall into Bands 1, 2, 3 and 4 and are unable to afford a market rent for the property size they need.<sup>3</sup> They are therefore in housing need. Figure 7.1 breaks this figure down:

- 450 are existing social rented tenants in need of a transfer
- 1,883 are households from other tenures in housing need (predominately the private rented sector or sharing with other households)

7.17 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 467 households. Given that the backlog of households in need has been building up for many years (even decades) and given past levels of affordable housing supply, it may be unrealistic to suggest that it is capable of being addressed over a 5 year period. In this assessment, we have considered the scenarios of clearing the backlog over 10 and 15 years (the latter period being consistent with the Council's Core Strategy). This does not mean that households will have to wait for 15 years to be housed. It means that we are allowing 10 or 15 years for the number of households in need to come into balance with the supply of properties available through lettings and new supply.

7.18 Figure 7.3 shows the impact of extending the time horizon to address the backlog of housing need. If new affordable supply (of 130 homes per annum) is taken into consideration and indeed maintained over the whole period, the shortfall falls to zero over 15 years. In practice, not all of the 130 new affordable homes would be suitable for those in housing need – some are likely to be provided as intermediate accommodation. Nevertheless, this does demonstrate the potential to address

<sup>3</sup> In August 2012 there were no households in Band 1

housing need if new affordable housing supply is maintained over a long period of time.

**Figure 7.3: Total Affordable Housing Shortfall Under Different Time Horizons for Addressing the Backlog**

Scenario	Time period for addressing backlog	Without new supply	With new supply of 130 affordable homes per annum
A	5 years	370	240
B	10 years	140	10
C	15 years	60	0

NB: rounded to nearest 10

### Stage 2: Newly Arising Need

7.19 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 buy or rent in the market
- Existing households falling into need.

7.20 The projected level of household growth in Winchester is based on the latest household forecasts prepared by Hampshire County Council, presented in Winchester's Housing Technical Paper 2011 which supports Plan for Places. The Government is in the process of legislating to allow it to revoke all Regional Strategies including the South East Plan in July 2010 and local authorities can now determine their own housing requirements. Winchester City Council's proposed dwelling requirements, using Hampshire County Council's projections, are 550 per annum over the plan period (2011-2031).

7.21 The assessment then estimates the number of these new households unable to afford to buy or 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.

7.22 DTZ has used CACI household income data to provide the proportion of households unable to afford to *buy or rent* market housing in Winchester. The proportion of households able to access different tenures is analysed in Section 6.

7.23 In Winchester the household income threshold required to rent a two bedroom property is £30-40,000 (based on households spending 25-33% of their gross incomes on rent). This means that 30-45% of households are unable to afford to rent in the open market. However, these figures relate to the general household population not new households, whose incomes are generally much lower.

- 7.24 The Central Hampshire SHMA demonstrated that the incomes of new households are on average around two thirds of the incomes of households as a whole, using data from the Survey of English Housing. The implication of applying this assumption would be that over 70% of new households were unable to afford to rent in the open market in Winchester. However, in the baseline need assessment we have made a more moderate assumption that 30% of households are unable to afford to rent in the open market. This is consistent with the proportion of Winchester residents with insufficient incomes to afford to rent though we assume they can spend 33% of their gross incomes on rent. When combined with assumptions about household growth within the District, this equates to 165 **new** households falling into need each year on the basis of affordability.
- 7.25 However, if the assessment used different assumptions about the ability of new households to afford open market housing or the level of household growth, this would result in different calculations of the overall shortfall. Unlike the calculation of current need, newly arising need is an estimate and is dependent on the relationship between future house prices and incomes and the level of household growth. For this reason, Figure 7.4 sets out the implications for the shortfall of affordable housing based on different scenarios for household growth and affordability in the open market (to rent).

**Figure 7.4: Impact of Different Household Growth and Affordability Assumptions on the Affordable Housing Shortfall**

Household Growth Per Annum	Basis for Household Growth Assumption (historic trend or forecast)	Proportion of New Households Unable to Afford to Rent in the Market			
		25%	30%	45%	55%
400	Average rate between 1991-2001 recorded by Census	310	330	390	430
500	Average rate between 1981-2001 recorded by Census	330	360	430	480
550	Proposed housing allocation in Core Strategy 2011-2031	340	<b>370</b>	450	510
600	Average rate between 1981-1991 recorded by Census	360	390	480	530

Note: figures rounded to nearest 10. Figure in bold highlights the baseline estimate set out in Figure 7.1. These figures do not take account of new affordable housing supply in the future. The shortfall could be reduced if new affordable supply is taken into account, with the potential to secure higher levels of supply with higher levels of overall housing growth.

- 7.26 The implication of Figure 7.4 is that, even under the lowest recorded historic annual household growth rate and assuming rental affordability improves within Winchester, there remains a shortfall of affordable homes. These homes either need to be provided through new supply and/or by radically increasing net re-lets within the existing stock over the next 5 years. It is important to note that our baseline assessment of housing need (Figure 7.1) and the scenarios in Figure 7.4 do not include new affordable homes which could be provided in the future. New supply has the effect of reducing the shortfall and higher levels of new supply could be secured with higher levels of overall housing growth.

