RUSHCLIFFE BOROUGH COUNCIL
HOUSING MARKET ASSESSMENT
UPDATE

APRIL 2012

B.LINE HOUSING INFORMATION LTD

Rushcliffe Borough Council SHMA update 2012 - summary

- 463 new affordable homes are needed each year to meet emerging need and to clear the backlog (housing register) over the next 7 years.
- Most of the need for affordable housing (74%) comes from emerging households, rather than people already on the housing register.
- 56% of emerging households are unlikely to be able to afford market housing.
- The majority of emerging households could afford housing at the Affordable Rent level, which means that, overall, 67% of the new affordable housing supply (310) could be for Affordable Rent.
- There will still need to be considerable provision of social rented properties (463 * 33% = 144) to meet the needs of the minority of emerging households and the majority of people on the housing register.

Housing market indicators on price and incomes remain largely unchanged since the previous Strategic Housing Market Assessment Update in 2009. House prices have dropped slightly since 2009, but remain higher than in 2006, when the original SHMA was completed.

This report is accompanied by and should be read in conjunction with a spreadsheet model populated with relevant demographic and housing data, to which are applied a number of calculations based on the 'Bramley' model, in order to estimate the number of households in need of some form of affordable housing. The model includes notes and guidance on how this need is broken down into those households requiring Social rent, Affordable Rent, and Intermediate housing.

The model estimates that approximately 56% of emerging households are unlikely to be able to access entry level market housing. The overall estimate of housing need (accounting for new supply) is for 404 additional affordable units per year. This figure is heavily weighted by projected need from emerging households, accounting for 74% of overall need. A shift in the dynamics of the local housing market (a reduction in house prices or an increase in the supply of entry level housing) would have a significant impact.

The introduction of the Affordable Rent product by the Homes and Communities Agency as an alternative to the traditional social rent is a major change to the landscape and could have considerable repercussions on the way affordable homes are delivered and how that delivery is managed. The model estimates that up to 67% of all affordable housing supply could be Affordable Rent to meet the current profile of need, but the total of new build and conversions to Affordable Rent should be limited so that it does not exceed this proportion.

The decision about where to focus supply requires serious consideration by the local authority from an internal perspective using its own up to date demand and needs data and evidence, since exclusive focus on backlog need could lead to further market dysfunction, creating greater barriers to middle income households, but a greater focus on emerging households may leave higher numbers of lower income households stuck indefinitely on the Housing Register. Affordable Rent could also mean that a number of lets go to households who

cannot really afford them based on income alone, effectively trapping them on benefits.

These continuing imbalances in the housing market are evidence that the market alone is not able to address dysfunction. In order to reach a long term solution (reducing need for subsidised affordable housing), Local Authorities must focus on addressing the overall imbalance, which may demand a greater involvement in the type, size, tenure and affordability mix of housing being provided in the private market.

The need for a greater level of involvement by Local Authorities in the housing market overall is emphasised within the National Planning Policy Framework, in numerous places:

"Local planning authorities should have a clear **understanding** of housing needs in their area. They should:- prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:

- meets household and population projections, taking account of migration and demographic change;
- addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and
- caters for housing demand and the scale of housing supply necessary to meet this demand;"

National Planning Policy Framework, p. 38 | paragraph 159

"To deliver a wide choice of quality homes and widen opportunities for home ownership, local planning authorities should:

- plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as families with children, the elderly and people with disabilities)
- identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and
- where they have identified affordable housing is required, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities."

National Planning Policy Framework p.13 paragraph 50

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1)   Introduction

<u>1.1.</u>   <u>The current scenario</u>

1.1.0.a.   The housing market indicators and needs analysis for Rushcliffe Borough
Council were last updated in 2009. Since then, though in many respects the housing
market itself has remained largely stagnant, political changes impacting on housing
and planning have been significant. These include:

- The abolition of regional bodies and many associated regional build
targets
- The introduction of 'localism' which prompts a greater level of local
ownership of housing and planning objectives, data and evidence
- The launch of the 'Affordable Rent' product, an alternative to the traditional
social rent, which is promoted as being more sustainable and less
dependent on public subsidy in the long term
- Substantial changes to the benefit system, including housing benefit and
local housing allowance, many of which have yet to be implemented, but
which need to be recognised and prepared for.

1.1.0.b.   In current housing markets a stalemate seems to have been reached. Land
owners and homeowners waiting for a 'recovery', buyers unable or unwilling to
borrow or save enough, banks wary of lending, builders struggling to build and
development committees unwilling to grant large permissions in advance of a revised
and agreed plan. For many households owning a home currently seems an
impossibility, as average house prices remain well above sustainable borrowing
multipliers and combine with the additional barrier of stringent mortgage application
criteria, as well as demands for larger deposits (many of the best mortgage deals still
require a deposit of 15 to 25%).

1.1.0.c.   The private rental sector continues to be a very important element of the
market, though plans to monitor and regulate it more stringently have been
scrapped. Tenure data provided by Experian (2009, via www.hi4em.org.uk)
indicates that the private rental sector in Rushcliffe is small, accounting for
approximately 7% of households, while owner occupiers are by far the largest group,
with 87% of households in this tenure. The income structure of privately renting
households is not clear, though this is also an important element which needs to be
understood, in order to gauge the full impact of future proposed benefit changes.
When available, data from the 2011 Census may provide useful insights into the
make-up of the sector. Some research has been carried out in the area by Nathaniel
Lichfield and Partners, which may assist in understanding local market factors.[1]

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[1] http://www.nottinghamcity.gov.uk/CHttpHandler.ashx?id=27011&p=0

1.1.0.d.   Some owners may be trapped by a need to reach a certain price to repay mortgages (particularly if a purchase was made during the latest boom). Statistics from the Ministry of Justice show a rise in repossessions over the most notable boom period (2005-2008). Figures have since dropped back down (see chart below).

Figure 1: Repossession Statistics Rushcliffe 2003-10 (Ministry of Justice)
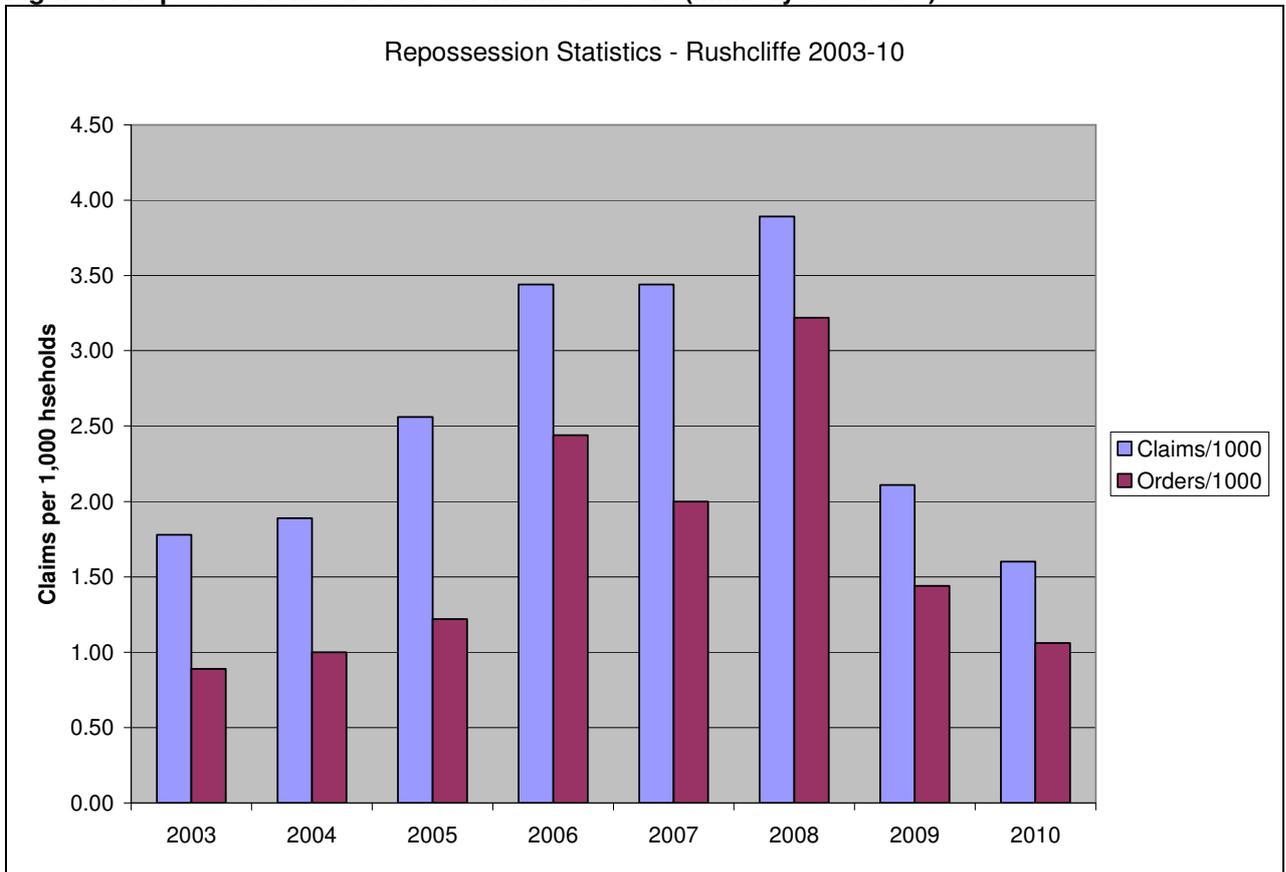
Source: Ministry of Justice 2011

