

**Development of up to 160 homes on Land at Arundel Road,
Angmering**

Affordable Housing Statement

by

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Gladman Developments Limited

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1.0 Summary and Themes

Instruction

- 1.1 Bailey Venning Associates has been instructed by Gladman Developments Ltd to draw up an Affordable Housing Statement in respect of the demolition of industrial units and one bungalow and the erection of up to 160 dwellings with public open space, landscaping and sustainable drainage systems (SuDS) and vehicular access point from Arundel Road; together with up to 6,000 sq.ft of B1/B2 units with associated parking provision and vehicular access point from Arundel Road.
- 1.2 30% (up to 48 homes) will be affordable – conforming to the definitions in the National Planning Policy Framework. This report will review the available evidence of the need for such homes and outline the approach taken to the delivery of affordable housing; taking into account adopted and emerging policy and the evidence which underpins it.
- 1.3 Gladman Developments Ltd recognises the importance ascribed to affordable housing both nationally and locally. Its business model is based upon the delivery of policy compliant packages of affordable housing which make significant contributions towards meeting an important pre-existing local need and foster a mixed and sustainable community where households of different backgrounds and circumstances live alongside one another. The company has a large programme and a track record of delivering all the required affordable housing units.
- 1.4 On the basis of its experience, Gladman is confident that the package of affordable homes set out below is deliverable in the current market. The proffered package of affordable units is not, therefore, made subject to viability.

Need for Affordable Housing

- 1.5 Arun is an area of above average house prices but it is also an area in which average incomes are somewhat below the national figure. On that basis alone, affordability is a particularly pressing issue in the District. According to the most recent figures from the Department of Communities and Local Government, the average house price is over ten times the average income.
- 1.6 In addition to that, the extant stock of affordable homes is small– we estimate that it represents just 10% of all households in the District – which means that fewer homes are available for those who need assistance with housing costs. In light of this, it is counter-intuitive to find that the Council’s housing register is modest in size. However, our

reading of the nominations and allocations policy suggests that households would need to be in an acute form of need even to be accepted to the register.

- 1.7 These indicators are suggestive of a considerable need for additional affordable homes but they do not quantify that need. For that we must turn to the Council's evidence base.
- 1.8 The Council's most recent assessment of housing need, the 2017 SHMA undertaken by GL Hearn, identified 480 new instances of need each year which would not be met by the turnover of the existing affordable housing stock. However, the authors then went on to argue that not all of these instances of need could (or should) necessarily be met by the provision of a new affordable home. They therefore revised their assessment of need downward significantly and concluded that there was a need to provide around 220 additional affordable homes per annum. By implication, the remainder of the identified instances of need would be met in the Private Rented Sector with rents potentially supported by Housing Benefit.
- 1.9 We do not accept the validity of the exercise used by the authors of the SHMA to reduce the identified need from 480 per annum to 220. There are two reasons for this.
- 1.10 First, we consider that the calculation they have carried out is wrong in itself. Second, the authors argue that, because many households with a need are already living in a home (albeit an unsuitable one), when they move to an affordable home, they will create a vacancy. Thus, what they need is not the provision of a new home but to be living in a more affordable one. We concur – so far as that goes – the problem is that they identify no meaningful mechanism for making existing homes more affordable without adding to the housing stock.
- 1.11 The authors might argue that such a mechanism does indeed exist – the use of Housing Benefit in the Private Rented Sector. They accept that this is not an ideal situation but, in theory, it does provide households with support. It makes high housing costs bearable and even affordable. The problem is that this theory is not borne out in practice, not nationally and certainly not locally.
- 1.12 Our research has identified that Arun's large and fast growing Private Rented Sector is far less affordable than the national average when compared to incomes. The median rent for the District would consume as much as 37% of median income – compared to 29% nationally. Moreover, Housing Benefit *already* plays a very significant role in the sector. We estimate that, as at March 2018, the number of Benefit Claimants in the Private Rented Sector in Arun represents 36% of the total number of households living in the Sector.

- 1.13 This is a particular problem because of the way that eligibility for Housing Benefit is calculated. The general theory is that households who seek assistance are expected to live in the cheapest 30% of the sector. Rent payments above that level are considered to be a voluntary and will leave households with a residual income below what the Government considers necessary to support a decent standard of living. The problem is, first, that the application of caps and freezes means that the benefit now covers a far smaller proportion of rents in the PRS. We estimate that, in reality, only 9% of tenancies are affordable to claimants. Clearly, it is quite impossible for all of the 4,692 households in Arun with a valid Claim for Housing Benefit to be living in the cheapest 9% of homes. We estimate that at least 3,500 households with a valid claim for Housing Benefit in Arun are living in homes that they cannot afford – not out of choice but because there simply aren't enough homes that the Benefit regime can render affordable.
- 1.14 And even that assumes that none of the tenancies in the cheapest 30% of the market are let to households who do not claim benefits. In practice, some of them will – raising the possibility that claimant households are displaced into even more expensive properties. Adding more households to the Private Rented Sector when the Housing Benefit system cannot properly assist them is not a solution in either the short or long terms.
- 1.15 We therefore reject the *de minimis* target put forward by the SHMA – it presumes that there is a legitimate alternative to the provision of additional affordable homes when the mechanism that they suggest is itself beyond its capacity.
- 1.16 Even then, affordable housing provision since the base date of the emerging plan has fallen well short of even this lower target – averaging just 139 additional affordable homes per annum.

Provision

- 1.17 Because the Council is able to resolve no more than a proportion of its identified need, it will be necessary to prioritise the element of that need which is to be fulfilled and there is no universally agreed means of doing so. However, the affordable homes should reflect not only a cross section of the identified needs but should also be consistent with the nature of the development within which they will be provided. We welcome discussion with the Council on the precise mix but consider the following indicative mix to constitute an appropriate starting point for negotiations.
- 1.18 Note that, in drawing up this mix, we have reflected the tenure split set out in the most recent version of emerging policy 75:25 in favour of rented homes. We note the requirement, set out in the Government's recent White Paper – Fixing our Broken Housing Market that 10% of all homes on large residential sites should comprise

affordable housing for sale, which would suggest a 67:33 split however, the weight to be ascribed to this requirement is not clear at this time.

	Affordable Rent	Intermediate
Two Bedroom House	20	8
Three Bedroom House	14	4
Four Bedroom House	2	

- 1.19 This mix does not accord precisely with the set out in the SHMA, most obviously through the absence of one bedroom homes. We consider that the likeliest development form for one bedroom homes would be apartments and we are not convinced that this would be consistent with the low density development proposed for this edge of town location. It would also be difficult to reconcile the inclusion of blocks of flats containing affordable homes with the requirement to provide a tenure blind development. No private sector one bedroom homes are currently proposed as there is considered to be almost no market for such units in this location.
- 1.20 In our view, these considerations constitute justification for a departure from the mix set out in the emerging policy CS7. Their effect is, after all, to increase the amount of floorspace provided as affordable housing relative to the target.
- 1.21 It is assumed that all of the above units will be provided on-site and in kind, in accordance with the presumption in the policy.
- 1.22 The rented element of the affordable housing will take the form of Affordable Rent, the tenure of affordable housing announced by the Chancellor in 2010.
- 1.23 In order to promote the formation of a single, cohesive community where distinctions of tenure are minimised, the affordable housing will be distributed across the site in small clusters. External standards of fit and finish will be similar to those of the private homes except where small variations are required in order to conform to the employers' requirements of the managing Registered Provider. Affordable homes will also conform to all other relevant standards where practicable – including those set by the HCA as conditions of funding.