7.27 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. We have used the average figure for the last 5 years. Using Winchester's waiting list, it is possible to analyse the needs of new applicants. Around 70% of new applicants are registered in Bands 1-4 (can demonstrate housing need) and are unable to afford a market rent for the property size they need. This equates to 173 households falling into need each year. We have excluded new applicants falling into Band 5 and those in Bands 1-4 who can afford a market rent for the property size they need.

### Stage 3: Affordable Housing Supply to Offset Need

7.28 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 (which could be brought into use to improve supply)
- Any units that will be taken out of management e.g. demolitions, disposals (which would reduce supply).

7.29 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 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 Winchester, 450 dwellings will become available when existing tenants on the transfer list are re-housed (90 per annum over the 5 year period).

7.30 The annual supply of social rented re-lets is based on past trends and excludes lets to transfers, mutual exchanges, successions and assignments. This provides a net annual supply figure for social rented stock, based on an average of the last 5 years. In Winchester, local authority and RSL re-lets taken together, excluding transfers and mutual exchanges, give an estimated supply of 344 rented units per annum.

7.31 The latest figure on vacant social rented dwellings (voids) within Winchester across local authority stock is 66 units (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.'<sup>4</sup> As voids within Winchester account for just over 1% of the social rented stock they are therefore not considered as part of the available supply.

<sup>4</sup> Step 3.2, Chapter 5, CLG (March 2007) Strategic Housing Market Assessments – Practice Guidance

- 7.32 The baseline assessment does not include the number of intermediate tenure units becoming available for re-let each year since data on household incomes of those on Winchester's waiting list suggests over 90% would be unable to afford intermediate options. Nevertheless, evidence suggests that intermediate products could be used in a targeted way to support the release of social rented accommodation. Data from the Local HomeBuy Agent (HomesinHants) reveals that there are a modest number of households living in social rented accommodation who are interested in accessing intermediate options (considered further on in this section).
- 7.33 The baseline assessment does not include new affordable housing supply, which, to an extent, depends on planning policy requirements. We have estimated new affordable supply to deliver around 130 homes each year, based on the average of the last 4 years and cross checked with future allocations (2011-2014). Although if a policy requirement for 40% of all new dwellings to be affordable were introduced this would deliver up to 220 homes per annum. Delivery of 130 new affordable homes housing will address around one third of the shortfall in affordable housing in the District, with 220 new affordable homes meeting over half. However, if this level of new supply is maintained over the whole plan period and the backlog of need is addressed over this period, the model suggests that the shortfall would be addressed.
- 7.34 However, this assumes that the new affordable housing delivered contributes to addressing the needs of households on the waiting list. Under Government proposals, the majority of new affordable housing will be delivered as Affordable Rent (where rents are set at up to 80% of market rents). In a separate study<sup>5</sup>, DTZ has considered the extent to which rents set at 80% of market levels would be affordable to those in housing need. In summary:
- Affordable Rent is allowing Providers to continue to deliver affordable housing with much reduced grant levels. Without the flexibility to increase rents, affordable housing supply would be significantly reduced in the period 2011-15 compared to the past.
  - However, the impact of this new tenure on the ability to meet housing need within Winchester will depend on the level of rents set by Providers.
  - Affordable Rents set at 80% of market rents within many parts of Winchester District would be unaffordable to those claiming housing benefit. In many parts of the District, including Winchester City, 80% of market rents would lie above Local Housing Allowance rates.
  - Affordable Rents set at 70% of market rents would be affordable across most of the District to those claiming Housing Benefit. There would still be some larger properties in the City will remain unaffordable at this level.
  - Using an affordability benchmark of 33% of household incomes would imply that Affordable Rents need to be set significantly below 80% of market rents to be affordable to those in housing need. However, in practice, many households spend more than 33% of their incomes on rent.
  - Households in need but *not* reliant on benefits are generally better able to afford Affordable Rents set at 80% of market rents. The incomes of these working households appear to be higher than other applicants.
  - There is scope for some existing social rented tenants to afford Affordable Rents (set at 80% of market rents) but it is uncertain whether they would be willing to change their tenancy. If existing tenants are reluctant to move to Affordable Rented properties

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<sup>5</sup> Winchester City Council, undertaken by DTZ (January 2012) Affordable Rent: Cost, Affordability and Implications

– either because of higher rents or less secure tenancies – this may reduce the supply of re-lets within Winchester and impact on the Council's ability to meet housing need.