1.1.0.e.   Rushcliffe Borough Council is currently considering its approach to housing and related growth following the revocation of the East Midlands Regional Plan. Information on the Council's current position is available on the website[2].

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[2] http://www.rushcliffe.gov.uk/planningpolicy/localdevelopmentframework/corestrategy/

<u>1.2.</u>   <u>Determining Estimates of Housing Need</u>

1.2.0.a.   Several housing needs spreadsheet models were developed as part of the 2006/7 Nottingham Core Strategic Housing Market Assessment, based on the 'Bramley' model. This captures the main components of housing need, given as:-

- New emerging households that cannot afford market housing, with the ability to afford estimated by assessing entry level house prices against incomes
- Backlog need based on local authority housing registers
- A factor for owner occupiers falling into need
- An element for need from migrations

1.2.0.b.   This is then compared to the supply of affordable lets and sales from local authorities and housing associations.

1.2.0.c.   The model can be summarised as:-

Figure 2 Bramley affordability model – summary

The basic model for estimating affordable housing need is as follows:-

Net Need (units per year)   =
Gross Household Formation x % aged under 35 unable to buy (adjusted for wealth)
+ proportion (33%) x net migration (household equiv) x % <35 unable to buy
+ proportion x owner occupier households (moving to social renting)
+ proportion over the 'policy period' (e.g. 20% over 5 years, 10% over 10 years) x waiting list 'backlog' above need threshold

Less net annual new and relets of social rented housing

1.2.0.d.   More recently because of the economic background and changes in the form of affordable housing, the model has been expanded to incorporate a factor for households unable to obtain mortgages (who would otherwise be able to afford entry level purchase), and a factor for households who are able to afford the new Affordable Rent tenure (explained in more detail later).

1.2.0.e.   It is a simplified, systematised model which does not capture all aspects of need, although many of them will be partially reflected in the main components. For example households living in unsuitable accommodation are not specifically included, but many of them will be in the backlog need on local authority housing registers. The model will therefore tend to underestimate need, and other methods have been consistently shown to give higher needs estimates.

1.2.0.f.   However while very high levels of 6 may be justifiable by the evidence, in current housing market circumstances they are unlikely to be delivered by the Planning system. Viability considerations have gained substantial weight and must be considered in relation to any demands for planning contributions. Failure to do so may result in the loss of what could reasonably have been achieved with more

moderate requirements. The basic problem is a dysfunctional, volatile housing market, and seeking ever higher contributions through S106 agreements will not address that, and indeed may make it worse.

1.2.0.g.   The data and models provide part of the evidence base and a decision support system, but policy judgments and interventions should also take into account and balance more up to date qualitative local knowledge, experience and perceptions.

2) Key Figures and Comparisons

2.1.1.a.   The outputs produced by the model are based on the following:

- House Prices from January 2010 to September 2011
- CACI Incomes data, 2011 (via www.hi4em.org.uk)
- Emerging household calculations are based on ONS 2008 subnational population projections
- Private rental sector rents are based on combined averages over the relevant geographical area from www.findaproperty.com.
- Backlog need data is based on HSSA (Housing Strategy Statistical Appendix) returns
- The proportion of Housing Register applicants able to afford Affordable Rent is derived from Choice Based Lettings data extracted from the Local Authority system.
- Supply is based on CORE data. There is also an element for average annual new affordable development based on HSSA returns.

2.1.2. Assumptions for model outputs

2.1.2.a.   The model makes the following assumptions in producing the results given in this report:

Figure 3 Assumptions for model outputs

Deposit	10%
Balance to fund	90%
Income : Mortgage multiplier	3.5
Policy period over which to address backlog need from the Housing Register	7
Resources from other sources	10%
Housing Register - can afford Affordable Rent	14%
Factor for owners falling into need	0.191%

2.1.3. Model Results

Figure 4 Rushcliffe Housing Need Estimates - Results

Need Factor	Model Result
Emerging Households (over 10 years)	7,604
Emerging Households (Annual)	760
Lower Quartile Price (2010-11)	£148,500
Income required to access LQP	£38,186
% households unable to afford purchase	56%
Emerging households unable to afford purchase	425 per year
% household unable to access mortgage products in current market	38%
Emerging households able to afford but unable to get mortgage	128
Total emerging households unable to access owner occupation	553
Average Affordable Rent @ 80% of market rent (mean of all property sizes)	£437
% of emerging households unable to afford Affordable Rent	15%
Number of owner occupier households with mortgage	22,769
Number predicted to fall into need through repossession	43 per year
Need from migration*	n/a
Backlog Need (Housing Register)**	920
Proportion of housing register expected to afford Affordable Rent	14%
Annual Backlog to be housed in Affordable Rent	18
Annual Backlog to be housed in Social Rent	113
GROSS NEED	673 households per year
Annual Supply (Lets net of transfers)	210 per year
Net Need	463 households per year

* Migration statistics have been omitted to avoid double counting, as figures should be incorporated into the sub-national population projections which make up the emerging households factor.

**Housing Register figure takes an average of waiting list totals over 2009-2011

2.2. Comparisons with results from 2006 and 2009

2.2.4. Lower Quartile Prices

Figure 5 Change in lower quartile price 2006 - 2011 (LA Level)

LA	Lower Quartile Price 2005-06	Lower Quartile Price 2008-09	Lower Quartile Price 2010-11
Rushcliffe	£142,000	£139,995	£148,500

2.2.4.a. House prices in Rushcliffe fluctuated very little since the previous update, and data shows the lower quartile price in the Borough has risen since 2006. It remains likely, then, that since the Strategic Housing Market Assessment was originally completed, those unable to purchase property at that time remain outside of home ownership unless their circumstances have improved.

2.2.5. Affordability

2.2.5.a. The following table compares the percentage of emerging households unable to afford market purchase, **deducting 10% who may have access to financial resources from elsewhere** (for example parental help), as applied in the 2006 and 2009 studies.