Conclusion

- 1.24 The cost of housing and the availability of affordable homes has been described by the Government as a “crisis” at the national level. We have conducted a detailed review of the housing circumstances of the District and found that this national crisis is likely to be even more acute in Arun.
- 1.25 House prices are higher and incomes lower than national averages. This has led to a serious affordability problem and a significant drop in the number of first time buyers. Our analysis suggests that the drop in the number of first time buyers between 2001 and 2011 may have been as large as 40%.
- 1.26 Over the same period, the stock of affordable homes, started small and grew by only a very small amount. The result was an explosion in the size of the Private Rented Sector. We estimate that this may now encompass as many as 20% of all households in the District. Unfortunately, that does not appear to be a sustainable situation. The private sector Housing Benefit claimant count in 2017 represented as many as 36% of all private tenant households.
- 1.27 In this context, the Strategic Housing Market Assessment concluded that, in order to meet every new instance of need with an affordable home, it would be necessary to deliver 480 additional affordable homes each year. Clearly, there is no prospect of this happening since it represents two thirds of the total planned output of homes for the District. On that basis, the SHMA made another calculation and estimated that the need was actually for 220 additional affordable homes per annum. We reject this calculation but note that even that reduced target has consistently been missed in the first six years of the plan.
- 1.28 It is apparent then that the need for additional affordable homes in Arun is acute – significantly more so than in the country as a whole.
- 1.29 In this context, the provision of a policy compliant package of affordable homes to contribute to the resolution of that need must be a benefit of this development and the weight attributed to that benefit in determining the overall planning balance must be commensurate with the acuity of the need identified in the area.

2.0 Adopted Policy

- 2.1 Having adopted a new plan in July 2018, the Council's affordable housing policy is clear and up to date.

"For all developments of 11 residential units or more the Council will require a minimum 30% of the total number of units proposed on site to be provided as affordable housing on the same site in the first instance.

Where it can be proven, however, that the above is a non-viable option, then a reduction in the amount of affordable housing on a site or off-site provision as part of another development within Arun District may be considered (as agreed with the local planning authority). The provision of affordable housing on a site at less than 30%, or on an alternative site or by way of a commuted sum will only be allowed in very exceptional circumstances if supported robust evidence to support this including, where appropriate, viability evidence.

The Council will negotiate the affordable housing tenure mix on development sites from an initial default position of 75% rent and 25% intermediate market housing.

Affordable housing must be visually indistinguishable from market housing with large groupings of single tenure dwellings or property types avoided. Affordable housing units shall be permitted in small clusters throughout development schemes. The affordable dwelling mix should comprise of the following range of homes, unless evidence indicates otherwise:

- 1 bedroom 35 – 40%
- 2 bedroom 35 – 40%
- 3 bedroom 15 – 20%
- 4+ bedroom 5 – 10%

Provision of affordable housing can be by either an Arun preferred Register Partner, an Affordable Housing Provider or the Council. All providers will be required to sign and adhere to the principles of the Council's Developer and Partner Charter Plus.

Affordable housing will be made available for households on the Council's housing register or on the Homebuy Zone Agent's register, with nominations made by the Council from those registers.

All planning applications that include residential development, either in whole or in part, must include an Affordable Housing Statement.

- 2.2 Since the policy is only recently adopted, we consider it robust and have only two minor points to make.
- 2.3 First, we question the tenure split between rented and intermediate housing. We recognise that the adopted approach reflects the findings of the SHMA and that, until the publication of the May 2017 draft, the split had been 80:20. However, the Government's White Paper on housing "Fixing our Broken Housing Market" was published before that date and requires that all substantial sites should include at least 10% affordable housing for sale. It is not clear how much weight to ascribe to a white paper, but it should be noted that this provision already represents a shift in the Government's previous view. That was a proposal that all sites should include at least 20% Starter Homes with other forms of affordable housing making up the remainder of the quota.
- 2.4 If the provision in the White Paper does turn out to bear weight then the tenure split in the 30% quota would need to be 67:33 rather than 75:25.
- 2.5 Our second observation is that the mix of different sizes of affordable homes proposed in the policy is indicative and should not be applied indiscriminately to all sites irrespective of their form or location. We have reviewed the evidence elsewhere in this document.

3.0 Housing Needs in Arun

- 3.1 All local authorities are required by the NPPF to make an objective assessment of the need for additional homes (including affordable homes) at the local level. Such assessments go by a number of different names. Typically, there is a Strategic Housing Market Assessment (SHMA) which contains an Objective Assessment of Need (OAN) and an assessment of the need for affordable housing. Occasionally, the SHMA is branded as an OAN and occasionally these documents are given other names that reflect the particular approach of the consultants who carry them out.
- 3.2 As befits the protracted nature of the plan development process in Arun, there have been several assessment of housing need over time. We will attempt to summarise the key affordable housing findings of all of them but, for obvious reasons, we will focus primarily upon the most recent document.

Coastal West Sussex Strategic Housing Market Assessment Update (GL Hearn 2012)

- 3.3 The oldest document we have identified in the Council's Primary Evidence Base is an SHMA undertaken in 2012 by GL Hearn.
- 3.4 In terms of overall housing numbers, the study found a need for between 600 and 777 homes per annum if past population trends are projected forward.¹ However, in the conclusions of the study, the authors noted that it, "seems highly unlikely given the land availability and infrastructure constraints across the sub-regional housing market that this level of housing provision can be achieved."²
- 3.5 In view of this, they concluded that "Provision of 575 homes a year seems like a realistic level of housing provision for Arun District taking account of economic and demographic dynamics and the strategic objectives in the Draft Local Plan"³ That downgrading of the demographic information appears to be an explicitly "policy on" target, which is beyond the scope of Strategic Housing Market Assessments. This seems to have lead to some of the further complications described below.

¹ Coastal West Sussex Strategic Housing Market Assessment Update (GL Hearn 2012) para 5.7

² Coastal West Sussex Strategic Housing Market Assessment Update (GL Hearn 2012) Para 5.16

³ Coastal West Sussex Strategic Housing Market Assessment Update (GL Hearn 2012) para 5.17

- 3.6 In respect of affordable housing, the study employed a relatively conventional methodology and arrived at a net annual need of 578 per annum – almost exactly the same as the level number of homes of all tenures that they recommended the Council plan for.
- 3.7 Despite that, there are two reasons why we consider this number may be a little excessive. The first is that this estimate assumed that the accumulated backlog of households currently in housing need (1,592 households) should be addressed over a period of just 5 years. This is the minimum period recommended for this process in the guidance extant at that time. In view of the rather absurd result this assumption produces, it would surely be more sensible to adopt a longer term approach in which the backlog was addressed over, for example the life of the plan (20 years). Happily, the figures provided in the study permit us to do this relatively simply.
- 3.8 If one makes this adjustment to GL Hearn's figures the annualised need for affordable housing falls to 338. This still represents almost 60% of the overall housing requirement the consultants suggest.
- 3.9 The second assumption we would question is that a newly arising household requires an affordable home if the homes available on the open market would consume more than 25% of their gross household income. Again, that assumption is consistent with the most recent guidance then available but it is a very low threshold. The use of a more realistic 30% threshold would have further reduced the identified level of need.
- 3.10 In addition to the main assessment of the need for affordable housing, the SHMA contains an analysis of the local housing market which draws attention to a number of important themes. One such theme is the relationship between Arun's very low prevalence of social housing and the very high number of Housing Benefit Claimants living in the Private Rented Sector.
- 3.11 The study reports that, in 2011, only 8.8% of homes in Arun were in the social sector, but that 5,400 individuals were claiming Housing Benefit whilst living in the Private Rented Sector. Both Statistics are reported without further comment but, as we shall show in Section 8.0, we consider these to be important indicators of housing pressure.
- 3.12 For now, we will note simply that the prevalence of affordable housing in Arun was approximately 60% of the average for the region and that the Private Sector Housing Benefit Claimant Count represented almost 8% of all households in the District.