### Size Requirements for Social Rented Homes

- 7.35 It is important to bear in mind in this analysis that assessments of housing need generally identify more need that can be addressed through new affordable housing development. This inevitably means that the local authority needs 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 Winchester 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.
- 7.36 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 couples may go on to start a family and will need re-housing in the short term.
- 7.37 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.
- 7.38 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 Winchester, 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 7.5: Proportion of Households Requiring Different Sized Properties by Band**

	Band 1	Band 2	Band 3	Band 4	Band 5	All
1 bed	0	83	1269	354	407	2,113
2 bed	0	19	409	107	166	701
3 bed	0	6	253	53	133	445
4 bed	0	2	138	46	57	243
Total	0	110	2069	560	763	3,502

Source: Winchester City Council Hampshire Home Choice 2012

**Figure 7.6: % of Priority Households Requiring Different Sized Properties**

	<b>Bands 1 &amp; 2</b>	<b>Bands 1, 2 &amp; 3</b>	<b>Bands 1-4</b>
<b>1 bed</b>	75%	62%	62%
<b>2 bed</b>	17%	20%	20%
<b>3 bed</b>	5%	12%	11%
<b>4 bed</b>	2%	6%	7%
<b>Total</b>	100%	100%	100%

Source: Winchester City Council Hampshire Home Choice 2012

7.39 Overall, 62% of households require a one bedroom property (Figure 7.6). When the profile of households in need is compared to the profile of re-lets within the social rented stock (in the year to August 2012) this analysis reveals where the pressures lie. Comparing the requirements of all households on the waiting list with the pattern of re-lets in the social rented stock suggests that the greatest pressure is on the largest dwellings (4 bed properties) because so few of them are available for re-let.

**Figure 7.7: Comparison of Requirements of All Applicants with Re-Lets by Size**

	<b>Size Required by Applicants</b>	<b>Size of Re-lets</b>	<b>Size Required by Applicants %</b>	<b>Size of Re-lets %</b>	<b>Ratio of Applicants: Property</b>
<b>1 bed</b>	2,113	124	60%	42%	17
<b>2 bed</b>	701	114	20%	39%	6
<b>3 bed</b>	445	50	13%	17%	9
<b>4 bed</b>	243	4	7%	1%	61
<b>Total</b>	3,502	292	100%	100%	12

Source: Winchester City Council Hampshire Home Choice 2012

7.40 Focusing on applicants in highest priority need (given the shortage of accommodation those most likely to be housed) suggests there remains significant pressure on 4 bedroom properties.

**Figure 7.8: Comparison of Requirements of Bands 1-3 with Re-Lets by Size**

	<b>Size Required</b>	<b>Size of Re-lets</b>	<b>Size Required %</b>	<b>Size of Re-lets %</b>	<b>Ratio of Applicants: Property</b>
<b>1 bed</b>	1,706	124	62%	42%	14
<b>2 bed</b>	535	114	20%	39%	5
<b>3 bed</b>	312	50	11%	17%	6
<b>4 bed</b>	186	4	7%	1%	47
<b>Total</b>	2,739	292	100%	100%	9

Source: Winchester City Council Hampshire Home Choice 2012

7.41 It is useful therefore to consider whether affordable housing delivery in recent years has provided the kind of homes that those in priority need require (those in Bands 1, 2 and 3 in particular). Figure 7.9 shows that over the 2007/08-2008/09, the majority (90%) of affordable homes have been delivered as 1 and 2 properties. This compares to 63% of high priority households on the waiting list requiring 1 and 2 bedroom properties and suggests relative under-delivery of larger affordable homes when



compared to priority needs in the District. Delivery in 2009/10 included a higher proportion of 3 and 4 bed properties which may reflect the Council's recent efforts in securing more larger homes to meet priority need.

**Figure 7.9: The Size of New Affordable Homes, Winchester 2007/08-2009/10**

	1-Bed	2-Bed	3-Bed	4-Bed	5-Bed	Total (Net)	% 1 and 2 Bedroom
<b>2009/10</b>	<b>39</b>	<b>47</b>	<b>22</b>	<b>8</b>	<b>0</b>	<b>116</b>	<b>74%</b>
- Social rented	33	36	22	8	0	99	70%
- Intermediate	6	11	0	0	0	17	100%
<b>2008/09</b>	<b>41</b>	<b>20</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>67</b>	<b>91%</b>
- Social rented	27	10	6	0	0	43	86%
- Intermediate	14	10	0	0	0	24	100%
<b>2007/08</b>	<b>62</b>	<b>79</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>156</b>	<b>90%</b>
- Social rented	20	27	10	0	0	57	82%
- Intermediate	42	52	5	0	0	99	95%

Source: Winchester City Council (includes social rented and intermediate, flats and houses)