Figure 6 Percentage of emerging households unable to afford market purchase

LA	2006 unable to afford (minus 10% resources from elsewhere)	2009 unable to afford (minus 10% resources from elsewhere)	2011 unable to afford (minus 10% resources from elsewhere)
Rushcliffe	42%	45%	46%

2.2.6. Demand and Supply

Figure 7 HSSA Housing Register Data (2009-11)

Total households on waiting list	Rushcliffe
2010	947
2011	573
2012	1,241
Average	920

Figure 8 CORE affordable lets 2008-10 (General Needs, Supported Housing and New Sales)

Supply - General Needs Lets	2008	2009	2010	Average
Total Lets	127	83	186	132
Of which transfers	34	23	40	32
Supported Housing Lets	115	119	158	131
Of which transfers	21	25	44	30
Sales	7	8	13	9
Total Supply excluding transfers	194	162	273	210

2.2.6.a.   There is an obvious disparity between the supply of and the demand for affordable housing. The waiting list in Rushcliffe shows a recent drop in applicants, this is likely to be because the Council has recently introduced Choice Based Lettings prompting re-registration of applicants. This has resulted in a temporary drop in applicants while the switchover happens.

2.3.   House Sales

2.3.6.a.   Data from the Land Registry clearly shows a slowdown in the market when comparing the number of sales to those in 2007 and 2008. However it is now very difficult to determine 'normal' in relation to the UK housing market, since the closest thing to a pattern is repeated cycles of boom and bust.

Figure 9 Rushcliffe Property Sales Count 2007-2011
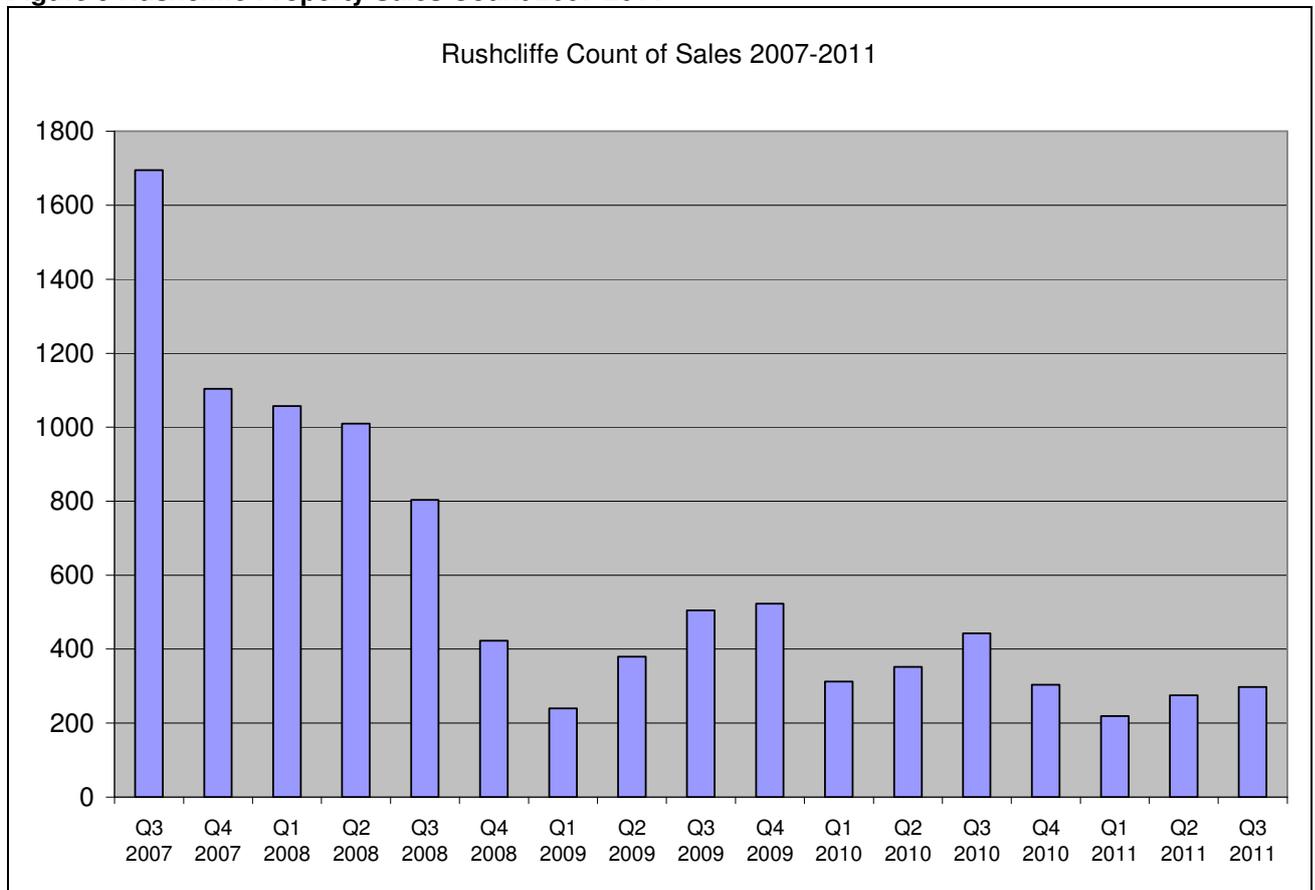
Source: Land Registry via www.hi4em.org.uk

Figure 10 Rushcliffe Property Sales, Average Prices and most common property type sold

Quarter/Year	No. Sales	% change +/-	Average Price	% change +/-	Most common property type
Q1 2009	240	0	£211,133	0	Detached
Q2 2009	380	58%	£201,647	-4%	Detached
Q3 2009	505	33%	£219,323	9%	Detached
Q4 2009	523	4%	£214,512	-2%	Detached
Q1 2010	312	-40%	£216,248	1%	Detached
Q2 2010	352	13%	£234,704	9%	Detached
Q3 2010	443	26%	£232,365	-1%	Detached
Q4 2010	304	-31%	£235,640	1%	Detached
Q1 2011	219	-28%	£224,393	-5%	Detached
Q2 2011	275	26%	£214,233	-5%	Detached
Q3 2011	298	8%	£238,600	11%	Detached

Source: Land Registry via www.hi4em.org.uk

2.3.6.b.   Sales fluctuations are fairly unremarkable over the period, but average prices have crept up and remain consistently above £200,000. Detached houses are clearly the most popular sellers in the Borough.

Figure 11 Sale frequency by property type (2009-Q3 2011)

Quarter/Year	Detached	Flat	Semi-detached	Terraced
Q1 2009	109	21	74	36
Q2 2009	161	34	126	59
Q3 2009	232	27	168	78
Q4 2009	238	24	174	87
Q1 2010	134	20	115	43
Q2 2010	168	16	115	53
Q3 2010	206	20	148	69
Q4 2010	147	21	96	40
Q1 2011	94	10	85	30
Q2 2011	119	15	90	51
Q3 2011	130	19	97	52

2.3.6.c.   The low figures for typical 'starter homes' (flats and terraces) are clear in the above table. It is probable considering the make-up of housing in the district that the data shows a fair reflection of the general proportions of each property type. However this also underlines a likely imbalance in the demographic make-up of the district, which could be exacerbated if a more balanced housing mix, with more accessible units for younger and less wealthy households is not developed.

2.3.6.d.   Average property prices by type suggest that each type retains a fairly separate individual price bracket, with flats at the lower end, and climbing prices through terraces, semi-detached and detached houses respectively. The gap between semi-detached and detached houses is most substantial, and appears to be widening over time. The table below estimates relative income requirements for purchasing the average property of different types and sizes:

2.3.7. House prices and deposit requirements

Figure 12 Income and deposit requirements in order to buy property using average price/type

Mortgage requirements	Detached	Flat	Semi-detached	Terraced
10% deposit income requirement	£81,138	£38,168	£49,566	£42,357
10% deposit amount	£31,554	£14,843	£19,276	£16,472
25% deposit income requirement	£67,615	£31,806	£41,305	£35,298
25% deposit amount	£78,884	£37,107	£48,189	£41,181

2.3.7.a.   So to buy an average terrace or flat in Rushcliffe, with a deposit of 10%, a household would need to provide a deposit of around £15 -16,000. Research by the Joseph Rowntree Foundation in 2011 has estimated that the average cost of living for a single household in the UK (excluding London) is approximately £15,000 per year[3]. To put this in perspective, according to CACI Paycheck data for 2011, the most common household income (mode) in Rushcliffe is £20-25,000 per year (the average household size in the East Midlands is 2.25[4]). The median household income is higher, around £35,000 per year. Factor in the cost of any additional household members, and it is clear how difficult saving a deposit of this size is likely to be.

