



London Borough of Lambeth Housing Needs Assessment 2012

June 2012

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1. Introduction

- 1.1 Opinion Research Services (ORS) was commissioned by The London Borough of Lambeth to undertake a comprehensive Housing Needs Assessment for the local authority.
- 1.2 The research was based on the ORS' Housing Mix Model which has been used by a wide range of local authorities across the country. The model is secondary data based and ties housing requirements to household projections and long-term planning horizons.

What Is a Housing Assessment?

- 1.3 Housing Assessments are a crucial part of the evidence base informing policy and contributing to shaping strategic thinking in housing and planning.

The Role of Housing Assessments

A housing assessment is a framework that local authorities and regional bodies can follow to develop a good understanding of how housing markets operate. It promotes an approach to assessing housing need and demand which can inform the development of local development documents and housing policies, as set out in the National Planning Policy Framework. The purpose of the housing assessment is to form part of a wider evidence base for the development of housing and planning policies, which should be considered alongside other factors such as the viability of delivering affordable housing, land availability and local policy priorities including the creation of mixed and balanced communities. Therefore, the evidence provided in the housing assessment should not be viewed in isolation and its results cannot be used in support of development applications, as it does not set housing policy. A housing assessment provides part of the evidence needed to inform policy development, and other factors are equally important in the policy development process.

- 1.4 Housing assessments work at three levels of planning in London:

Regional

- » Developing an evidence base for London-wide housing policy.
- » Informing London Housing Strategy reviews.

Sub regional

- » Deepening understanding of housing markets at the strategic (usually sub regional) level.
- » Developing an evidence base for sub regional housing strategy.

Local

- » Developing an evidence base for planning expressed in Local Development Documents.
- » Assisting with production of Core Strategies at local level.

- 1.5 For this assessment we will firstly consider recent policy changes and how they are likely to impact upon Lambeth. The Coalition Government's first budget in June 2010 contained a number of proposed reforms to housing benefit, with further additional changes following since that time. This document initially

highlights the importance of housing benefit in the housing market of Lambeth and then discusses the impact of the changes announced in June 2010 and subsequently.

- 1.6 Meanwhile, in October 2010 the Government announced its new Affordable Rent model which will allow housing associations to charge rents which are up to 80% of market rents for the area on new build developments and re-lets. The Affordable Rent model is designed to bring greater flexibility for housing associations and to provide financial support to allow new affordable housing to be delivered. This document considers the possible impact the introduction of Affordable Rents will have on housing requirements in the area.

The Role of Housing Benefit

- 1.7 Many households in both the social and private rented sectors are able to claim support with rent costs in the form of housing benefit. The Department of Work and Pensions (DWP) publish quarterly statistics for Housing Benefit recipients.
- 1.8 In recent years housing benefit support in the private rented sector has increased as a tool used by councils to help meet housing need. In December 2011, just under 9,000 households in Lambeth received housing benefit support to live in the private rented sector.
- 1.9 Figure 1 (overleaf) shows that 6.8% of households in Lambeth claim housing benefit while living in the private rented sector, which is slightly below the average for London. While many households choose to live in private rented accommodation with housing benefit support, other households would prefer a social tenancy, but are unable to obtain one due to shortages in social rented stock. To reduce the number of households claiming housing benefit in the private rented sector, more affordable housing would need to be provided.
- 1.10 Figure 2 (page 6) illustrates an alternative way of looking at the issue. It shows the difference which exists between the number of social rented dwellings in the local authority, and the number of households claiming housing benefit. This shows that if only households claiming housing benefit were to be housed in social rented dwellings there would be sufficient dwellings in Lambeth. This is due to Lambeth containing a very large stock of social housing with many existing tenants not receiving housing benefit.

Figure 1

Housing Benefit in Private Rented Sector as a Share of Total Dwellings (Source: DWP Dec 2011 and CLG Live Table 100 March 2011)