### **Demand for Intermediate Affordable Housing**

- 7.42 There are a significant proportion of households within Winchester who are unable to access home ownership but who are able to afford more than a social rent. This includes a proportion of households in need on Winchester's waiting list who have incomes which suggest they are able to afford more than a social rent for the size of property they need. This is particularly relevant when considering the extent to which the new Affordable Rent tenure can meet housing need within the District.
- 7.43 Figure 7.10 sets out the number of households who have applied for intermediate products within Winchester and in the two market areas. These include low cost home ownership and intermediate rental products. This suggests there are 325 households actively looking to access intermediate products within the District. Figure 7.10 includes only those households who have applied to the Local HomeBuy Agent. There are an additional 413 households on Winchester's waiting list (Hampshire Home Choice) who fall within priority Bands 1-4 but who can afford a market rent for the property size they require but would be unable to afford to buy. These combined 'waiting lists' suggest there may be interest from 738 intermediate households for intermediate type products within Winchester.
- 7.44 In theory, there is a much larger intermediate market on the basis of household incomes within Winchester. Section 6 demonstrates that, on the basis of household incomes in the District around half of the households in Winchester fall into the intermediate market ie they cannot afford to buy but can afford to rent without subsidy. However, it is important to keep in mind that households registered with the Local HomeBuy Agent often have other choices within the housing market. Most are able to access the private rented sector; some may be able to access home ownership with family assistance.
- 7.45 Over the last decade, there has been an expansion of low cost home ownership aimed at meeting the needs of households on the margins of accessing home

ownership. Public subsidy has been provided through the Housing Corporation and HCA to support the development of intermediate ownership products as a proportion of new housing development. These products are now all branded under the 'HomeBuy' name. Access to, and marketing of, new intermediate homes delivered by housing associations is organised by Local HomeBuy Agents. Within Winchester and both Central and South Hampshire areas, Swaythling act as the Local HomeBuy Agent and maintain a list of households who have registered their interest in these products and meet the eligibility criteria. To be eligible, households must have incomes of less than £60,000 and are also assessed by Local HomeBuy Agents for their ability to afford intermediate options.

- 7.46 More recently, Government introduced intermediate rental products (Rent to HomeBuy and Intermediate Market Rent) which give households up to a 20% discount on market rents. Though the same eligibility criteria used for LCHO 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. It is important to note that the new Affordable Rent tenure is not intermediate housing; it is intended to be for those in housing need who would have traditionally accessed social rented accommodation. DTZ would suggest that, if Affordable Rents are set at levels above the Local Housing Allowance or at levels which are unaffordable to those in housing need, these properties should be defined as intermediate housing.

**Figure 7.10: Demand for Intermediate Housing (Low Cost Home Ownership and Intermediate Rental Products)**

	Numbers Actively Looking	Current Tenure					
		Private Rented	Family/ Friends	Social Rented	Owner Occupied	Shared/ Ownership	Other
Winchester	325	47%	29%	8%	4%	4%	8%
Central Hampshire	2,910	40%	34%	10%	9%	3%	5%
South Hampshire	3,930	39%	36%	9%	8%	1%	6%

Source: HomesinHants –HomeBuy agent responsible for marketing intermediate products in Hampshire.  
Data as at October 2009 for South and Central Hampshire; as at July 2011 for Winchester

- 7.47 Intermediate affordable housing has been aimed primarily at households on the margins of home ownership, with an explicit purpose of extending home ownership to more households. However, there may be some scope for intermediate housing to play a greater role in addressing housing needs by helping local authorities and housing associations to free up social rented accommodation. Figure 7.10 suggests that around 8% of households registered for intermediate housing and are eligible for the products available are already social rented tenants within Winchester. This provides potential for intermediate housing to be targeted at social tenants who are willing and able to afford it, thus freeing up social rented accommodation for households in need on the local authority waiting lists.

**Figure 7.11: Size of Intermediate Households**

1 person	2 person	3 person	4 person	5 person	Total
92	128	65	32	8	325
28%	39%	20%	10%	3%	

Source: HomesinHants –July 2011

7.48 The majority of households interested in intermediate options within Winchester are one and two person households. However, the preference amongst households who have registered their interest with HomesinHants is for properties which are larger than their basic needs might require. Half of those households interested would prefer a 2 bedroom property. A further 16% would prefer 3 bedrooms or more. Delivery of new intermediate affordable homes over the last 3 years has been dominated by 1 and 2 bedroom homes however. The majority of households would also prefer a house to a flat.

**Figure 7.12: Size of Home Required by Intermediate Households**

Size of Home Preferred	Number	%
1 bed	106	33%
2 bed	165	51%
3 bed	53	16%
4 bed	1	0%
Total	325	100%

Source: HomesinHants –July 2011

7.49 The data suggests that it is predominately young working households who are interested in intermediate products. Over half of those registered with the Local HomeBuy Agent are aged 25-34. This is consistent with data collated at the national level through the Survey of English Housing which suggests that the age at which households become homeowners has increased over time as a result of declining affordability.

**Figure 7.13: Age of Intermediate Household (Applicant)**

Age group of applicant household								Total
Under 20	20-24	25-29	30-34	35-44	45-54	over 55	Not known	
1%	17%	32%	19%	19%	8%	4%	0%	100%

Source: HomesinHants –July 2011

7.50 Figure 7.14 provides data on the household income of those interested in intermediate housing products, collected by the Local HomeBuy Agent. Given that the household income threshold required to access home ownership within Winchester is around £63,000 (see Section 6), none of those interested in intermediate affordable housing would be able to afford to access the open market unless they are able to secure assistance from family or have access to significant equity. However, Figure 7.15 shows that only around 13% of those registered have savings approaching the level required for a 10% deposit on a lower quartile property in the District (in excess of £20,000).