Figure 13 Average property prices by property type

Quarter/Year	Detached	Flat	Semi-detached	Terraced
Q1 2009	£275,802	£83,381	£177,213	£159,578
Q2 2009	£262,674	£115,529	£175,573	£140,428
Q3 2009	£285,233	£112,720	£176,899	£151,557
Q4 2009	£273,530	£126,588	£178,114	£150,111
Q1 2010	£283,746	£108,673	£186,259	£136,144
Q2 2010	£300,634	£133,266	£183,411	£167,638
Q3 2010	£293,340	£123,173	£190,664	£171,417
Q4 2010	£295,144	£128,598	£199,343	£160,270
Q1 2011	£295,624	£137,350	£183,703	£145,505
Q2 2011	£281,679	£131,960	£175,270	£149,051
Q3 2011	£315,536	£148,430	£192,755	£164,722

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[3] See http://www.jrf.org.uk/publications/minimum-income-standard-uk-2011
[4] Source: ONS household projections

Figure 14 Rushcliffe Borough Incomes Profile (CACI Paycheck 2011)

Rushcliffe incomes profile

Mode - most common value £20-25K

Median - mid point of all cases approx £35k

No. Households

£0-5k £5-10k £10-15k £15-20k £20-25k £25-30k £30-35k £35-40k £40-45k £45-50k £50-55k £55-60k £60-65k £65-70k £70-75k £75-80k £80-85k £85-90k £90-95k £95-100k £100k+
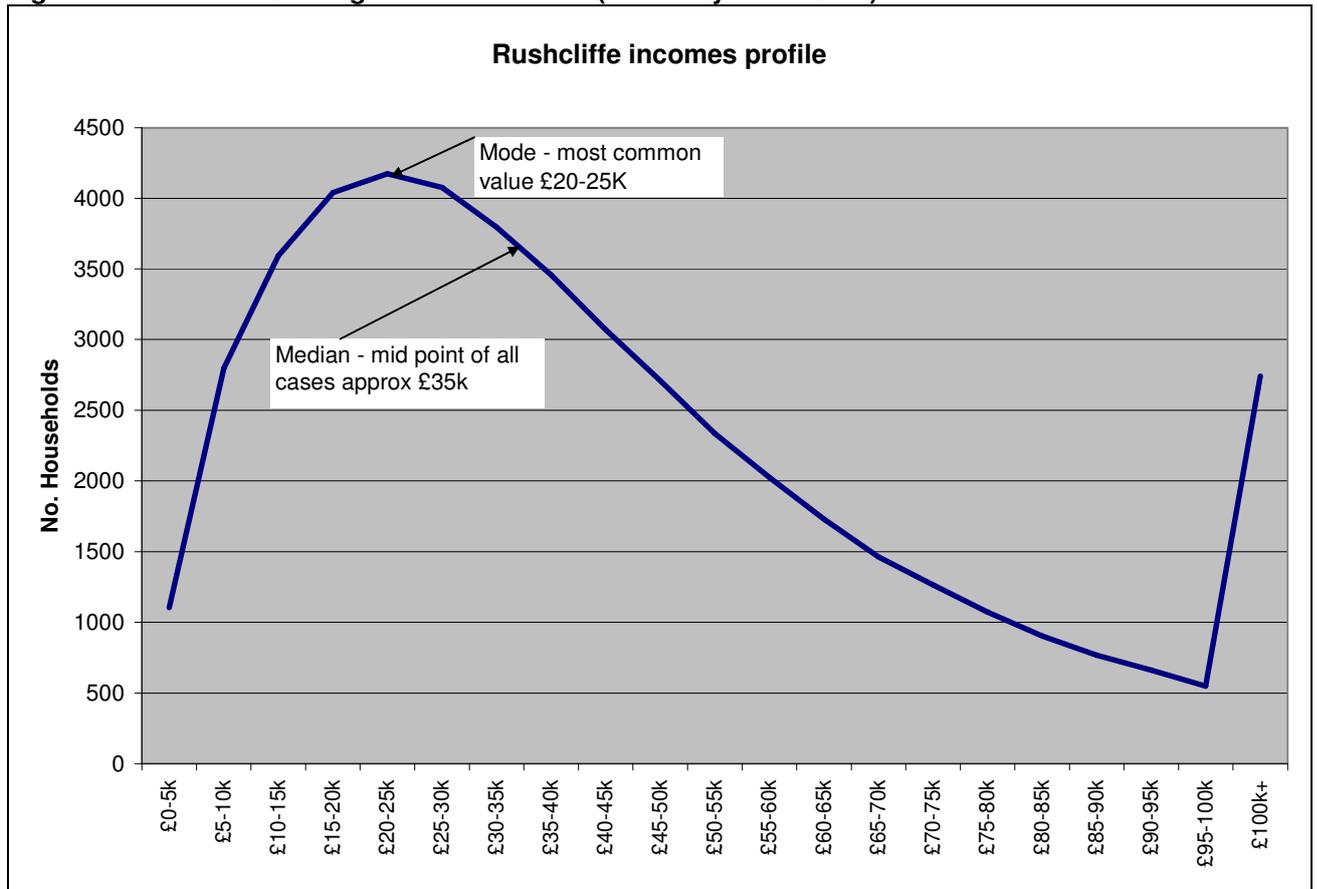
3) Demand

3.1.1. Housing Register

3.1.1.a.   The model uses HSSA data[5] provided annually to derive backlog need (households waiting for affordable housing on the housing register). An average is taken for the number on the list over the past three years, but it may be preferable to take a trend figure, or just enter the current waiting list figure. On closer examination of the waiting list internally it may be considered appropriate to adjust the figure further, for example to reduce it to reflect households considered able to meet their own needs, or to make adjustments when considering specific provision such as supported or sheltered housing. The resulting need figure currently does not break down into need for specific property types or sheltered/general needs demand.

Figure 15 HSSA housing register figures, 2009-11

Total households on waiting list	Rushcliffe
2009	1,231
2010	947
2011	573
Average	917

3.1.2. Emerging Households

3.1.2.a.   A proportion of emerging households will be unable to afford accommodation at open market cost. Data for emerging households is taken from ONS Subnational Population Projections, (Household Projections) 2008. These projections are particularly useful in needs analysis as they give a breakdown by age and household type. This allows the emerging households (given to be between 18 and 35) to be isolated fairly effectively (in theory). Results are shown below[6]. The period considered is 10 years, based on the projections for 2011 and 2021. The model calculates how many households over that time will move through the emerging households age group, and apportions them annually.

Figure 16 Emerging Households by local authority

LA	Emerging households over 10 years	Annual emerging households
Rushcliffe	7,604	760

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[5] HSSA (Housing Strategy Statistical Appendix) collected and published by CLG here: http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/localauthorityhousing/dataforms/. The HSSA is being replaced by ELASH (English Local Authority Statistics on Housing in 2012/13
[6] The total increase in households across the Borough is projected to be around 690 per annum. This is lower than the number of emerging households during the same period due to a declining number of households within other age ranges.