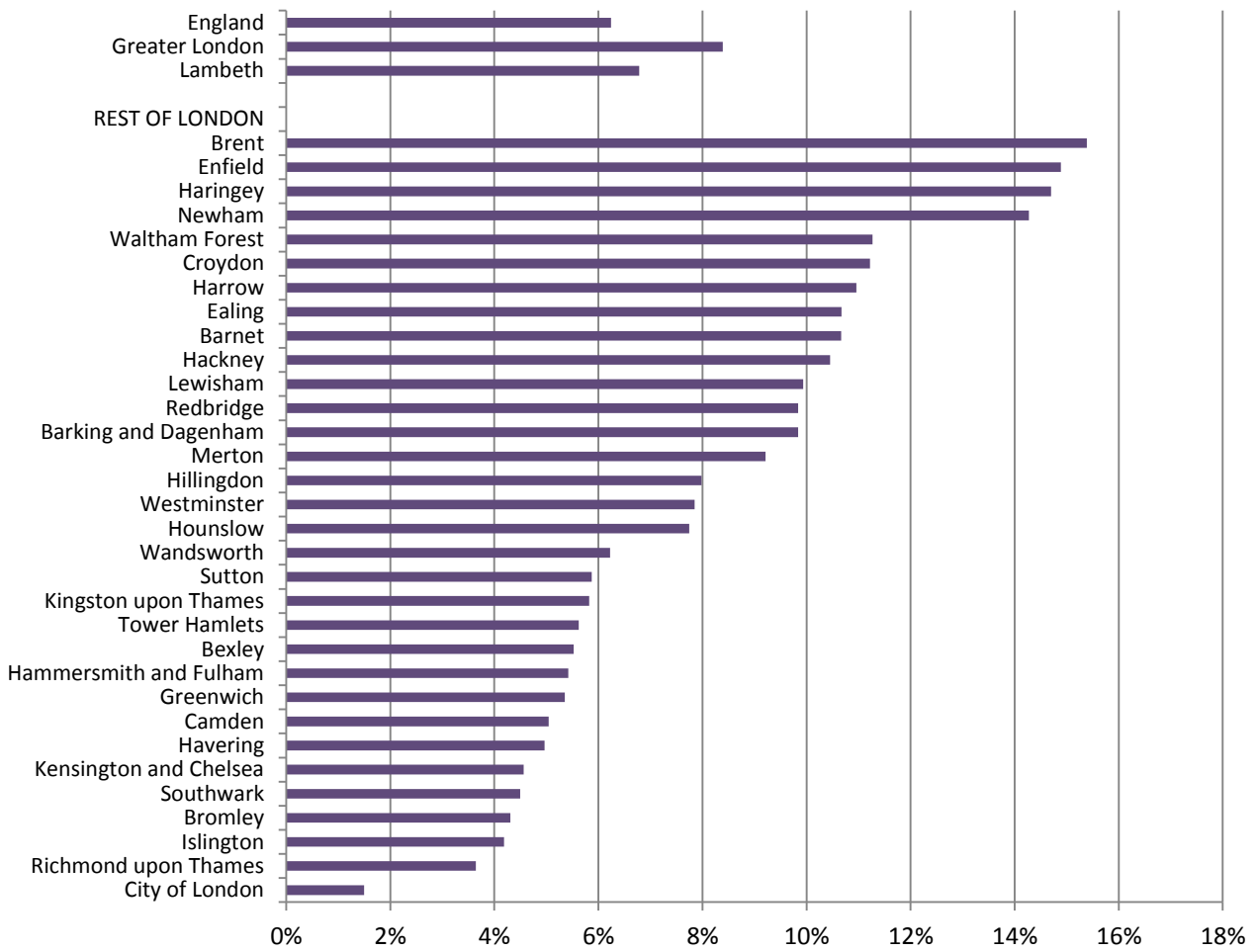
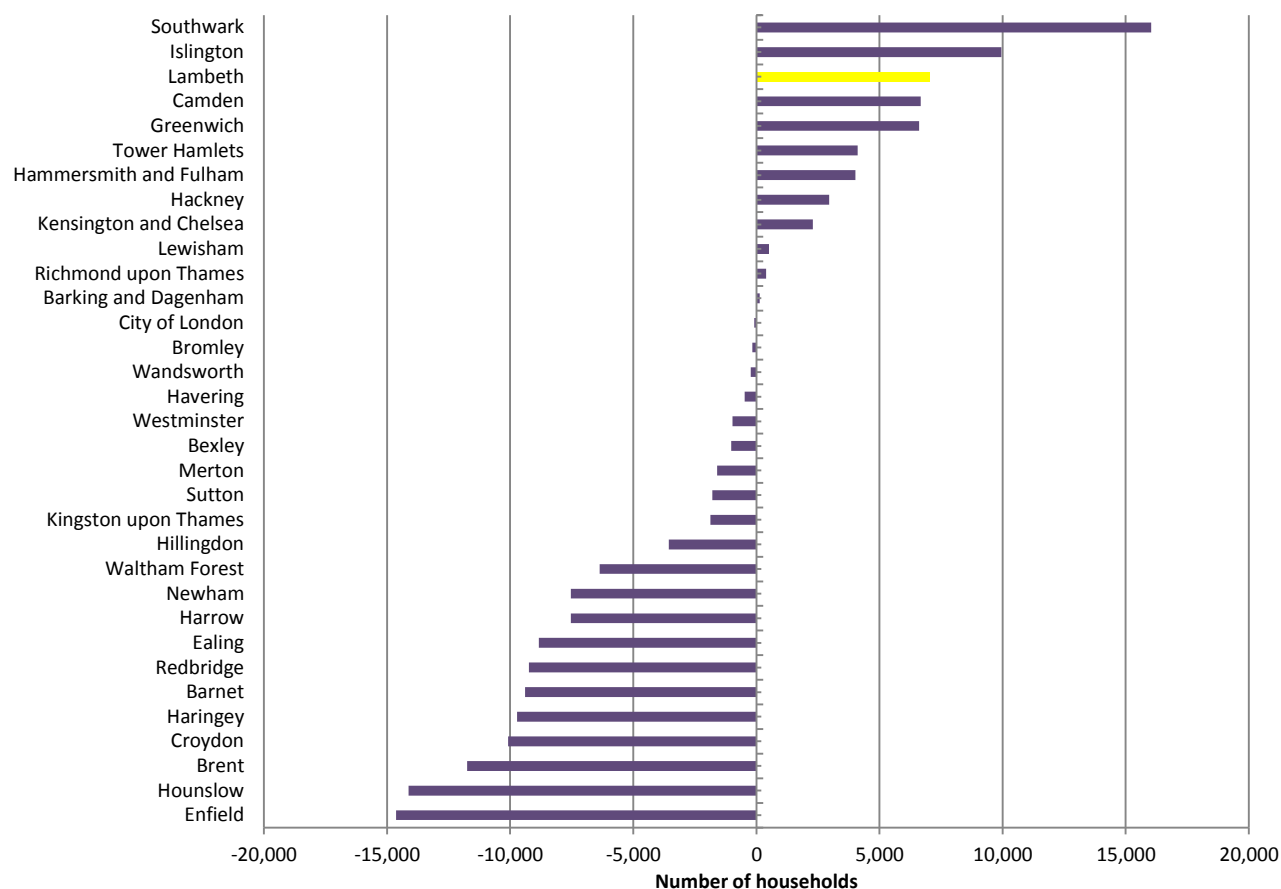