**Figure 7.14: Household Incomes of Intermediate Households**

	Household Income £ (Thousands)					
Bed Size	Less than 20,000	20,000 - 29,999	30,000 - 39,999	40,000 - 49,999	50,000 plus	Total
1 bed	17	50	25	12	2	106
2 bed	26	50	48	31	10	165
3 bed	6	15	20	10	2	53
4 bed	0	0	0	0	1	1
Total	49	115	93	53	15	325
	15%	35%	29%	16%	5%	100%

Source: HomesinHants –HomeBuy agent responsible for marketing intermediate products in Hampshire.

**Figure 7.15: Savings of Intermediate Households**

	Level of Savings						
Bed Size Wanted	under £3,000	3,000- 4,999	5,000- 9,999	10,000- 14,999	15,000- 19,999	20,000- 24,999	25,000 plus
as a % of total registered	34%	21%	17%	10%	4%	3%	10%
							100%

Source: HomesinHants –HomeBuy agent responsible for marketing intermediate products in Hampshire.

7.51 However, the household income data also suggests that the majority of intermediate households can afford to access the private rented sector within Winchester without assistance. Section 6 estimated that the income threshold required to afford a 2 bedroom property in the private rental market was around £30,000. The household income levels of intermediate households suggest that over half of them could afford to rent a property in the open market and 80% of those households needing a 1 bedroom property could afford to rent in the open market. Affordable Rents set at 80% of market levels would extend affordability to over 70% of all intermediate households and would particularly help those needing 3 bedroom properties.<sup>6</sup>

## Housing Need Summary

7.52 The evidence presented in this section can be summarised as follows:

- There is a need for an additional 371 homes for those in need, each year, available at subsidised rents (social or affordable rents). This is under the assumption that the shortfall in affordable homes is addressed over 5 years.
- If new affordable homes are delivered in line with past rates and the current pipeline (130 new homes each year) this would reduce the shortfall to 241 homes per annum. If the Council were able to secure more affordable housing eg 40% of all new homes then this could deliver up to 220 new affordable homes per annum, reducing the shortfall to 151 per annum.

<sup>6</sup> Winchester City Council undertaken by DTZ (January 2012) Affordable Rent: Cost, Affordability and Implications

- If the City Council aim to deal with the affordable housing shortfall over a longer period the model suggests that the shortfall could be eliminated over 10-15 years if consistently high levels of affordable housing delivery are maintained (100 plus new homes per annum). It would take 7-8 years to address the affordable housing shortfall if the Council was able to secure 220 affordable homes per annum (40% of all new housing based on the proposed housing allocation).
- There would still be housing need within the District on an ongoing basis, even after these long periods of sustained supply, but this would be more likely to be met through re-lets within the existing stock of affordable homes.
- In practice, not all of the new affordable housing delivered will be suitable and affordable to those in need of subsidised rental accommodation and so a shortfall may persist for longer.
- If a long period (15 years) was used to address the backlog of housing need the Council would need to monitor progress closely to ensure that new affordable housing supply was addressing priority needs and to identify changing trends in both housing needs and supply.
- There are an additional 738 intermediate households – either registered with Homes in Hants or the City Council. These households can, by and large, afford market rents and are primarily interested in low cost home ownership options.
- If this current level of 'demand' for intermediate housing is spread over 5 years this would equate to an additional 148 intermediate affordable homes each year and would represent just over one quarter of the total affordable housing requirement. Taken together, the need for subsidised rental accommodation and intermediate homes equates to around 519 affordable homes per annum (over a 5 year period).

## 8. Policy Implications

### Key Policy Themes and Principles

8.1 The following policy themes follow from the evidence presented in this report and also relate to the key requirements of PPS3 (to be replaced by the National Planning Policy Framework) and Government's housing policy<sup>7</sup>:

- Ensuring the delivery of new housing.
- Influencing the housing mix (type and size) of market homes.
- The need for affordable housing and the size of homes required.

8.2 The purpose of this Winchester SHMA is to analyse evidence at the sub-district level to complement the evidence of strategic housing demand and need in the South Hampshire and Central Hampshire SHMAs. Within its Core Strategy, the Council is developing policies which relate to:

- The strategic needs of the authority and wider housing market(s) to which it relates.
- The characteristics and needs of the sub-district areas within Winchester.

8.3 These twin considerations aim to ensure that the nature of housing development on Winchester's development sites over the plan period respond to local characteristics as well as the authority's strategic needs. The second point, however, raises questions about how far the Council wish to try and create a more balanced mix of households or types of homes through new development, particularly where concentrations of particular groups, tenures or types of housing can be identified.