3.1.3. Owner Occupier Need

3.1.3.a. The model derives owner occupation levels using data from Experian (2009, via www.hi4em.org.uk). Experian provide a breakdown of the mortgage levels held by households and this total is used to apply a percentage factor which determines the estimated number of owner-occupier households falling annually into need (through repossession). There are a number of households within the Experian dataset for whom data is missing. These have been included in the total, though they could arguably be excluded or partially excluded.

Figure 17 Owner Occupation Mortgage Debt (2009)

	No outstanding mortgage	Less than £20k	£20 - 50k	£50 - 100k	More than £100k	Missing Data	Total owner occupiers with mortgages
Rushcliffe	24,138	1,798	2,338	6,025	7,907	4,701	22,769

Source: Experian via www.hi4em.org.uk

3.1.3.b. The percentage factor applied to owner occupiers is derived from data provided by the Ministry of Justice. An average over the last three years is used, of the number per thousand households subject to court orders leading to repossessions.

Figure 18 Ministry of Justice repossession statistics (2008-10)

Rushcliffe	Repossession orders per 1,000 households	% to apply to owner occs
2008	3.22	0.32%
2009	1.44	0.14%
2010	1.06	0.10%
Average	1.91	0.19%

Source: Ministry of Justice

4) Affordable Rent

4.1. Understanding Affordable Rent and its implications

4.1.0.a.   Affordable Rent is an alternative affordable housing tenure introduced by the current government through the Homes and Communities Agency (HCA). The product is explained in the 2011-15 Affordable Homes Programme Framework, published in February 2011[7]. The introduction of the new tenure has been the subject of much discussion, and many questions have been raised regarding its introduction, implications and implementation. The main gist of Affordable Rent is as follows:

- HCA grant for affordable homes is intended to fund the Affordable Rent tenure in all but exceptional circumstances, which should be proven using evidence.
- Affordable Rent should be set at up to 80% of the equivalent market rent for a comparable property.
- Registered Providers of Social Housing who are successful in bidding for funding from the HCA[8] will be expected to use the Affordable Rent tenure to leverage additional borrowing, to enable the provision of more new affordable homes.
- After 2012, Registered Providers with contracts for the provision of Affordable Rent will be able to convert properties to Affordable Rent.
- Registered Providers will be able to use 'fixed' or 'flexible' tenancies, no longer having to give lifetime tenure to applicants but able to limit the length of each tenancy to a minimum of 2 years, but it is expected that most fixed tenancies will be 5 years in length.

4.1.0.b.   There is still some debate over the capping of Affordable Rent in relation to Local Housing Allowance rates. The HCA originally said in this regard:

"The TSA is therefore not proposing to restrict the maximum rent that Registered Providers can charge for Affordable Rent properties based on the Local Housing Allowance. However, landlords will wish to consider the local market context when setting rents, including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located."
                          2011-15 Affordable Homes Programme – Framework, p.16 pg 3.7

4.1.0.c.   This issue was later revisited following an article in Inside Housing, which prompted a CLG response confirming that Rents will be set at 80 per cent of market levels, but will not be allowed to rise above LHA levels[9].

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[7] Available at http://www.homesandcommunities.co.uk/sites/default/files/our-work/affordable-homes-framework.pdf
[8] Providers who have been successful in obtaining funding and other details can be viewed here: http://www.homesandcommunities.co.uk/affordable-homes
[9] http://www.insidehousing.co.uk/news/housing-management/-rent-rises-to-be-lower-than-expected/6512218.article

4.1.0.d. Whatever the final outcome of the debate over the capping of Affordable Rents to LHA rates, a significant disparity remains between the current levels of social rent and the potential cost of affordable rent. This is not a simple issue to unpick. In some lower value areas of housing, the difference between social rent and LHA rates is already negligible, particularly in newly developed properties. However, in higher value areas, and in particular in relation to larger family homes, the difference becomes more substantial. The table below shows the overall comparison district wide of the different rental levels (at March 2012). The difference is more marked for larger properties, and this will be more noticeable still in higher value areas.

4.1.0.e. There is a question mark over the long term affordability of the new Affordable Rent product, as they are essentially linked to private rent levels, which are linked to housing demand. Should demand remain high and supply low, private rents may rise, making Affordable Rent potentially more inaccessible to lower income households.

4.1.0.f. While Local Housing Allowance can be used to support households on low incomes, these rates are based on the 30th centile of market rents, meaning that there will be a number of properties where the asking rent exceeds the maximum benefit for the renting household. This could also be a particular problem in higher end areas of the local housing market, since LHA rates apply on a district wide basis and do not necessarily recognise internal market variations.

Figure 19 Rent Comparison

Property Size	Social Rent	LHA rate	Affordable Rent
1 Bed	£65	£73	£68
2 Bed	£78	£97	£96
3 Bed	£89	£110	£104
4 Bed	£90	£150	£134

N.B. These are district wide, rough averages – rents vary substantially between areas and providers.

4.1.0.g. With the introduction of Affordable Rent, Registered Providers, Local Authorities, the Homes and Communities Agency and the Department of Work and Pensions, as well as National Government, face a new set of organisational and strategic challenges. The shake-up of housing and benefits will involve a large scale revision of policies and practices, and the following issues must be addressed in the implementation of change:

- Local Authorities must produce a Tenancy Strategy to guide Registered Providers with regard to local issues which need to be taken under consideration.
- Registered Providers must produce a Tenancy Policy detailing how they intend to use the new product and tenure options available to them, and what criteria will be applied to households approaching them for housing.
- Local Authorities will review their allocations policies, and may alter eligibility criteria for those households wishing to apply for affordable housing.

- The Homes and Communities Agency must monitor the delivery of affordable homes and the effective implementation of Affordable Rent, as well as the relationships between Registered Providers and Local Authorities.
- Local Authorities must assess the impact of the changes across the board and ensure they have measures in place to mitigate any negative repercussions.
- The Department of Work and Pensions must adjust to the change in the proposed structure of the benefit system (see information on Universal Credit[10]), and the changing cost of social housing as a result of the Affordable Rent product.

4.1.0.h.　　　Understanding the implications of Affordable Rent for local households is imperative for Local Authorities. This understanding will allow them to assess where Affordable Rent is appropriate, and where it is not. Although the lack of grant for traditional social rent may limit its provision, it is demographically evident that the full removal of social rent has far reaching implications for those households in the lowest income brackets, or fully dependent on benefits. These implications relate not only to the reliance of these households on benefits to cover their cost of living, but also to the benefit bill itself where rents are higher.

4.1.0.i.　　　The argument for retaining an element of social rented housing within the affordable stock stems from the affordability implications of the new tenure. The model accompanying this report examines the affordability of Affordable Rent in relation to the incomes profile of the district and incomes data for those on the Housing Register. Where households can cover Affordable Rent using 30% of their income (this percentage is used as the typical outgoing a household can sustainably pay), the new product is considered affordable.   Where the income is below this threshold, social rent is recommended as the most sensible and sustainable tenure option.

4.1.0.j.　　　Whilst it could be argued that the benefit bill will pay the rent increase resulting from the change in tenure for households below the given income bracket (many of whom are likely to be entirely dependent on benefits), this was not the original intention of the new tenure, which was '*to provide an offer which is more diverse for the range of people accessing social housing, providing alternatives to traditional social rent.*"

4.1.0.k.　　　Instead, it makes more sense to view the new tenure as an intermediate product, directed not at benefit dependent households, but at the middle group of households, on incomes lower than necessary to sustain typical private rent or owner occupation, but higher than that which qualifies them as in significant 'need' of traditional social rent.