Figure 2

Gap between Number of Social Rented Dwellings and Number of Local Housing Allowance/Housing Benefit Recipients by Local Authority (Source: CLG Live Table 100 March 2011; DWP December 2011)



Changes to Social Housing Letting Policy and Local Housing Allowance in June 2010 Budget

^{1.11} The Coalition Government's first budget in June 2010 contained a number of proposed reforms to the local housing allowance. These included:

- » From April 2011, local housing allowance rates will be capped at £250 per week for a one bedroom property, £290 per week for a two bedroom property, £340 per week for a three bedroom property and £400 per week for four bedrooms or more.
- » From April 2011, local housing allowance rates will be set at the 30th percentile of local rents (previously the 50th percentile).
- » From 2013-14, local housing allowance rates will be uprated in line with the consumer Price Index (CPI).
- » Deductions for non-dependents will be uprated in April 2011 on the basis of prices. This will reverse the freeze in these rates since 2001-02.
- » From April 2013, housing entitlements for working age people in the social sector will reflect family size.
- » From April 2011, housing benefit claimants with a disability and a non-resident carer will be entitled to funding for an extra bedroom.

- 1.12 The change from using the 50th percentile to the 30th percentile for calculating local housing allowance rates and the capping of maximum weekly amounts could have a significant impact on Lambeth. Figure 3 shows the local housing allowance rates for March 2011 (based on the 50th percentile) alongside the 30th percentile rents which currently set the LHA limit.

Figure 3

March 2011 and April 2012 Local Housing Allowance Thresholds for Broad Rental Market Areas in Lambeth. (Source: LHA Direct)

Broad Market Rental Area	March 2011 LHA (50 th percentile)				April 2012 LHA (30 th percentile)			
	1 bed	2 bed	3 bed	4 bed	1 bed	2 bed	3 bed	4 bed
Inner South East London	£196.15	£254.00	£300.00	£465.00	£184.62	£240.00	£300.00	£392.00
Inner South West London	£252.85	£317.31	£390.00	£535.39	£229.62	£288.46	£340.00	£400.00

Further Consideration of the Government's June 2010 Budget

- 1.13 The key issue to consider is how the changes to the local housing allowance will affect the market for affordable housing, particularly in terms of demand and supply. Some considerations are set out below.

In April 2013, housing entitlements for working age people in the social sector will reflect family size

- 1.14 Example: a working age couple with two adult children occupy a 3 bed social rented property and receive housing benefit. If the adult children move out of the house, the couple will technically only require a 1 bed dwelling. The policy impact is that they will no longer receive housing benefit for a 3 bedroom property but a 1 bed – they will either;
- » be required to pay the balance of rent from their own funds, or,
 - » move to a small dwelling and continue to receive housing benefit.
- 1.15 There are a range of possible implications arising from such a change (and we have not considered the ethical implications of the change):
- » More households may downsize from family sized social rented dwellings into smaller units.
 - » Some larger properties may become available for overcrowded households with children.
 - » There may be or may not be a corresponding 'balancing effect', as larger homes and smaller homes are vacated.
 - » Adult children may subsidise their parents to allow them to remain in the larger family home.