Duty to Co-operate and Validation Exercise

- 3.13 Following on from the 2012 SHMA, the Council commissioned a Duty to Co-operate report from the same authors. The upshot of that study was considered by the SHMA and a previous Locally Generated Needs Study from 2010.
- 3.14 On the basis of both these papers, GL Hearn seems to have recommended a housing requirement between 550-650 – rather below the results of their “policy-off” findings of the previous year. It also reports particular risks associated with the over-supply of housing in the area.
- 3.15 The report does not update any of its assessment of affordable housing needs from the previous year although it does note that one of the consequences of the Council’s caution in respect of over-supply will be a tightening of the housing market for younger households.
- “It seems likely that the supply-demand balance over the longer-term could support further house price growth in real terms (stripping out inflation), subdued household formation and continued growth in private renting – particularly of people in their 20s and 30s. As identified above, affordable housing provision will be important in mitigating some of the impacts of this.”⁴
- 3.16 Given that this paragraph refers to the entire sub-region and to the approach the Council’s across that sub-region is proposing, it is hard to see how this could be said to be consistent with the requirement in the NPPF that local planning authorities should use their evidence base to ensure that their policies address all of the need for housing (including affordable housing) in their areas.
- 3.17 Nonetheless, off the back of this process, Arun seems to have moved forward with housing target of 580 homes per annum over the life of the plan (slightly below the middle of the reported range) but with a reduced target of just 455 in the years to 2018/9.
- 3.18 In 2013, Opinion Research Services (ORS) were asked to validate the SHMA and the Council’s approach.
- 3.19 ORS reported that:
- 3.20 “The SHMA reports have taken into account key changes in both population (including migration as well as natural change) and household projections in a relatively robust

⁴ Housing Study (Duty to Co-operate) 2013 para 6.46

manner, and the assessed level of housing required for Arun District does not appear excessive. Further, the requirements produced would appear to be compliant with the National Planning Policy Framework (2012).

Nevertheless, ORS recognises that the SHMA, as it stands, perhaps lacks transparency in certain places and possibly this has contributed to the concerns of local people.”⁵

- 3.21 ORS considered the short term and longer terms housing targets (455 and 580 respectively). The key passage of their conclusions reads as follows:

“The Council may still wish to consider if they believe that their adopted targets remain appropriate in the context of the full range of evidence now available. Similarly, the Council might want to review whether or not their position could be more robust if a housing target towards the middle or upper part of the suggested range [550-650] was adopted.”⁶

Objective Assessment of Need Update Report 2015

- 3.22 Perhaps in response to the ORS report, GL Hearn were asked to revisit their work and update the SHMA in light of more recent demographic projections. The difference was significant.
- 3.23 The study concluded that a reasonable demographic starting point would be the adoption of a target of 732 homes per annum.⁷
- 3.24 However, the OAN is only the starting point and this report also considered the need for additional affordable homes from scratch. The finding was that, if all households who could not meet their needs without financial support were to be provided with an affordable home, it would be necessary to deliver 480 affordable homes each year.⁸ This represents 59% of all the demographic-lead need. However, this is reduced to 220 affordable homes per annum when “account is taken of existing households (who would release homes by moving to another property)”
- 3.25 However, the authors of the study found that because “the Private Rented Sector currently supports around 720 lettings to households who would be defined as having an affordable housing need. With delivery of 30% affordable housing in line with policies in

⁵ Strategic Housing Market Assessment Validation – Para 4-5

⁶ Strategic Housing Market Assessment Validation – Para 94

⁷ Arun DC OAN Update 2015 Para 7.7

⁸ Arun DC OAN Update 2015 Para 7.13

the draft Local Plan, the reliance on the PRS could be expected to reduce over time.”⁹ We dispute this conclusion.

- 3.26 The study therefore concludes that there is no need to increase the overall output of homes in order to take account of housing need. However, it also found that there are other market signals which need to be taken into account. These include the ratio of house prices to local incomes (9.6:1 at the time of writing) an increase in over-occupation and a supply/demand imbalance which is correlated with a decline in household formation.
- 3.27 On the basis of these factors, the report suggests an uplift in the overall annual housing target of 26 units – bringing the total to 751.

The Assessment of Affordable Housing Need

- 3.28 In assessing the acuity of the affordable housing need (the primary purpose of this report) it is necessary to have a more detailed look at the basis of the assessment of housing need and, in particular, the assertion that the baseline need of 480 homes per annum is reduced to 220 when we discount the needs of those already living in Social Rented Housing. For this purpose, we reproduce the key table from the SHMA below.¹⁰

Stage	Element	Value
A	Current Gross Affordable Housing Need	805
B	Committed Supply of Affordable Housing	90
C	Total Net Current Affordable Need	715
D	Total Net Need Per Annum to 2031 (C/16)	45
E	Annual Need from Newly Forming Households	471
F	Annual Need from Existing Households Falling into Need	233
G	Annual Gross Newly Arising Need (E+F)	704
H	Annual Supply from Re-lets (Social & Affordable Rent)	259
I	Annual Supply from Re-lets (Intermediate)	10
J	Total Future Annual Supply from Re-Lets (H+I)	269
K	Annual Net Need for Affordable Homes (D+G-J)	480

- 3.29 We have some very minor concerns about the basis of this algorithm in its own right. Specifically, we consider that it is inappropriate to discount the Committed Supply of affordable homes from the Gross Current Need. Doing so has the effect of calculating the

⁹ Arun DC OAN Update 2015 Para 7.14

¹⁰ Arun DC OAN Update 2015 Table 21

need for affordable homes *after all of the housing that the Council knows about has been delivered*. This can have a significant effect but, in this case, the committed supply is so small that the effect is minimal – increasing the affordable housing requirement by just 6 units per annum over the life of the plan. This is scarcely worthy of dispute.

- 3.30 Our main concern is with the assertion that the figure of 480 affordable homes per annum is somehow wrong because it includes the needs of those who have a housing need but who are already living in an affordable home. On the basis of this, the authors of the report reduce the “net” need for new affordable homes to 220. We dispute the validity of this discount but, to see why, we need to understand why the authors have applied it. They start off:

“The first issue to consider is to note that a proportion of those included in the model will already be living in housing (albeit not housing that it suitable for them for some reason (such as size or cost)). If these households were to move to an affordable home then their current dwelling would become available for another household and there would be no net need for an additional dwelling.”¹¹

- 3.31 We agree with this in principle and the authors then go on to cite valid guidance from the PAS before explaining how they have applied the adjustment.

“Looking on this basis at the need for affordable housing it can be seen that the net need for affordable homes in the District is 220 per annum (H – E and the annual need from concealed households). This represents 29% of the projected need (2014-31) for 769 homes per year based on the SNPP Projection with 50% UPC adjustment. This is consistent with delivery of affordable housing over the last five years, suggesting that there is not necessarily a need to further increase overall housing provision.”¹²

- 3.32 But here we part company from the authors. The calculation they suggest is wrong (and wrongly stated in the quote) but it is also *unnecessary* because they have already made these exclusions elsewhere in the report.

- 3.33 First, let us take their calculation at face value.

- 3.34 They seem to be saying that the real need can be assessed by comparing the Newly arising need [E] plus the element of current need arising from concealed households only, to the supply of existing homes from turnover [H]. They have expressed this as Supply minus Demand. This appears to be a typo and they mean Demand minus Supply.

¹¹ Arun DC OAN Update 2015 Para 4.30

¹² Arun DC OAN Update 2015 Para 4.32

Furthermore, they have used the supply of rented homes only [H] rather than the supply of affordable homes of all tenures [J].

3.35 The corrected calculation would be:

(New Need [E] plus Concealed Households) minus (Supply from Turnover [J])

3.36 The number of concealed households is not set out in the summary table but it can be found in the paragraph 4.19, which states that there are 112 concealed households on the register. When we divide this by the 16 year timeframe of the assessment, we end up with eight.