### Overall Housing Provision

8.4 There has been considerable uncertainty about the overall level of housing that local authorities need to plan for since the Government set out its intention to abolish Regional Spatial Strategies and allowed local authorities to determine their own housing requirements. Winchester City Council has undertaken work to establish the appropriate level of housing supply over the plan period 2011-2031. This is presented in the Housing Technical Paper (2011) which supports Plan for Places (the City Council's consultation on the Core Strategy). This proposes the delivery of 11,000 homes (550 per annum) over the next 20 years, taking into account household forecasts, economic growth and capacity for new development.

8.5 It is important to keep in mind that in order to be able to maintain the delivery of affordable housing and influence its type and size, Winchester City Council needs to secure the delivery of housing overall. This is made more challenging by uncertainty in the planning system, in addition to the housing market downturn and weak economy which has made new housing development more difficult to deliver.

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<sup>7</sup> At the time of writing the shape of planning for housing policy is uncertain. The policy implications outlined in this section are therefore shaped by the evidence in the SHMA and the existing policy framework at the national and local level.

- 8.6 Winchester City Council will need to bear in mind that the mix of sites allocated in development plan documents will influence the mix (size and type) of new housing developed – market and affordable. This will also be important to maintaining delivery in the downturn, when developers may need to change the mix on sites in order to secure their viability and whilst the market for apartments remains challenging as a result of the drop in buy-to-let investors and off plan sales.

### Consider Planning for Growth of the Private Rented Sector

- 8.7 Evidence in this SHMA suggests that a significant proportion of households within Winchester will be unable to access home ownership on the basis of their household incomes. Although demand for new homes within Winchester will arise through immigration as well as the needs of existing residents, this SHMA suggests that growth in the proportion of home owners may have peaked as a result of long term declines in affordability and fundamental changes in the availability and cost of credit following the global credit crunch and housing market downturn. The private rented sector has grown in recent years and further growth of the sector seems inevitable given the limits to owner occupation and constraints on public sector funding of affordable housing.
- 8.8 Winchester City Council may wish to consider whether to put in place policies or activities to actively facilitate and support the private rented sector in the future. There are two main reasons why support would be justified:
- As a means of **securing the delivery of new homes** through 'build to let' and funded by institutional investment in the private rented sector. There is a significant level of funding which could be directed from institutional investors (pension funds etc) into new housing development given the right level of returns and appropriate development schemes. This is the focus of the HCA's Private Rented Sector Initiative.
  - As a means of **addressing needs of intermediate households**. Evidence in this SHMA suggests that there is significant overlap between those households who are interested in or who have accessed low cost home ownership products (subsidised by Government) and those households who live in the private rented sector (unsupported by Housing Benefit). In an era of constrained resources and funds for affordable housing the encouragement of the development of a high quality private rented sector could increasingly become the means by which the needs of intermediate households are met.
- 8.9 Whilst it is too early to tell whether institutional investment in the private rented sector will take off, and it is likely to be focused in London initially, Winchester City Council may wish to set out in policy (perhaps in relation to specific sites) that it will consider build to let schemes favourably, either as part of a large development scheme or on a scheme exclusively designed for private renting.
- 8.10 Any policy in relation to the private rented sector will need to take into account the development of new Affordable Rented homes (which may be let at 80% of market rents). If Affordable Rents are set at 80% of market rents then there may be some overlap between the sectors in terms of the households who may take up these properties. However, the availability of properties at the lower priced end of the

private rented sector within Winchester is very limited so this is a limited risk within the District.

### Influencing the Mix of New Homes

8.11 PPS3 states that local authorities should plan for market housing by setting out the **profile** of households likely to require market housing. Developers are then expected to respond by bringing forward developments that meet these broad requirements. Although PPS3 is likely to be replaced with the National Planning Policy Framework, which has no such guidance on housing development, it is a useful exercise for the purposes of local planning to consider the profile of current and future households. Drawing on the evidence presented in previous sections of this report, the following points can be made about the profile of households requiring market housing in Winchester as a whole:

- In Winchester, around 70% of households could afford to access market housing (to rent or buy) based on their current incomes. Within this, we estimate that 16% could access home ownership and 54% could access the private rented sector without assistance (and by implication some of these could afford intermediate rent and sale products). This is an estimate since some additional households may benefit from financial support from their families to access home ownership. Furthermore, in-migration is likely to boost the demand for market housing since many of these households are affluent, or have access to equity having moved from more expensive areas, including London.
- In the past, growth in population Winchester has been experienced predominately amongst the older age groups (45-64 and 75+). But over one quarter of Winchester's households are families with children and there has been growth in the population of children over the last 10 years. There is a lower proportion of family households in the Central Hampshire part of the District (the City and rural hinterland) which has a stronger bias towards older households (single and couples).
- Single households (young and older people) are forecast to grow at the greatest rate over the next 20 years and Winchester has a relatively high proportion of single older people when compared to the Central and South Hampshire markets. Despite the greater growth amongst single households, the majority of households living in Winchester in 2031 will contain 2 or more people. These will include families with children and couples, including those whose children have recently left home.
- Demographic factors alone do not drive demand for the type and size of housing required and in fact household incomes and life stage are more important determinants in the market. The majority of single person households in the market sector occupy homes with 2 or more bedrooms. This is particularly the case amongst older households.
- The implication for Winchester is that half of the anticipated household growth over the next 20 years is likely to result in demand for homes with 1 or 2 bedrooms and half will result in demand for 3 or more bedrooms. DTZ estimates suggest around 19% of new households will occupy 1 bedroom homes and around 27% will occupy 2 bedroom homes.