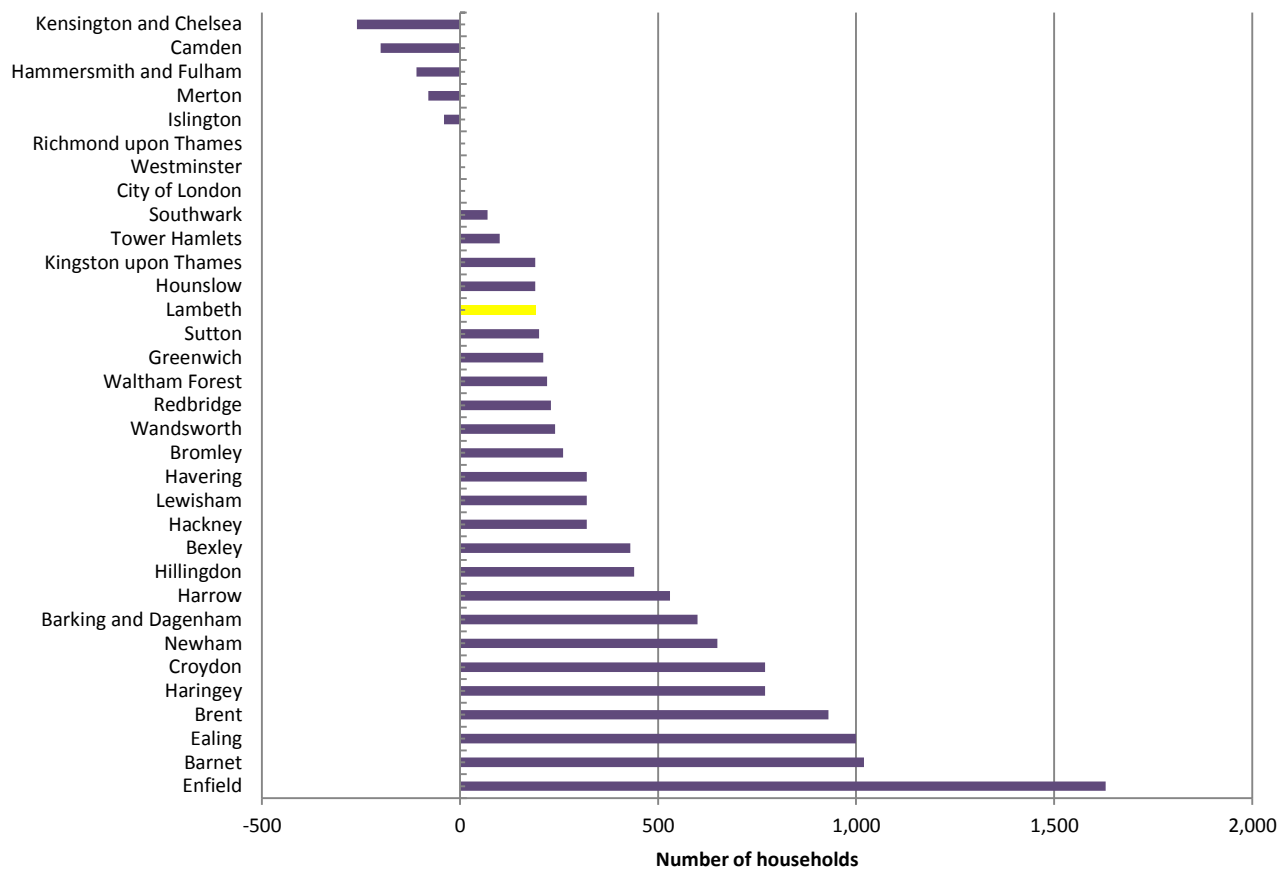
Deductions for non-dependents will be uprated in April 2011 on the basis of prices. This will reverse the freeze in these rates since 2001-02