E (471) plus Concealed Households (8) Minus J (269) = 210

3.37 We therefore understand GL Hearn's calculation and can reproduce it. Our solution would match theirs exactly if we were to use the supply of social rented units only – rather than the supply of affordable homes of all tenures.

3.38 There are two problems with this analysis. The first is that, in excluding all of the current need except for concealed households, the authors are assuming that *all* of those with a current need in Arun are living in the social sector already.

3.39 There is no reason to suspect that this is the case. According to Paragraphs 4.9 and 4.10 of the study, which deal with the level of current need, backlog is simply the number of households on the Council's Register who would not be able to afford suitable accommodation in the private sector. There is no mention of the current tenure of the households on the register.

3.40 Thus, it is not only inappropriate to discount all of the Current need identified by the SHMA in this way but one could reasonably argue that the SHMA was in danger of under-reporting the backlog because it fails to count anyone who is in housing need but who was not on the Council's Register at the time.

3.41 The other group of households that the authors have excluded from their revised assessment of need is the estimate of the number of existing households who "fall into" need in any given year. Once again, by excluding all of this group, from the revised estimate, the authors are assuming that all of these households are already living in the social rented sector.

3.42 However, the truth is that *none* of these households are currently living in the social stock because those who are have *already* been excluded.

"Estimates of existing households falling into need have been derived from the Continuous Online Recording System (CoRE), considering households who have fallen into need over the past five years and been housed; and then discounting newly-forming

households (e.g. those currently living with family) *as well as those who have transferred from another social / affordable home*. An affordability test has been applied, although relatively few households are estimated to have sufficient income to afford market housing. The analysis identifies a need arising from 233 existing households each year.”¹³ [emphasis added]

- 3.43 We therefore conclude that this sensitivity to the main calculation is deeply flawed.
- 3.44 The other mitigation of their central finding offered by the authors is a recognition of the role played by the Private Rented Sector.
- 3.45 The report notes that the Private Rented Sector is not affordable housing – even when the tenant claims Housing Benefit. But it notes that a number of households who might be eligible for an affordable home may “choose” to live in the Private Rented Sector and claim Housing Benefit instead.
- 3.46 This is an odd characterisation of the situation. Most experts agree that a key factor in the rapid growth of the Private Rented Sector in recent years has been the limited availability of the affordable homes that lower income tenants would generally prefer. There is little element of “choice” here
- 3.47 The SHMA notes that, as at November 2014, there were 5,536 Housing Benefit Claimants living in the Private Rented Sector in Arun and that, since national statistics suggest that 13% of all lettings are made to new tenants, this implies that 720 private sector lettings might be made each year to Housing Benefit Claimants with a new need. Thus, “it is clear that currently the PRS is playing a substantial role in accommodating lower income households who cannot meet their needs in the wider market without support. It is *more than* catering for the shortfall in affordable housing provision.”¹⁴ [Emphasis added]
- 3.48 Once again, we vehemently disagree with this analysis. Applying a national turnover figure to the local Claimant count does not remotely imply anything of the sort. There is no connection between the two figures. Thus, the conclusion which the authors draw from this analysis is equally flawed.

“If 231 affordable housing dwellings were delivered each year (30% of 769 dwellings pa, 2014-31), this would imply that 249 households would continue to have their needs met per annum through PRS lettings, supported by Local Housing Allowance. This is

¹³ Arun DC OAN Update 2015 Para 4.15

¹⁴ Arun DC OAN Update 2015 Para 4.37

substantially below the current level, and indicates that the role which the PRS plays in meeting affordable housing need could be expected to reduce over time.”¹⁵

- 3.49 As we shall see, this analysis is not borne out by the operation of the local housing market.

Mix of Units

- 3.50 The SHMA also contains an estimate of the profile of different sizes of affordable homes which will be required in order to meet all of the needs identified to 2031. This analysis is based upon an assessment of the likely demographic profile of the households in the sector as at 2031 and a comparison with the profile of the existing stock.
- 3.51 This is not a perfect methodology because, even in the affordable housing sector, households do not always live in a home of precisely the “correct” size for them. Despite the attempts of the government to restrict Housing Benefit payments for those who have spare bedrooms and the priority given to those who are over-crowded, this is unlikely to change. Even so, the SHMA analysis is the best available starting point.
- 3.52 The authors have then adjusted the mix they had obtained, the better to reflect the statutory obligations on local authorities to give priority given to homeless families with children.

	Raw Requirement	Adjusted View
1 Bedroom	42.2%	35-40%
2 Bedroom	32.8%	30-35%
3 Bedroom	22.2%	20-25%
4 Bedroom	2.9%	5-10%

- 3.53 It is impossible to arrive at a housing mix that would be applicable in all circumstances but we accept that this represents a reasonable starting point for analysis.

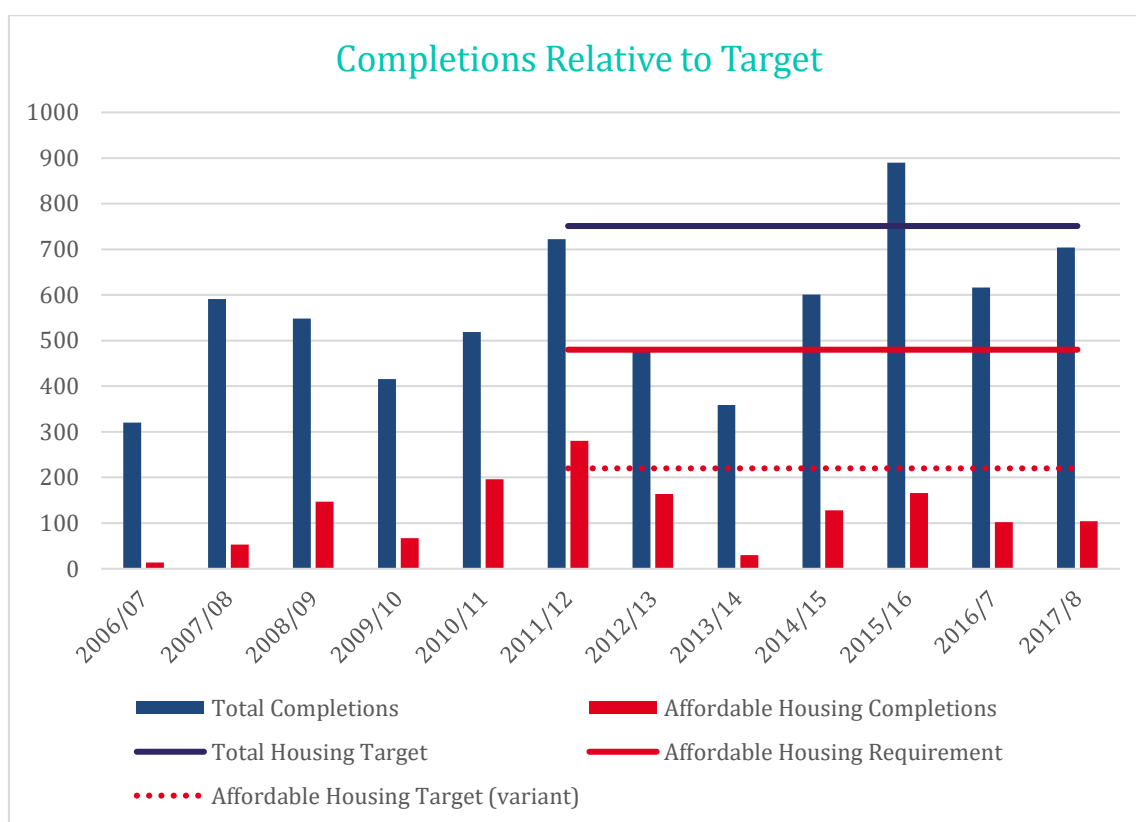
¹⁵ Arun DC OAN Update 2015 Para 4.38

Tenure Balance

- 3.54 Oddly, we can find no reference in the SHMA to a recommended tenure balance between rented and intermediate affordable housing. This casts a little doubt on the validity of the tenure split recommended in the emerging Local Plan policy.