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[10] http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/universal-credit/

5)   Model Outputs

5.1.1.a.   Figure 20 below shows the key data that goes in to the model in order to reach the final gross need figure. The lower quartile price (given in CLG Guidance as the price at which most households enter owner occupation) is the factor used to determine which households are unable to purchase housing using their own financial means. The model assumes a 10% deposit is deducted from the lower quartile price, and assesses the income requirements following this deduction. Though it is widely evident that a larger deposit is now required by many lenders in order to access the best mortgage deals, the model is counter-intuitive in this sense, as by increasing the deposit amount the actual borrowing amount is decreased, and therefore the capacity of the household income is increased. Therefore, although a 10% deposit may be less realistic, for the purposes of the model it is more sensible to leave the deposit percentage at a lower level. Difficulty in obtaining a mortgage is covered by another variable.

5.1.1.b.   The income : mortgage multiplier is set at 3.5 times household income. Again, arguments can be made towards both increasing and decreasing this factor. Some may say that lenders have in the past given greater multiples to borrowing households, others that lenders under these kinds of stringent economic conditions are more likely to reduce the multiplier. However, over the long term in relation to both lender behaviour and financial sustainability for the typical household, a multiplier of 3.5 is on fairly safe ground.

5.1.1.c.   The policy period (over which the backlog need from the housing register is addressed) is set at 7 years. This period should be decided internally depending on the strategic plan of the authority. The longer the policy period, the lower the annual backlog need, and vice versa. CLG guidance says that 5 years should be the minimum, and many assessments of need use this figure.

5.1.1.d.   A 10% factor is applied to reduce the total number of emerging households derived by the model in the assumption that this proportion of households will be able to access resources for home ownership from other sources (such as parents, inheritance, savings etc). Though this is an unsubstantiated figure it is well known that some households will have such financial help. The actual number of households is difficult to estimate, so any available data which gives an indication of the genuine proportion in this group would be useful in increasing the accuracy of the model.

5.1.1.e.   The factor for owner occupiers falling into housing need is derived from a 3 year average of court order repossession statistics from the Ministry of Justice. This percentage has decreased over the last few years, resulting in a lower number (in theory) of homeowners coming to the Local Authority for assistance.

Figure 20 Assumptions and key data

Lower quartile entry level price	£148,500
Deposit	10%
Balance to fund	90%
Income : Mortgage multiplier	3.5
Policy period	7
Resources from other sources	10%
Backlog need - Housing register or survey	920
Housing Register - can afford Affordable Rent	14%
Factor for owners falling into need	0.191%
All owner occupiers with mortgage	22,769

5.1.2. Tenure Breakdown

5.1.2.a. The tenure split below is produced automatically by the model and will adjust where assumptions are altered, such as a reduction in the housing register, increased house prices, a reduced policy period or an increase or decrease in the assumed number of households with access to a deposit or other sources for house purchase.

Figure 21 High Level Tenure Split

Tenure Split		
Intermediate Housing/Shared Ownership	42%	
Rent	58%	Rental Split
of which: Social Rent	19%	33% (Social)
of which: Affordable Rent	39%	66% (Affordable)

5.1.3. Model Outputs and Calculations

Figure 22 Model Outputs

Outputs	
Emerging households (annual)	760
Total households passing through ages 18 to 35 between 2011-21, *Divided by 10 (years) to give annual figure* *Source: ONS 2008 Based Detailed Household Projections*	= 7,604 / 10
Percentage unable to afford LQP	56%
Total proportion of households unable to afford Lower Quartile Price *based on 3.5 x income and 10% deposit* *(assumes deposit is available), using CACI*	= 27,039 / 48,334

incomes data (2011) and Land Registry (combined data Jan 2010 – Sept 2011)	
Unable to afford on income	425
Equals Emerging households (annual) x Percentage unable to afford LQP	= 56% x 760
Proportion now unable to obtain mortgage	38%
Derived from CML Mortgage statistics, change in long term borrowing rates among first time buyers	
Unable to obtain mortgage in current circumstances	128
Equals Proportion now unable to obtain mortgage x Emerging households (annual)	= 38% x (760-425)
Unable to afford or get mortgage	553
Equals Unable to afford on income + Unable to get mortgage in current circumstances	= 425 + 128
Unable to afford Affordable Rent, so require social rent	14.7%
Derived from average cost of local rents (Source: www.findaproperty.co.uk) x 80% assessed against incomes (Source: CACI 2011). Applied to emerging households only	
Proportion emergers can afford AR	50.8%
Derived from average cost of local rents (Source: www.findaproperty.co.uk) x 80% assessed against incomes (Source: CACI 2011) Applied to emerging households only	
Need from emergers adjusted for resources from other sources	498
Applies a reduction to the Unable to afford or get mortgage, set within the key data section of the model (see Figure 19, set at 10% for this report). Equals Unable to afford or get mortgage x 90%	= 553 x 90%
Adjusted emergers as % of total emergers	65.5%
Equals adjusted figure above as proportion of total emergers	=498 / 760
Backlog need per year over policy period- SR	113
Equals (Housing register total x proportion requiring Social Rent)/Policy Period Policy Period is set within key data section (set at 7 years for this report). Proportion requiring social rent is derived from incomes data provided by Housing Register applicants, currently estimated at 86%	= (1,049 x 86%) / 7
Backlog need per year over policy period- AR	18
Equals (Housing register total x proportion requiring Affordable Rent)/Policy Period Policy Period is set within key data section (set	= (1,049 x 14%) / 7

at 7 years for this report). Proportion requiring social rent is derived from incomes data provided by Housing Register applicants, currently estimated at 14%	
Owners falling into need	43
Derived using average annual claims (per 1,000 households) leading to repossession orders (Source: Ministry of Justice), converted to percentage Equals Repossession percentage x Total owner occupied households (with mortgage) (Source: Experian 2009)	= 22,769 x 0.191%
Total need	673
Equals Need from emergers adjusted for resources from other sources and unable to obtain mortgage PLUS Backlog need over policy period – SR PLUS Backlog need over policy period – AR PLUS Owners falling into need	= 498 + 113 + 18 + 43
Social rent element (emerger social rent + backlog)	225 = 33%
Equals (Unable to afford Affordable Rent, so require social rent + Backlog need per year over policy period- SR) As a proportion of gross need	= (15% x 760) + (1,049 x 86%) / 7 / 673
Affordable Rent element (emergers AR + housing register applicants able to afford + owners in need)	448 = 67%
Equals (proportion emergers can afford AR + Backlog need per year over policy period- AR + owners falling into need) As a proportion of gross need	= (51% x 760) + (1,049 x 15%) / 7 + (0.191% x 22,769) / 673

5.1.4. Derivation of Model Outputs

- **Emerging Households**: This is an extrapolation of data from the ONS 2008 Based Detailed Household Projections (household estimates). The model takes those households who will pass through the age group of 18 to 35 over the next 10 years, deducting those who appear in both groups to avoid double counting (those households who are caught by the younger age group in 2011 are deducted from the older age group in 2021).

- **Percentage unable to afford LQP**: This derives the income required to afford the lower quartile price (based on Land Registry data), using a multiple of 3.5 (what we assume households can borrow), and a deposit of 10%. This is then compared to the overall data of the district to derive the proportion of households whose incomes are below the figure required to buy. This proportion is then applied to the *emerging households only*. It is arguable that this gives a lower reflection of need because younger households have lower incomes, but it is not possible to break this data down with any confidence.

- **Unable to afford on income** = Percentage unable to afford LQP x *Emerging Households*

- **Proportion now unable to obtain mortgage**: This is a static percentage based on CML statistics relating to the level of lending to first time buyers. It is derived using a view of long term borrowing levels to estimate the proportion of decreased borrowing, assuming that this is likely to be a result of greater difficulty in accessing mortgage products.

- **Unable to get mortgage in current circumstances** = Proportion now unable to afford mortgage x *remainder of emerging households*

- **Unable to afford or get mortgage** = Unable to afford on income + Unable to get mortgage in current circumstances

- **Unable to afford Affordable Rent, so require social rent**: This applies the same calculation to emerging households used in the lower quartile price section, except the income required relates to the current cost of Affordable Rent. The model calculates how many households cannot afford each property size (1 to 4 beds). Because a single figure is needed for the purposes of the overall need factor, the model then uses a derivation of the likely levels of overall need for each property size (based on the lifestyles, lifestages principal used in the original SHMA), and combines these to give an overall affordability total. This is then applied to the *emerging households only*, to give the number who require social rent. The remainder of emerging households is the number who could, potentially, afford Affordable Rent (remember the figure is already based on those unable to afford purchase).