- 1.16 Example: a pensioner couple with two adult children occupy a 3 bed social rented property and receive housing benefit. Current deductions for non-dependents will rise in April 2011, hence reducing the amount of housing benefit received by this household. If the adult children move out of the house, the couple will be allowed to remain in their dwelling because they are not working age and will receive more housing benefit.
- 1.17 The policy impact is that the financial incentive is for the adult children to leave home and seek their own independent accommodation, hence the rate of household formation will rise.
- 1.18 Meanwhile, changes to the level of local housing allowance available may have a considerable impact on the supply of dwelling available for households who require financial support in the private rented sector. This will be a particular issue in an area such as Lambeth where the cut in allowances has been so high. These changes will not reduce the number of households seeking affordable or subsidised housing – however, it may increase the demand on local authorities to meet these households housing need.
- 1.19 The ability of authorities to meet housing need is dependent upon many issues. For example, how willing will private landlords in Lambeth be to accept households in receipt of housing benefit at the reduced levels from April 2011? Potential scenarios include:
- » Market rent levels fall as landlords accept lower yields on their investments.
 - » If the new rent thresholds are too low then landlords may simply not be willing to accept housing benefit dependent households and instead return their stock to the market sector.
 - » This in turn may see house prices and rents fall as more housing becomes available to buy or rent - more households may be able to meet their housing requirements in the open market.
- 1.20 However, if landlords are not prepared to accept households in receipt of housing benefit, where will these households have their housing needs addressed? Social housing has limited supply. Homelessness presentations may increase and overcrowding might rise. The percentage of disposable income paid to rent may rise in households seeking housing in the private sector.
- 1.21 In summary:
- » Potentially, there could be reduced household formation rates which may reduce the number of households seeking affordable housing. However, some changes in the LHA may also see formation rates rise.
 - » The supply of private rented dwellings may change significantly, especially for households on lower incomes.
 - » The total number of housing benefit claimants in the private rented sector is unlikely to fall, but their locations will change to lower priced areas.
 - » Alternatively, where landlords do not accept the lower rents more properties may return to 'pure' market housing.
 - » Local authorities may be pressed to find housing solutions for increasing demand from households who cannot resolve their own needs - homelessness presentations and overcrowding may also rise further.

- 1.22 An indication of the likely changes which will occur due the changes in LHA is shown in Figure 4 (overleaf). This shows the change which has occurred in housing benefit claimant numbers in the private rented sector in each London Borough between February 2011 and December 2011. This period covers the start of the reforms with LHA rates being cut in almost all areas for new claims, but existing claimants could retain the benefit for their current dwelling. It is clear that the highest growth has been in outer Boroughs such as Enfield, Barnet and Ealing, with much smaller growth in central boroughs such as Lambeth. Meanwhile other central London boroughs have seen declines in their figures.
- 1.23 This does not necessarily mean that Enfield, Barnet and Ealing have higher levels of local housing need, but instead may reflect that these areas have more capacity in their private rented stock to house housing benefit claimants. Many central London boroughs appear to have already reached capacity for absorbing housing benefit in the private rented sector at current LHA rates and their households are starting to be displaced to outer London boroughs.
- 1.24 The LHA reforms are likely to see this process exaggerated in the future as existing claimants have their benefits reassessed, with landlords withdrawing housing benefit supported stock and returning it to the open market in a range of boroughs including Lambeth. Therefore, if Lambeth wishes to meet its own housing needs within its own boundaries then this would require a higher level of affordable housing provision. However, it is more likely that some of Lambeth's housing needs will be met in other boroughs.
- 1.25 The effect of this is happening would be that both the effective supply of affordable housing (in the form of housing benefit supported private rent) and the requirement for affordable housing (households seeking housing benefit supported private rent) would fall by equal amounts, leaving total net housing need unchanged.

Figure 4

Growth in Housing Benefit Claimants in the Private Rented Sector Feb 2011-December 2011 by London Borough (Source: DWP)



Further Changes to Benefits Announced in October 2010

- 1.26 Additional changes to the benefit system which will impact upon the receipt of housing benefit were announced in October 2010. These will see the total level of benefit received by any household capped at £500 per week. The amount of housing benefit any household can receive will be assessed after any Jobseekers Allowance, Income Support, council tax benefit, child tax credit and child benefit have been deducted.
- 1.27 The main consequences of this issue may be on the level of Affordable Rents which can be charged and the sizes of dwellings to be built under the Affordable Rent programme. To remain within the £500 per week benefit cap then it is not possible to set Affordable Rents at their maximum 80% of market rates in Lambeth and it is also the case that large affordable units are unlikely to be viable if rents must be set at rates compatible with a £500 per week total benefit cap.
- 1.28 Alternatively, Lambeth could set Affordable Rents at higher rates with the aim of only letting these to households who can afford to pay the rents. This would contribute to the intermediate housing needs of Lambeth, but would clearly leave a shortfall of social housing provision. Under these circumstances, households who require social housing are likely to have their needs met in the private rented sector, most likely outside of Lambeth.