5.0 Overall Housing and Affordable Housing Delivery

- 5.1 Our estimates of total and affordable housing outputs are drawn from the Council's published Annual Monitoring Reports.
- 5.2 The chart clearly shows that the level of housing output since the base date of the plan has fallen far short of the level suggested by the SHMA 2015. The cumulative deficit, measured against the recommendation of 751 units per annum, represents almost two years' worth of supply (1,359 homes).



Source: Annual Monitoring Report 2018

- 5.3 In the case of affordable homes, the shortfall is starker still. Over seven years, the target of 480 homes per annum suggests a cumulative requirement of 3,360 affordable homes. The reality is that less than a third of that requirement has been delivered (974 homes).
- 5.4 Even the “variant” affordable housing target in the SHMA (220 homes per annum) amounts to a cumulative need of 1,540 affordable homes in the period up to 31st March

2018. Note that this is a target whose validity we entirely reject and yet, even that target has been missed by a margin of around a third.

- 5.5 We should note that the above analysis is slightly unfair inasmuch as it treats the SHMA as being retrospective back to the base date of the plan. In practice, it is not. The SHMA looked at the situation at the time of writing and would not therefore accept the notion of any backlog. Even so, the backlog over the three years since the SHMA amounts to 288 homes when measured against the variant target and 1,071 homes when measured against the full requirement.

6.0 Waiting List and Nominations

Waiting List

- 6.1 Waiting Lists, or Housing Registers are a poor index of housing need. Differences in the management of the Register mean that the total size of a register cannot be compared across different locations – or even different years in the same location. Some housing authorities may, at different times, take a more or less stringent view of who is eligible to joining the register. They may also “purge” the Register of any households who are not “bidding” for homes regularly – forcing these households to re-apply.
- 6.2 Another confounding factor is that, whilst a large housing register is often correlated with high levels of need and acute competition for available homes, these are also the circumstances where many lower priority households go missing from the registers. Quite often, such households correctly assess that their chances of obtaining a suitable home are virtually nil and, consequently, they don’t even bother to register. These different effects were one part of the motivation behind the original introduction of Housing Needs Surveys in the nineties. Ironically, in the move to standardise the conduct of SHMAs the Planning Practice Guidance now directs the authors of Strategic Housing Market Assessments to secondary data sources – which returns us to the Housing Register.
- 6.3 Thus, whilst we should exercise considerable caution in attempting to use the Register as a source of reliable data about the nature or extent of need in an area, we cannot ignore it altogether. The following table therefore shows the aggregate sizes of the Arun Register since 2011.
- 6.4 Alongside the gross size of the register, we have also reported upon the number of households considered to be in a reasonable preference category. That is, the number of households who are not only struggling to afford a suitable home but who are also facing some form of hardship as a consequence. Reasonable preference households are those that are in a higher level of need and is included in the following categories:
- Homeless (under Part VII of the Act)
 - Owed a duty by any local housing authority
 - Occupying insanitary, overcrowded and unsatisfactory housing
 - Medical, disability or welfare grounds
 - Need to move to a locality or would cause hardship

Waiting List as of 1st April over past 5 years showing reasonable preference

		Total	Reasonable Preference
2012	Number	5,175	1,689
	%	100%	33%
2013	Number	1,171	903
	%	100%	77%
2014	Number	988	778
	%	100%	79%
2015	Number	993	582
	%	100%	58%
2016	Number	841	746
	%	100%	89%

- 6.5 The introductory remarks we made above seem amply borne out by the dramatic drop in the total size of the register between 1st April 2012 and the following year. The HSSA records that the Council made changes to its eligibility criteria in light of the Localism Act in that year.
- 6.6 Even so, we note that, whilst the overall reduction in the size of the register was dramatic (one in 20 households in the District was removed from the register that year), the reduction in the number of households deemed to be in Reasonable Preference categories was far smaller.
- 6.7 We should also acknowledge that there have been further reductions in the size of the register (and in the number of priority households) in the four years since. This took place even though no further changes were made to the eligibility criteria. This could be the result of a gradual improvement in circumstances but, in light of the mismatch between the SHMA requirement and actual output, this seems unlikely. Moreover, it is important to put the reduction in the size of the register into context.
- 6.8 The SHMA found that around 400 lettings of affordable homes were made in Arun each year. If the Register still operated as a Waiting List, on a first come, first served basis, the average household would spend two years waiting for a home.

- 6.9 In reality, as we shall see in the next section, lettings are prioritised with those in the most acute forms of need given priority. These higher priority households are, quite properly, allocated homes much faster than other households and spend a relatively short amount of time on the register. However, with as many as eighty percent of households on the register in preference categories and going to the head of the queue, those without special priority may have to wait a very long time indeed.
- 6.10 Ultimately, these households may end up leaving the register entirely.
- 6.11 We have also assessed the proportion of households on the Register seeking different sizes of home.

Waiting List as of 1st April over past 5 years Showing Bedroom Requirement

	1 Bed	2 Beds	3 Beds	4+ Beds
2012	2,605	1,720	608	242
2013	491	429	158	93
2014	384	387	136	81
2015	367	405	141	80
2016	273	345	177	37

- 6.12 This is an interesting distribution, of requirements. In our experience, almost all Register show the distribution of household sizes that we see in the figures for 2012 – with a plurality or even a majority of applicants eligible for only a one bedroom home. In Arun, after 2012, that ceases to be the case and the most common size of home required is a two bedroom home.
- 6.13 It is possible that this is connected with the passage of the Welfare Reform Act in 2013, when the Government suggested that individuals under the age of 35 would no longer be eligible for independent accommodation and would be expected to share a home with others. If translated directly into the local eligibility criteria, this would explain the fall-off in the number of registered households seeking a one bedroom home. However, this is not something that we have seen elsewhere.