- **Proportion emergers can afford AR**: *See above*

- **Need from emergers adjusted for resources from other sources** = unable to afford or get mortgage x *Resources from other sources*. The Resources from other sources factor is set at 10%, assuming that this proportion of emerging households may have help from parents, inheritance etc which enables them to purchase. This is an arbitrary figure, based on a common sense assumption that some households have financial help in accessing housing. The figure can be altered in the Inputs section of the model.

- **Adjusted emergers as % of total emergers**: Emerging households unable to afford or obtain mortgage, adjusted for resources from other sources, as a proportion of total emerging households.

- **Backlog need over policy period – SR**: This is the proportion of the housing register considered to need social rent, divided by the policy period (set in the Inputs section at 7 years).

- **Backlog need over policy period – AR**: This is the proportion of the housing register considered to be able to afford Affordable Rent (based on incomes data provided by the Choice Based Lettings system), divided by the policy period.

- **Owners falling into need**: This is derived applying the average rate of repossessions (per 1,000 households) over the last 3 years to the total of owner occupiers in the district with mortgages (in Inputs: Factor for owners falling into need x All owner occupiers with mortgage)

- **Total need** = Need from emergers adjusted for resources from other sources + Backlog need over policy period (SR) + Backlog need over policy period (AR) + Owners falling into need

- **Social Rent Element (emerger social rent + backlog)** = Unable to afford Affordable Rent, so require social rent *(emerging households)* + Backlog need over policy period (SR) *(housing register)*

- **Affordable Rent Element (emergers AR + backlog AR + owners in need)** = proportion emergers can afford AR + backlog need over policy period (AR) + Owners falling into need

5.2. Implications of model outputs – Affordable Rent and Social Rent

5.2.4.a.   The assessment of affordability by the model concludes that over half of households in the Borough are unlikely to be able to afford market entry housing based on income alone. This proportion is applied to the emerging households only (calculated using the 2008 based household projections).

5.2.4.b.   For Affordable Rent housing, the model estimates that 33% of all supply flow could be at Social Rent levels, and about 67% of supply could be at Affordable Rent levels. These proportions are heavily influenced by the number of households on the housing register, the policy period, and the high number of emerging households, the majority of whom (74%) are calculated to have incomes high enough for Affordable Rent.

5.2.4.c.   Note that the Affordable Rent figure applies to **all lets**, including relets, and not just new lets coming out of development. So if there are sufficient relets to meet the need for social rent then a higher proportion of new developments, and hence new lets, **could** be at Affordable Rent, but the local authority should monitor and may need to limit the extent of conversions to Affordable Rent to prevent the housing market becoming more imbalanced. Another consideration is whether the Authority wishes to focus primarily on backlog need, or overall need, or projected need. A focus on backlog need would considerably alter the proportions of Affordable Rent which are appropriate (with a split of 86%/14% in favour of Social Rent).

5.2.4.d.   The decision about where to focus supply requires serious consideration from an internal perspective, since exclusive focus on backlog need could lead to further market dysfunction, creating greater barriers to middle income households, but a greater focus on emerging households may leave higher numbers of lower income households stuck indefinitely on the Housing Register. It should also be considered that it is highly likely, with the introduction of Affordable Rent, that a number of lets will go to households who cannot really afford them based on income alone, effectively trapping them on benefits.

5.2.4.e.   What is notable about this set of results is the particularly high number of emerging households. The large number of emerging households and the potential impact this may have on the need for additional homes is well known and will be a guiding factor in plans for housing growth. A key issue in mitigating the potential growth of demand for affordable homes is to address the imbalance in the housing market by providing more moderately priced market homes which are more accessible to households on average incomes. This requires more involvement in the market mix, rather than an exclusive focus on affordable homes.

5.2.4.f.   To determine the ability of Housing Register to afford Affordable Rent, the model uses data extracted from the Choice Based Lettings database (used by Broxtowe, Gedling and Rushcliffe) about applicant incomes. There are some serious inconsistencies and omissions within the dataset, so the resulting affordability factor is not wholly reliable. The Choice Based Lettings system relies in many cases on applicants entering their own incomes data online at the time of application. The result is that some figures are entered inaccurately giving some very high incomes (for example, applicants put monthly incomes instead of weekly), and a fair few 'zero' incomes. This means that the incomes at both the top and bottom of the range of data are likely to be inaccurate. Nonetheless this data is currently the only and best available.

5.2.4.g.   CORE data gives some evidence on incomes of new tenants. The 2010/11 general needs data shows 186 lets in total, with incomes data for 90 of these. The range is broad, but the majority of tenants fall at the lower end of the scale. The data shows that where sources of income are known, 34% receive their entire income from benefits or pensions, 11% do not receive any benefits, and 14% receive partial income from benefits. 41% of the sample is unknown, so this is not a particularly reliable basis from which to make assumptions. However, it gives a broad indication that lets have tended to be given to households with lower incomes, or households who are at least partially dependent on benefits. In some ways this group is self defining, as a low income is an obvious prerequisite for housing need, as it limits access to a large proportion of private housing.

Figure 23 Social and Affordable Rent Split (Emerging Households)

Split Social/Affordable Rent (emergers)	No. in need of Social/Affordable Rent (Emergers)	Total Emerging Need
22% SR	112	
78% AR	386	498
	74%	forward need
	26%	backlog need

5.2.4.h.   The incomes and affordability calculation within the model determines that approximately 22% of new households requiring affordable housing over the next 10 years will be unable to afford the new Affordable Rent product. Obviously significant changes in either incomes levels or rental prices will affect this estimate.

5.2.4.i.   Using the current model settings which apportion the backlog need over 7 years, annually there are more emerging households than households on the waiting list. This results in the annual need figure being weighted more heavily towards emerging households, with 74% of the need figure addressing future or predicted need. If the policy period were reduced, or the Housing Register were to grow substantially, this balance would shift.

5.2.5. Calculating the split between Affordable and Social Rent

5.2.5.a. The calculation behind the Affordable Rent/Social Rent split is as follows:

Figure 24 Affordable Rent/Social Rent Split

Emerging Households Split (22% Social Rent, 78% Affordable Rent)
- Affordable Rent requirement from emergers (51%) = ARE
- Social Rent requirement from emergers (15%) = SRE
- Adjusted Emergers (unable to afford LQP, unable to get mortgage, resources from other sources (65.5%) = LQPE
- Affordable Rent Proportion = ARE (51%)/LQPE (65.5%) = 78%
- Social Rent Proportion = SRE (15%) /LQPE (65.5%) = 22%

Backlog Households Split (86% Social Rent, 14% Affordable Rent)
Derived from Housing Register data, applied to backlog figure divided by policy period (set at **7 years**).

Overall Affordable Rent/Social Rent split:

Affordable Rent
- 78% of emergers (adjusted for resources from other sources and unable to obtain mortgage) (78% x 498 = 386)
- PLUS 14% of backlog need (14% x (920 / 7) = 18
- PLUS Owners falling into need (0.191% x 22,769) = 43
- As a proportion of gross need = (386 + 18 + 43) / 673 = 66%

Social Rent
- 22% of emergers (adjusted for resources from other sources and unable to obtain mortgage) (22% x 498 = 112)
- PLUS 86% of backlog need (86% x (920/7)) = 113
- As a proportion of gross need = (112 + 113) / 673 = 33%

5.2.6. Forward and Backlog Need

5.2.6.a. The calculation behind the forward/backlog need split is as follows:

Figure 25 Forward/Backlog Need Split

Need from emergers unable to obtain mortgage and adjusted for resources from other sources (498) as a proportion of total need = Forward Need

498 / 673 = 74%

Total Backlog Need + Owners falling into need (113 + 18 + 43) as a proportion of total need = Backlog Need

(113 +18 + 43) / 673 = 26%

5.3.   Determining Rental Levels

5.3.6.a.   Local rents (below) are derived from average asking prices provided by Find A Property (www.findaproperty.com). The figures used combine the average asking prices given over the relevant geographical areas. Find A Property uses postcode areas as market proxies, so the areas may not fit exactly within the Local Authority boundary, but should give a relatively accurate guideline for the cost of privately renting in the Borough.