The Impact of Government Policy Changes: Affordable Rent and Housing Needs

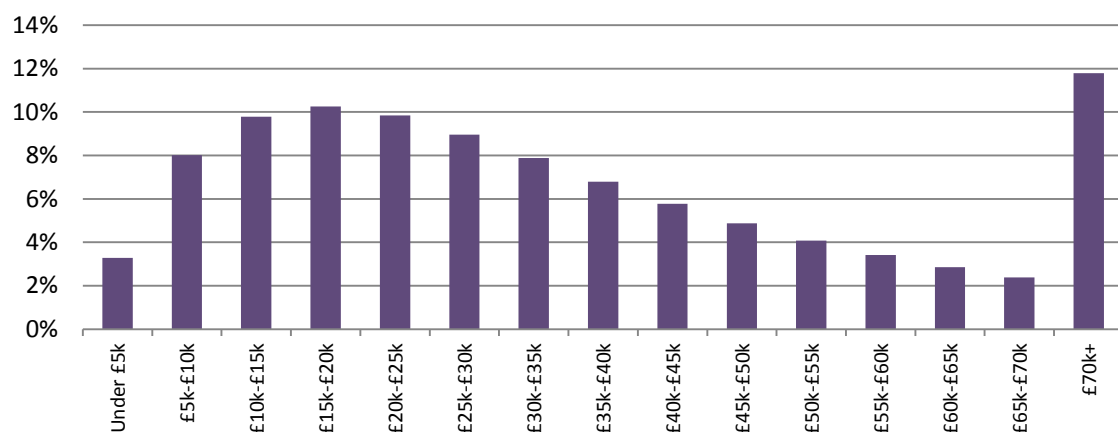
- 1.29 The Government's new Affordable Rent model will allow housing associations to charge rents which are up to 80% of market rents for the area on new build developments and re-lets. The Affordable Rent model is designed to bring greater flexibility for housing associations and to provide financial support to allow new affordable housing to be delivered.

Affordable Rent and the Allocation of Social Housing

- 1.30 Current tenancies will not be affected by Affordable Rent, but the allocation of new households to social housing may be affected. If households are means tested at the point of allocation, then households who previously would have been allocated to social rent could be allocated to Affordable Rent with the ability to meet their own housing costs.
- 1.31 This in turn would reduce the need for existing social housing, which could in turn be allocated to households who cannot afford to meet the costs of Affordable Rent. In effect, within the model, households who would have been allocated to social housing will now be allocated to an equivalent of intermediate housing in the form of Affordable Rent.
- 1.32 An analysis of the income distribution of non-homeowners in Lambeth shows some interesting results. Figure 5 reveals that over 31% of all non-homeowners have incomes of under £20,000 per annum. This income figure includes all income from employment and benefits, with the exception of housing benefit. In most cases, these households would need assistance from housing benefit before they would be able to meet the cost of Affordable Rents in Lambeth. However, this does still imply a large number of households in the social sector could potentially be able to pay more than current social rents.

Figure 5

Income distribution of non-owners in Lambeth in 2011 (Source: Adjusted CACI Paycheck 2011)



- 1.33 The impact of the allocation policy for Affordable Rent on the requirement for social housing will depend upon exactly how households are allocated.
- 1.34 If the allocation policy to social housing remains the same and households are allocated to Affordable Rent if they can afford to meet its costs then this will reduce the requirement for social housing. However, if Affordable Rent is used to accommodate households who would otherwise not necessarily receive social

housing (such as those who would be identified as requiring other forms of intermediate housing) then there will not be an equivalent reduction in the needs for social rent.

Affordable Rent and the Supply of Social Rent

1.35 At this point it is also necessary to consider the impact that converting re-lets to Affordable Rent will have on the social rented stock available.

Example: The conversion to Affordable Rent will impact similarly to that shown in the modelling for right to buy sales. A right to buy sale reduces the social housing stock by one unit, while increasing market housing by one unit. Converting a social housing re-let to Affordable Rent will potentially reduce the social housing stock by one unit while increasing the effective intermediate affordable housing stock by one unit.

1.36 The impact of converting social rented re-lets to Affordable Rents will ultimately depend upon who is housed in these properties. If the properties are let to households who can afford to pay the Affordable Rents, then these dwellings will form part of the effective intermediate housing stock. However, if they are let to households who meet the cost of the properties through housing benefit receipt they form part of the effective social housing stock and therefore there will be no change in this stock.

Key Findings on Affordable Rent

1.37 Under the following combined circumstances the introduction of Affordable Rent will have no impact on the requirement for affordable housing:

- » The allocation policies currently in place continue and households are required to pay Affordable Rent if they are able to afford to do so; and
- » Households who cannot afford to meet the costs of Affordable Rent receive housing benefit to cover the cost of the Affordable Rent.

1.38 If the circumstances outlined above apply, then those Affordable Rent dwellings will form part of the social housing supply. This process would allow all new build lets and re-lets to be converted to Affordable Rent without any consequence for affordable housing requirements. The only impact would be on the rents paid by those who do not receive housing benefit. Currently they only pay Target Social Rents, but would now be required to pay Affordable Rents.

1.39 Affordable Rent may also make the problem of the poverty trap worse for many households who are currently out of work, as they will have to pay higher rents if they take a job. Therefore, the disincentive to take a job will become worse. However, this in turn should at least be partly addressed by the introduction on the Universal Credit which will see a more gradual withdrawal of benefits for those in work.