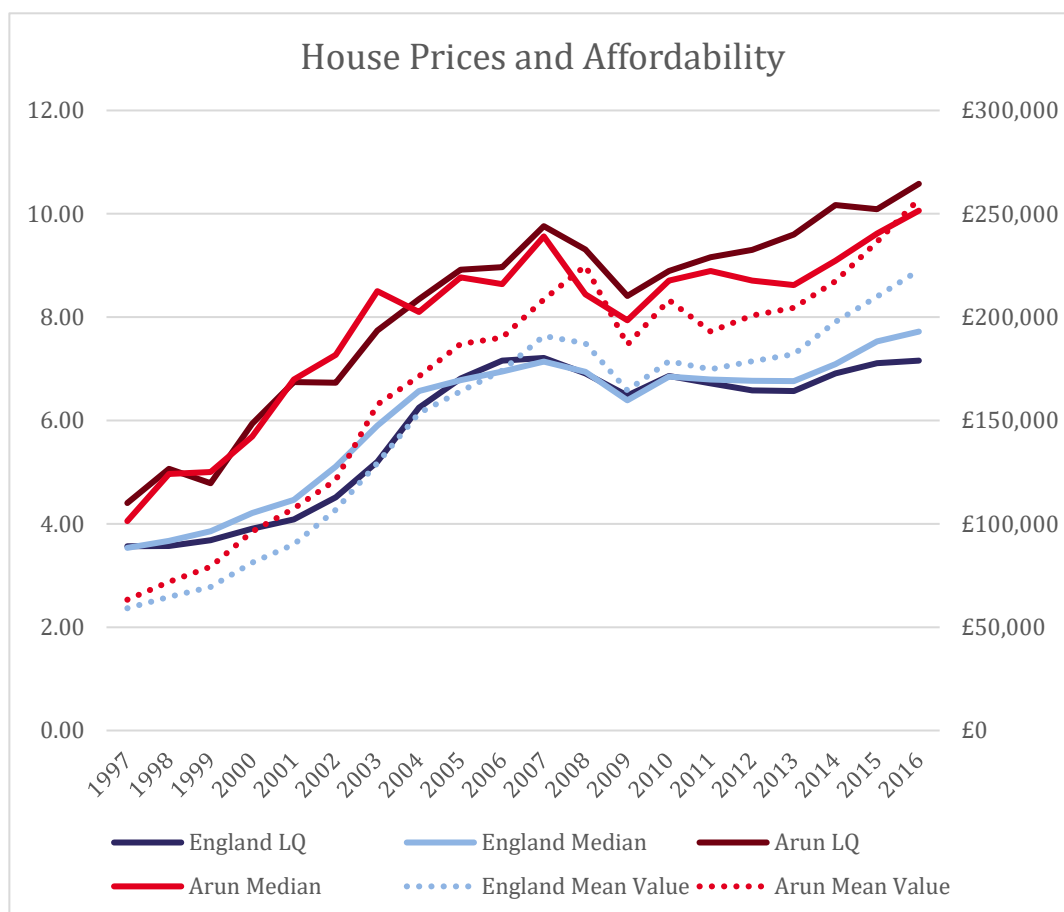
Allocations Policy

- 6.14 Arun District Council's Allocations policy Dates from 2014, although it was amended in 2017.¹⁶
- 6.15 The document explains the operation of the Choice Based Lettings system. Essentially, households who have been accepted to the Housing Register are accorded a priority Band (A, B or C). Each week, all the available properties are advertised through the Council's I-Housing system and households may submit bids for up to 4 homes for which their circumstances make them eligible. The Home is then awarded to the household with the highest priority Band – or, in the case of a tie - to the household who has held that level of priority for the longest time.
- 6.16 The main point to which we would draw attention though, is that the criteria for allocation to any of the bands – even Band C – are closely aligned with the reasonable preference categories. There are some limited exceptions – for households who are seeking Sheltered accommodation for example – or for those who need to move in order to provide care for example – but the simple fact is that a household whose only claim to need an affordable home is that they cannot afford housing on the open market would appear to be ineligible even to *join* the register.
- 6.17 The Register *does* ask questions about a household's economic circumstances – their earnings and benefit income but this appear to be used to exclude those households who might be able to afford accommodation that is better suited to their circumstances. Insofar as we have been able to tell, a household whose rent consumed so large a share of income as to leave them insufficient residual income to have a decent standard of living would not be considered to be in need at all.
- 6.18 Such households are likely to end up living in the Private Rented Sector.

¹⁶ <https://www.arun.gov.uk/acbl>

7.0 Affordability

- 7.1 The SHMAs in both 2012 and 2015 acknowledged that Arun experiences relatively high house prices and some of the most adverse affordability ratios to be found outside of London. The chart below uses DCLG data to show the changing relationship between incomes and house prices at two distinct points in the market. The dark lines compare Lower Quartile property prices to Lower Quartile incomes, the lighter lines compare Median Prices to Median Incomes. Figures for Arun are in Red, whilst those for England as a whole are in Blue.
- 7.2 Meanwhile and for comparison, we have plotted the average house prices in Arun and in England as dotted lines with the scale on the right hand axis.



Source: CLG and Land Registry

- 7.3 What the chart shows is that, whilst house prices have tracked a little higher in Arun than in England as a whole (by about 10%), the *affordability* ratio is far worse than in the country more widely.
- 7.4 In 1997, the ratio between house prices and incomes in Arun was about 4.25:1 whilst, in the rest of the country, it was about 3.5:1. By 2017, the ratios had diverged and, whilst the national ratio had risen to 7.5:1, the figure for Arun had risen above 10:1.
- 7.5 The inference to be drawn from these findings is that, although house prices in Arun are high, incomes, are not.
- 7.6 The other point to make is that this data substantially belies the assertion, made in the conclusions to the SHMA, that house prices had been flat over the past five years and were falling in real terms. Over that period, the values recorded by the Land Registry surged by around £50,000 (20%) – about 1.5 times the average income.

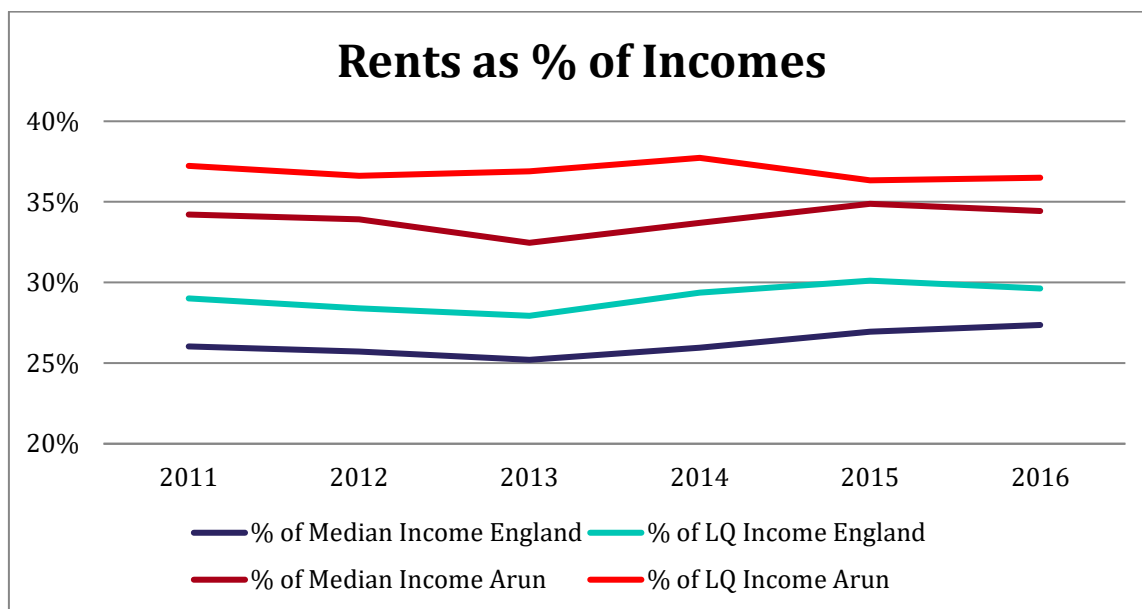
Rental Affordability

- 7.7 Reliable data on rents is harder to obtain than it is for the values of properties for sale. Unlike in the case of property for sale, there is no responsibility to report the existence of a tenancy – let alone the rent. The best available data is therefore the dataset compiled by the Rent Office. Their study uses self-reported rents for all tenancies (existing as well as new) and aims to capture around 20% of the market. Whilst this would be a good sized sample for many surveys, the voluntary nature of the survey raises some questions – are professional and institutional landlords over-represented for example? In a sector where over 70% of landlords are buy to let amateurs, that is a non-trivial problem.
- 7.8 The Rent Office goes to considerable trouble to correct for distortions and, whilst their data is far from perfect, it is probably the best available.
- 7.9 In order to estimate affordability we have then compared those rents to the median and lower quartile incomes published by DCLG and which informed the previous chart.
- 7.10 Once again we have also carried out the same exercise for England as a whole by way of a comparator.

	England	Arun
Median income	£28,503	£26,137
Annual LQ Income	£20,253	£18,900
Monthly Median Rent	£650	£750
Monthly LQ Rent	£500	£575

Source: Rent Office and DCLG

- 7.11 As before, housing costs are above average and incomes below average so that affordability is poor. We can quantify this further by plotting the share of the median income consumed by the median rent.