- 8.12 The Central Hampshire SHMA suggested that addressing broad imbalances in the stock of housing within the market would be appropriate but that local authorities should not seek to *prescribe* the type and size of homes that the market provides.
- 8.13 It is also important that the nature of development on specific sites need to be considered within the context of existing stock and the characteristics of the surrounding neighbourhood. These considerations should include the following:
- Stock mix in the authority area as a whole which, although relatively balanced, contains a high proportion of large properties in the suburban and rural areas and concentration of smaller properties in the urban area.
  - Tenure mix and whether there is a concentration of a particular tenure of housing that would benefit from diversification or greater choice.
  - Household characteristics and whether there is a bias towards younger or older households, families or sharers and how the new development will fit into this context
  - Economic performance and whether there are issues around deprivation and regeneration which need to be taken into account in terms of the type of housing that is developed
  - Site specific viability and development context and whether a particular mix of housing is important to ensure the development ‘stacks up’
- 8.14 Delivery of a different housing mix will be challenging unless development sites allocated for housing include a mix of types, sizes and locations. To some extent, site types, sizes and locations will influence the type of product that can be developed.

### **The Need for Affordable Housing**

- 8.15 The Housing Need Assessment demonstrates the need for 371 affordable homes each year to address the backlog of housing need if this is to be cleared over the next five years. If the City Council aim to deal with the affordable housing shortfall over a longer period the model suggests that the shortfall could be eliminated over 10-15 years if consistently high levels of affordable housing delivery are maintained (100 plus new homes per annum). These households need some form of subsidised rental accommodation. This could include social rented accommodation or affordable rented accommodation, providing the latter is available at rents which are affordable to those in housing need. This figure takes into account affordable housing supply within the existing stock as households transfer and properties are re-let but excludes future affordable housing supply.
- 8.16 The introduction of the new Affordable Rented tenure does not influence the results of the HNA update. However, over time there is the risk that this new form of supply could affect overall housing need levels. The key risk is that households already occupying Social Rented housing may be reluctant to move to new Affordable Rented properties because of higher rents and less secure tenancies. If this is the case, the supply of properties through re-lets in the social rented sector could be reduced and this will reduce the overall supply of affordable housing to address the need. All other things being equal, this will cause the waiting list (and backlog of housing need) to

grow over time. The implications of Affordable Rent are discussed in detail in a separate report.<sup>8</sup>

- 8.17 In addition to the households identified as in need of subsidised rented housing, there are over 700 households within Winchester who have either registered as interested in intermediate affordable homes or are in housing need on Winchester's waiting list but could afford to pay market rents. DTZ's analysis of the relationship between household incomes and house prices in Winchester suggests that up to 54% of all households in the authority area can afford to rent in the open market but cannot afford to buy a home. This suggests there is significant potential demand for intermediate products such as low cost home ownership, though it is important to keep in mind that many of these households have the choice of renting in the private sector.
- 8.18 The majority of those Winchester households who have registered as interested in intermediate housing products do not have a deposit which would be sufficient to purchase a lower quartile priced property. Just over half of households have some savings, though in many cases these would be insufficient for a deposit, even on a shared ownership property. This suggests that low cost home ownership products which provide the option of renting whilst saving for a deposit (eg Rent to HomeBuy or similar schemes) could provide intermediate households with suitable route into home ownership in the current economic environment. Such products are, however, more costly to deliver in the short term than shared ownership or shared equity schemes.
- 8.19 The Council may also wish to consider marketing intermediate affordable housing to those households willing and able to move out of social rented accommodation. 8% of households interested in intermediate housing within Winchester currently live within social rented accommodation. Whilst the numbers are small at present, activities targeted at such households to support a move into low cost home ownership or intermediate renting would release social rented accommodation and enable the Council to better address priority housing needs. It is possible that the new Affordable Rent tenure could play a similar role by housing those who can afford to pay more than a social rent and releasing social rented accommodation for those on lower incomes. Although this will depend to some extent on whether there is the incentive to move out of social rented accommodation to affordable rented, given the higher rent to be paid.