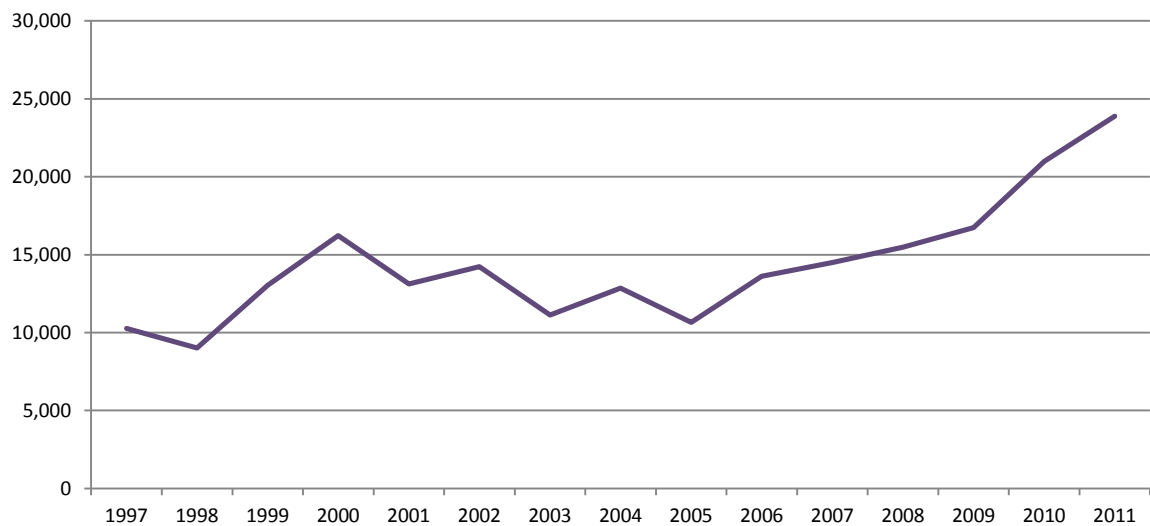
1.40 Therefore it is anticipated that current allocation policies will continue and Affordable Rent will be primarily used to meet the needs of priority needs groups in Lambeth.

1.41 The area where Affordable Rents may impact upon housing requirements is if they are only let to households who can afford to pay the cost of the property and are not let to households in receipt of housing benefit. Under these circumstances, Affordable Rent becomes interchangeable with Intermediate Rent. This could see existing social rented dwellings converted to become part of the effective intermediate stock and then let to households who would not normally be considered for social rent.

Right to Buy: Housing Need and the Housing Register

- 1.42 Right to buy sales have fallen to negligible levels in recent years in Lambeth. However, the Government announced in September 2011 that it is planning to revive the scheme with greater discounts being offered to tenants to buy their property. Each property sold under right to buy would be replaced by an Affordable Rent property, though there is no confirmation yet that this would occur in the same borough.
- 1.43 This clearly has long-term implications for a borough such as Lambeth which has a very large Council owned social housing stock. A large number of sales per annum may reduce the long-term capacity of the borough to meet its own housing needs.
- 1.44 The policy may also have more subtle effects such as on the housing register. Figure 6 shows that Lambeth's housing register has already been growing strongly in recent years. However, an improved incentive to exercise the right to buy will make social rent a potentially more attractive housing solution to those who cannot afford owner occupation in the borough. Therefore, the housing register may start to grow even more strongly as households hope to access social rent to be able to access right to buy.

Figure 6
Lambeth Housing Register (excluding transfers) Trends 1997-2011 (Source: CLG)