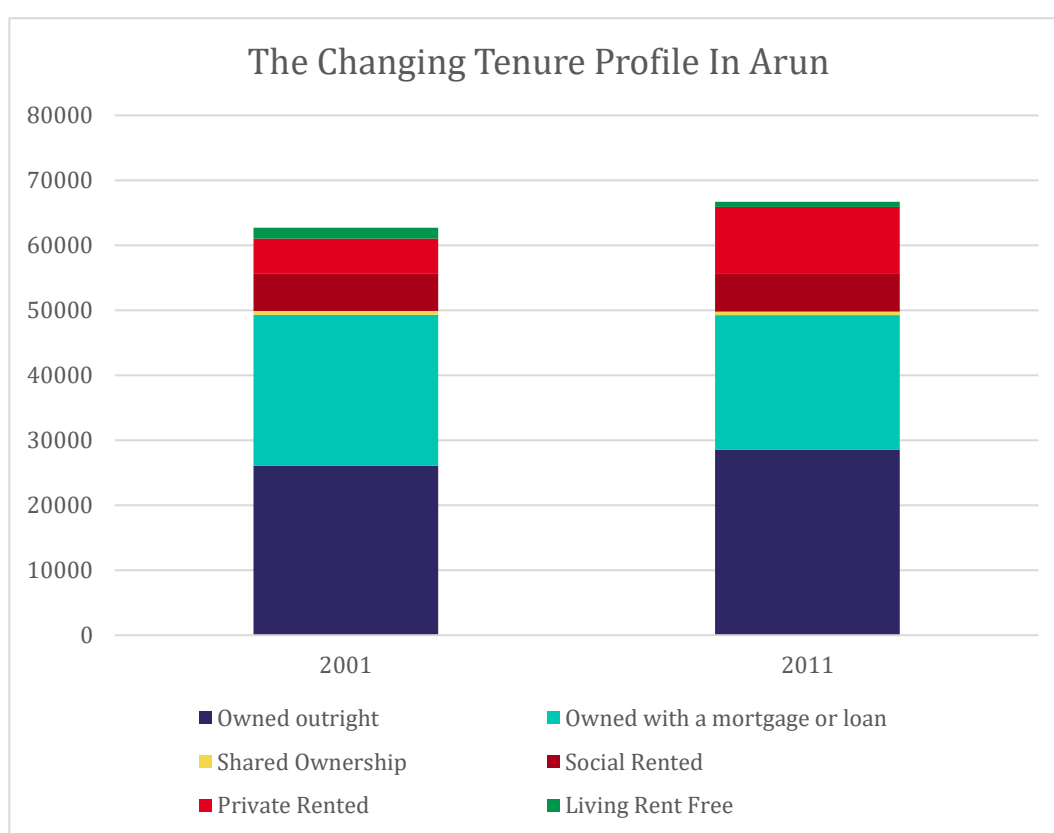


Source: Rent Office and DCLG

- 7.12 This result is an important one. Various national and international housing bodies define housing stress as a condition where housing costs consume more than 30% of income. In England as a whole, rents are fractionally below 30% of income but, in Arun, they are significantly above this level.
- 7.13 And, indeed, this exercise may be a conservative one. Nationally, renters make up around 15% of all households and they are, on average, younger and poorer than the homeowners who make up the majority. We should not therefore expect the median renter to have the median income for households as a whole. Indeed, the 2016 English Housing Survey found that the average renter household spent 34% of gross income (including Benefits) on housing costs. If the average household in the Private Rented Sector in England spends well over 30% of income on rent and the Private Rented Sector in Arun is notably *less* affordable than the sector in England then we should infer that there are likely to be very serious stresses building up in the sector locally.

8.0 Changes in Tenure

- 8.1 The changes in the relative cost of housing in the past 20-30 years have had a knock-on effect on the tenure of housing in the stock as households who might, in an earlier generation, have expected to buy and those who might have expected to secure an affordable home have both found themselves pushed towards the Private Rented Sector.
- 8.2 The following Chart shows the change in tenure at the level of Arun between the 2001 and 2011 Censuses.



- 8.3 A number of things are immediately apparent from this data. First, of all, owner occupation remains overwhelmingly the largest tenure but, the total number of owners stalled. There were around 100 fewer homeowners by the time of the 2011 census than there had been in 2001.
- 8.4 Moreover, there is a change in the composition of home ownership. The number of owner occupiers with a mortgage (typically younger owners of working age) fell sharply

in both proportionate and absolute terms. (from 37% to 31% of all households).

Meanwhile, the number and proportion of outright owners – typically older, richer and retired households – *rose* very slightly (from 42% to 43% of all households).

- 8.5 This reduction in the number of owner occupiers with a mortgage shows the increasing difficulties that younger households are facing in buying their first home. Moreover, given that a standard mortgage lasts 25 years and many will extend at some point, it stands to reason that a significant majority of those who had a mortgage in 2011 would have first bought their homes prior to 2001. The rapid decline in mortgage holders almost certainly comes, overwhelmingly, from the youngest third of the cohort.
- 8.6 Since mortgage holders declined as a proportion of the population by over 15% over the decade, it may be that the prevalence of younger owners may have declined by as much as 40% over the decade.
- 8.7 Set against the increasingly urgent needs in the area, and the fact that the Council was seeking affordable housing provision through planning gain over at least a large proportion of that time, it is surprising that the number of social rented affordable homes grew by fewer than 200 homes over the course of the decade and the number of shared ownership homes actually *fell*.
- 8.8 This means that the real growth sector was the Private Rented Sector. This part of the housing stock went from accommodating 5,416 households in 2001 to 10,211 in 2011. The sector almost doubled in size while the total number of households rose by less than 7%.
- 8.9 Such rapid growth in the proportion of households in Arun who rent in the Private Sector is not a neutral matter. As we have seen in the previous section, there are good reasons for real concern about the affordability of a sector, which seems likely to consume well over 30% of the income of its average household.
- 8.10 In order to investigate this matter further, the first thing to do is to update our view of the scale of how large the sector might now be – with such explosive growth between 2001 and 2011 the 2011 census is now very out of date.
- 8.11 For affordable housing, we can update the growth by reference to the completion figures in Section 4¹⁷. For the Private Rented Sector there are no official year on year data at the local level. However, successive iterations of the English Housing Survey have found that

¹⁷ Although, this of course ignores the impact of any losses or demolitions

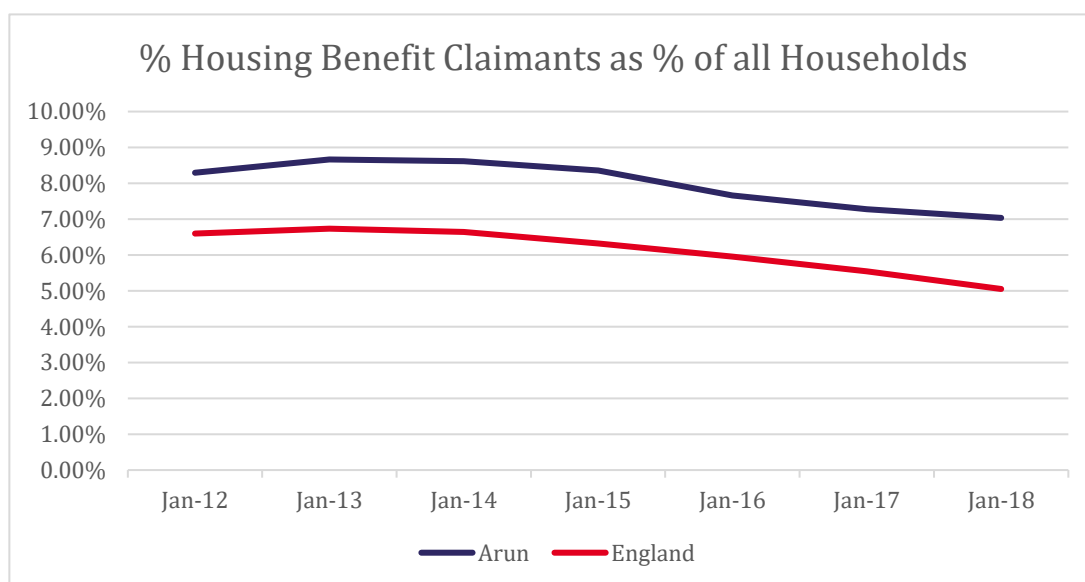
the rate of growth in the Private Rented Sector continued to grow at roughly the same pace until around 2017 and then stabilised.