#### **Size Mix of Affordable (Subsidised Rented) Homes**

- 8.20 Local authorities have greater leverage over the type and size of homes households in the social rented sector can access. For this reason, Government planning policy (under PPS3) has asked local authorities to set out the size of affordable homes required in their local development documents. This issue was considered in the Central Hampshire SHMA and the points made in this report are consistent with the approach used in the original SHMA, though it has been possible to update data and

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<sup>8</sup> Winchester City Council undertaken by DTZ (January 2012) Affordable Rent: Cost, Affordability and Implications

expand analysis on the nature of housing need as a result of the implementation of Winchester's new housing register.

8.21 There are three key factors that need to inform the type and size of affordable homes that the authorities seek through new housing development:

- The overall scale of housing need within Winchester exceeds what is likely to be delivered through new development which means that the allocation of homes in the social rented stock is likely to be focused on those in priority need.
- The stock of social rented accommodation is biased towards smaller properties (when compared to the market sector) and the pattern of re-lets is biased towards smaller properties (1 and 2 bed homes) where turnover is greatest.
- The success of affordable housing delivery is inherently tied to market development and this includes the mix of homes delivered. If the majority of market housing developed is small flats and houses then the authorities are only likely to secure small affordable homes.

8.22 There are larger numbers of smaller households on Winchester's total waiting list, indicative of a broad split as follows:

- 62% 1 bed homes
- 20% 2 bed homes
- 18% 3 bed or larger

8.23 However, re-lets within the stock are biased to smaller homes which means that those households needing larger homes, particularly 4 bedroom properties (and many of these may be in higher priority need as families with children) will face a longer wait to be housed.

8.24 Furthermore, over the last 3 years, the majority of new affordable homes have been delivered as 1 and 2 bed properties (and the vast majority of these have been flats). However, in the most recent year (2009/10) a greater proportion of 3 and 4 bedroom affordable properties have been delivered, reflecting the Council's recent efforts to secure a greater supply of larger affordable homes.

8.25 DTZ suggest that Winchester City Council continue to prioritise the provision of larger homes within new affordable housing completions. Based on housing need by size, the pattern of re-lets and completions of affordable housing over the last 3 years, DTZ suggest that Winchester aims for:

- Up to 20% 1 bed properties: reflecting continued need for smaller properties but that re-lets within the existing stock are biased towards smaller accommodation so these needs can be met more easily. These properties can only be delivered as flats and therefore do not give much flexibility to cope with the changing development climate.
- Around 20-40% 2 bed properties: broadly consistent with the proportion of households in need who require 2 beds and these properties provide more flexible accommodation,

being able to meet the needs of a wider range of households. They can also be provided as houses or flats, giving more flexibility to cope with the changing development climate.

- Around 50% 3 bed or larger properties: there are relatively substantial numbers of households needing larger properties and they often wait longer to be household because of limited supply. Increasing the proportion of larger properties would help to rebalance the social rented stock and allow the Council to meet housing need more effectively in the future. It would be worth specifying that 10% or so of these larger properties should be 4 bed homes, reflecting the need of priority households and limited supply.

8.26 Provision of larger properties will require some consideration since development economics may mean that fewer affordable homes are delivered on some sites than if the focus was on smaller dwellings.<sup>9</sup> There are also concerns amongst Providers that the development of larger properties will be more difficult under the Affordable Rent model because there may be a bigger gap between the cost of providing a larger property and the rent that can be charged affordably. But the provision of larger dwellings may allow the Council to create a chain of lettings within the social rented stock so the overall impact on housing need might be greater than the number of dwellings suggests. Despite the recession Winchester Council has negotiated a consistent supply of larger homes through S106 negotiations and has not had to compromise on the overall number of units delivered. It is highly likely the limited funding available under the current affordable housing programme will require Local Authorities to insist on nil grant units being delivered through the S106 process on Greenfield sites. This in turn may trigger developers to try and negotiate more profitable densities and mixes of housing as well as reducing the requirement for Affordable Housing.

8.27 Clearly these indicative proportions need to be balanced against the viability of development and the availability of public subsidy, but would have the following benefits:

- It would give the authority the potential to create a chain of lettings within the social rented stock by allowing those occupying smaller properties to move up, allowing the Council to accommodate more households.
- It would promote more flexible accommodation in longer term, capable of housing a range of different households and not just the smallest households.
- The affordable housing stock is biased towards smaller properties and securing a larger mix of new affordable homes would help to diversify the stock

8.28 DTZ recommend that the Council also consider setting out criteria in their affordable housing policies alongside any specific targets for different types and size of social rented homes. Fixed targets are less capable of being reviewed in response to changing circumstances so these criteria will provide the authority with the ability to respond to changing circumstances and site specific factors. Criteria set out in policy could include:

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<sup>9</sup> Development economics and viability considered in a separate study for Winchester City Council by Adams Integra.

- The characteristics of priority households on the authority's waiting list
- The size of homes in the existing social rented stock
- The pattern of re-lets in the social rented stock
- The type and size of recent completions and losses through demolition or Right to Buy

8.29 Such a policy approach would need to be accompanied by engagement with developers, as well as housing associations, in advance of applications being submitted for development.