5.3.6.b.   The model then calculates 80% of the overall average to derive approximate Affordable Rent levels. These are then set against the incomes profile of the district to calculate which households are able/unable to afford them.

Figure 26 Local Rents and Affordable Rent Derivation
Rushcliffe overall average of averages (unweighted)

Property type	1 Bed Flats	2 Bed Flats	2 Bed Houses	3 Bed Houses	4 Bed Houses
Asking rent	£370	£522	£566	£726	£970
80%	£296	£417	£452	£581	£776
Weekly	£68	£96	£104	£134	£179

Sub-area (www.findaproperty.com)	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house
West Bridgford	£406	£571	£610	£750	£918
Gotham			£567		
Ruddington		£521	£569	£668	£973
East Leake				£792	£899
Keyworth			£533	£731	£1,031
Cotgrave		£497	£599	£769	£1,009
Bingham	£333	£497	£515	£646	£989
Average	£370	£522	£566	£726	£970

Figure 27 Affordable Rent calculation and income/affordability figures

Property Type	1 bed	2 bed	3 bed	4 bed
Estimated Affordable Rent	£ 296	£417	£455	£534
Weekly Affordable Rent	£ 68	£96	£105	£123
Income required	£10,642	£15,005	£16,387	£19,238
% unable to afford (at 30% of gross income)	8.1%	15.5%	15.5%	23.9%

5.3.6.c.   In order to derive a single affordability figure to apply to emerging households for Affordable Rent, the model applies the proportion of households unable to afford in each group (by household size) to the overall proportion of emerging households belonging to that group. These relative percentages are then totalled to give an overall affordability factor.

Figure 28 Derivation of Overall Affordability Figure for Affordable Rent

Cannot afford Affordable Rent	1 bed	2 bed	3 bed	4 bed
Proportion cannot afford	8.1%	15.5%	15.5%	23.9%
Proportions in need mix	10%	41%	41%	5%
Overall can't afford AR	0.8%	6.4%	6.4%	1.2%
Combined proportions			14.7%	

5.4.   Intermediate Housing (Shared Ownership/Low Cost Home Ownership)

Figure 29 Intermediate Housing section

LQ entry level multiplier	70%
Modified entry level	£103,950
Cannot afford at modified entry level	33%
Intermediate Housing Policy Options	
Possible need for Intermediate of all new affordable provided	42%
Proportion of intermediate assuming all housing register applicants are ineligible	26%
Apply proportion to housing register who could afford/have requested intermediate housing	10%
Resulting intermediate requirement	27%
If substantial proportion on benefits Intermediate inappropriate	

5.4.6.a.   Intermediate housing provision is a difficult policy recommendation for strategic housing, mainly because it is hard to gauge who will be interested, and whether they will choose it. It may be that intermediate housing products are not well known or understood, and therefore will not effectively reach those households they are intended for. While the model can assess the accessibility of intermediate housing products such as shared ownership based on incomes (with the assumption again that the household can produce an adequate deposit), it is up to the organisations providing or recommending them locally to ensure they are properly promoted and allocated as appropriate.

5.4.6.b. The model gives 3 options for the provision of intermediate housing as a proportion of the affordable housing contribution:

1. Applying the affordability percentage derived from CACI incomes data to the whole need figure.
2. Applying the affordability percentage derived from CACI incomes data only to emerging households, and not to any of the households on the housing register.
3. Selecting an optional (evidence based) proportion of the housing register, to reflect those households who have either expressed interest in intermediate housing, or whose incomes reflect an ability to afford it.

5.5.   Affordable Housing Supply

5.5.6.a. The housing supply figures for this model are derived from CORE (https://core.tenantservicesauthority.org/), the Continuous Recording of Lettings System, currently maintained by the Tenant Services Authority, with a record of all lets and sales of affordable housing (including intermediate sales and supported housing). Transfers and exchanges are deducted from the supply figures, as these are movements within the sector and do not meet new need.

Figure 30 Housing supply figures

Input	
Supply side	CORE
All affordable lettings gross LA & RP	272
Transfers & exchanges not meeting new need	62
GN lettings net of transfers	100
SH relets net of transfers	101
RSL sales	9
Net supply = (100 + 101 + 9)	210

Figure 31 Net need and deduction of new supply through development of new affordable housing

Net shortfall per year	463
Total affordable required excluding regular supply of new RSL lets	414

5.6.   Determining the final need figure

5.6.6.a. Finally, the total supply figure is deducted from the gross need figure, to give an estimate for the net annual affordable housing requirement. The model also gives a second net figure which deducts the average annual supply of affordable homes provided through new development (taken from the HSSA). This figure is optional, as it is arguable some of this housing will already show up in the CORE figures, and as it is difficult to derive a figure for new building of affordable homes in the current (or any) climate.

6) Key Conclusions and Recommendations

6.1.1.a.   The housing market in Rushcliffe as far as sales are concerned is much flatter than it was in 2006, but relatively unchanged when compared to 2009, when the previous needs update was completed. Though house prices continue to fluctuate, there is some slight indication that prices in the area are rising, though the number of sales is not high. The area is obviously attractive to wealthier people with relatively expensive detached houses showing as consistently the most common property type sold.

6.1.1.b.   The lower quartile entry price currently sits at around £148,500. Assessing this figure against incomes in the Borough indicates that approximately 56% of emerging households will be unable to afford entry level housing at this price each year (estimated over the next ten years).   This factor is increased by the model, to account for the significant section of the population who, while their incomes may reflect the potential to sustain a mortgage, are affected by the more stringent lending practices currently in force. Whilst it is easy to pull apart this estimate, as it is impossible to predict the future, the current bleak economic outlook does not provide any silver lining for new households entering the market. As with most large financial commitments, the starting position of households is key, and unfortunately a lack of capital and housing wealth is likely to be perpetuated.

6.1.1.c.   The final net estimated affordable housing requirement of 464 units per year produced in the model is not likely to be achieved in reality, but the figure should serve to emphasise a continued and urgent need to provide alternative housing options for those locked out of the private market.

6.1.1.d.   The introduction of Affordable Rent is a key change. The tenure may well provide a bridge for households who previously had little chance of obtaining long term affordable housing, so were effectively 'trapped' in private rent. Whilst in other countries privately renting is the norm, many factors (both cultural and regulatory) continue to make owner occupation the aspiration of households in Britain. Affordable Rent may provide the opportunity for some households to save a deposit, or ensure some additional security to enable them to settle in a community (depending on the approach of Registered Providers to 'fixed/flexible' tenancies). This being said, it is important that Local Authorities recognise, and emphasise through evidence, the continued need for some provision of traditional social rent in order to prevent the poorest and most vulnerable households from falling through the gaps.

6.1.1.e.   In monitoring and assessing the provision of Affordable Rent, strategic housing departments should understand the affordability implications at both a general and detailed level. Collecting and maintaining data on local private rental properties in order to have a robust basis against which to set rental levels is imperative, and this data should be made as consistent as possible across and between both Local Authorities and Registered Housing Providers. Any conversions of existing social lets to Affordable Rent also need to be carefully monitored (preferably before they happen), and any negative impacts noted and mitigated where possible.