- 8.12 The best available starting point is therefore to do as the Rent Office does and project the 2001-2011 growth forward to 2017.

Tenure	H/holds 2001	H/holds 2011	Growth/ annum	Units since 2011	Est. Homes 2018
Affordable	6,291	6,452		974	7,426
PRS	5,416	10,211	480		13,088

- 8.13 Assuming that we use housing completions since the census (3,047) as a guide to the total number of households, there would now be a total of 69,753 households in Arun. Of these, as many as 19% would be living in the Private Rented Sector. The Affordable sectors, by contrast, would accommodate just 10% of households.

- 8.14 However, there is a further concern about Arun's large and very unaffordable Private Rented Sector. This is the matter we first flagged in our discussion of the 2012 SHMA – the very high number of Housing Benefit claimants living in the Private Rented Sector. The graph below shows the percentage of all households in Arun and in England as a whole claiming Housing Benefit in each year since the 2011 Census.



Source: DWP Stat X-plore and Census

- 8.15 What the graph shows is that, whilst the number and proportion of households claiming Housing Benefit for a *private sector tenancy* has continued to fall at both geographic levels, the proportion of households with a valid claim is and remains far higher in Arun than in England as a whole. In March 2018 claimant households represented a little over 7% of all households in the District compared to 5% in England as a whole.
- 8.16 What this means is that,

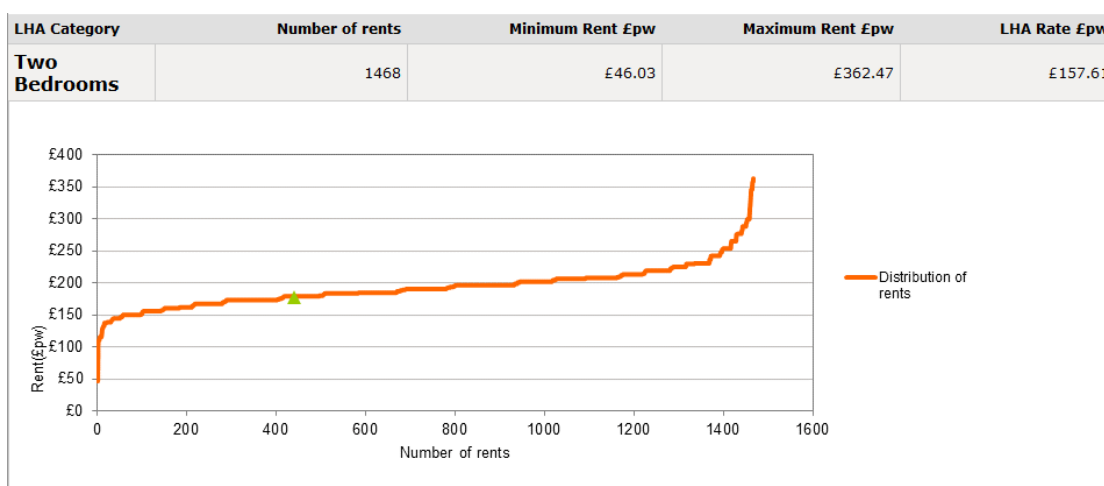
	2011	2018
LHA Claimants	5,268	4,692
H/holds Living in PRS	10,211	13,088
% of Tenants in Receipt of LHA	52%	36%

Source Stat Xplore

- 8.17 We have acknowledged that the number of households with a valid claim for Housing Benefit fell, even as the sector continued to expand. The simplest possible explanation of these results is that affordability improved. However, this seems unlikely. As we have seen above in our discussion of affordability above, the relationship between rents and incomes was very high but flat over this period
- 8.18 In our view, the correct explanation is related to a change in the administration of Housing Benefit itself. In 2011, at the time of the last census, private tenants could claim assistance with their housing costs up to a limit known as the Local Housing Allowance. The LHA was set by reference to the median rent for each size of home in the area.
- 8.19 At the time of the Census then, the 52% of private tenant households who required assistance with housing costs could occupy any home in the cheapest half of the market and they would be eligible for sufficient Housing Benefit to ensure that their income after housing costs was adequate to cover a decent standard of living. That was, itself problematic. It assumes that *all* of the cheapest half of the rental market is occupied by benefit claimants and that *none* are occupied by people who pay their own rents. If that were the case, at least some of the claimants would be displaced into more expensive homes that they could not afford.
- 8.20 However, following the passage of the Welfare Reform Act the situation changed and the Local Housing Allowance was reduced. From that point onwards, the LHA was calculated by reference to the 30th centile rent. However, at the same time, global benefit caps were applied to ensure that no household could claim more than a specified total quantity of

benefits from all sources. Then, in 2015, the LHA was frozen for four years. The result is that the LHA now covers the rent for a far smaller share of the rental market than it previously did.

- 8.21 The following graph, published by the Rent Office/VOA, shows the distribution of rents for homes with two bedrooms in the Worthing BRMA which covers the built-up areas of Arun (including Angmering) and the vast majority of homes in the District.



Source VOA/Rent Office

- 8.22 The 30th Centile Point is marked with a green triangle and is around £187.50/week, but the actual LHA is just £157.61. On that basis, the LHA covers the cost of only 10% of two bedroom tenancies in the District. As the following table shows, the same is true for homes of all sizes.

	Homes in VOA Sample	Rents <LHA	% Affordable to Claimants
1 Bedroom	1122	137	12%
2 Bedroom	1468	145	10%
3 Bedroom	807	33	4%
4 Bedroom	199	20	5%
Total	3596	335	9%

- 8.23 Only 9% of all Homes in the Private Rented Sector are available at rents below the Local Housing Allowance.
- 8.24 In theory, households who need the assistance represented by Housing Benefit and whose rent is not fully covered are expected to move to cheaper accommodation. In reality, this will be impossible for a large majority. Once again, 37% of tenant households 4,692 households have a valid claim but only 9% of homes (1,177 homes are affordable). Thus, it is likely that as many as 3,500 households in Arun with a valid claim for Housing Benefit (or the housing component of Universal Credit) are compelled to live in homes that are, by the Government's own admission, too expensive for them. Note that this is four times more households than the total size of the housing register.

9.0 Conclusions

- 9.1 Both nationally and locally, the affordability of housing and the availability of Affordable Housing are hugely significant issues. The National Planning Policy Framework exhorts local authorities to deliver a step change in the housing market by boosting the supply of homes “significantly”.
- 9.2 Since the publication of the NPPF, the Government has continued to express great concern about the affordability of housing. In its recent White Paper, which was entitled “Fixing our Broken Housing Market” the Government re-iterated its view that the housing market was in a “crisis” of both supply and affordability.
- 9.3 In this context, the provision of additional affordable homes is a benefit of development. Moreover, because it ameliorates a problem that existed prior to the development taking place, it follows that significant positive weight may be attached to this benefit.
- 9.4 That being the case, the *degree* of weight must, logically, be related to the acuity of the need for additional affordable homes and the consequences for local households if they are not provided.