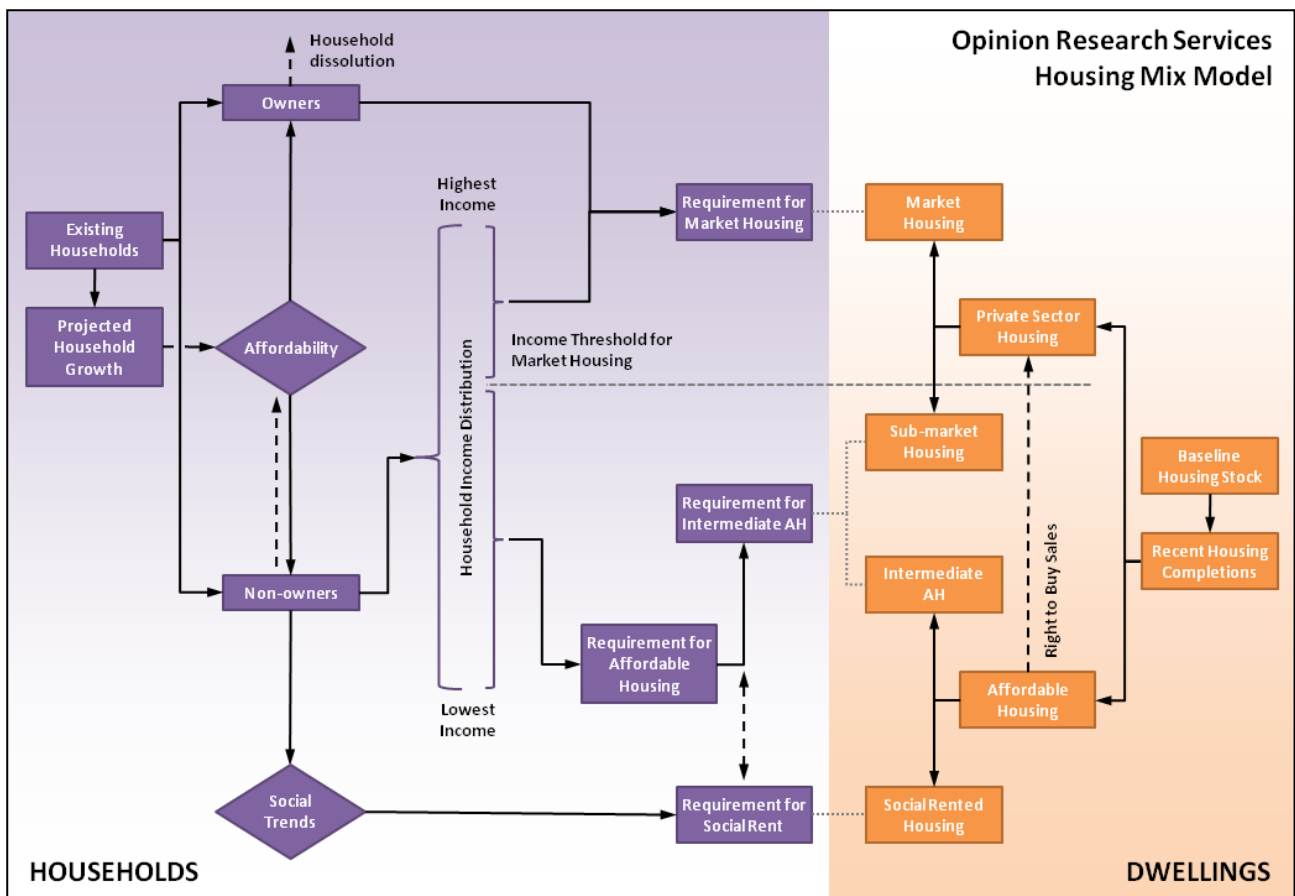


2. Projecting Future Housing Requirements

Modelling Future Housing Requirements

- 2.1 The Practice Guidance considers the future housing market from a high-level, strategic perspective; considering how key drivers and long-term trends will impact on the structure of the household population over the full planning period. In order to meaningfully compare the assessment of housing need with the change in total numbers of households (and the overall requirement for additional housing), both numbers need to be derived in comparable ways.
- 2.2 The ORS Housing Mix Model considers both housing need and overall housing requirements on a longer-term basis, providing robust and credible evidence about the required mix of housing over the full planning period and understanding how key housing market drivers (such as affordability) will impact on the appropriate housing mix.
- 2.3 The model uses a wide range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population. The secondary data sources are readily updateable as new information is published, and a range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.
- 2.4 Figure 7 (overleaf) provides a detailed overview of the structure of the Housing Mix Model and the way in which the different stages of the model interact.
 - » The left hand section of the diagram considers households in terms of the baseline population and projected household growth, and their associated affordability and housing requirements.
 - » The right hand section of the diagram considers the dwelling stock in terms of the tenure and housing costs for both the existing stock and the recent housing completions.

Figure 7
Detailed Overview of the ORS Housing Mix Model



- 2.5 The Housing Mix Model considers the projected household population alongside the existing dwelling stock in order to establish the necessary balance between Market Housing and Affordable Housing in relation to the additional dwellings to be provided, and within the Affordable Housing dwelling provision the appropriate role of Intermediate Affordable Housing and Social Rented Housing.

Housing Supply

- 2.6 National Planning Policy Framework March 2012 contains the following statements on the supply of new dwellings across all tenures.
- » **Affordable housing:** Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.
 - » **Social rented housing** is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

- » **Affordable rented housing** is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).
 - » **Intermediate housing** is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.
 - » Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.
- 2.7 The key issue these definitions raise is how to define market housing costs. In practice the very cheapest second hand open market dwellings can be cheaper than any intermediate (and on some occasions social rented) dwelling. Therefore, for the definitions in the NPPF to have practical relevance there is a need to identify a market housing threshold price which then sets the upper limit for the cost of intermediate affordable housing products.
- 2.8 On this point, Strategic Housing Market Assessment (SHMA) Practice Guidance (Chapter 3, page 27) states that for house prices, ‘Entry-level prices should be approximated by lower-quartile house prices’. The cheapest available property prices should not be used since these often reflect sub-standard quality or environmental factors,’ and for private rents, ‘As with house prices, lower-quartile rents should be used to estimate the entry level’. Therefore SHMA Practice Guidance identifies that the threshold point for market housing commences at the lowest quartile for owner occupation and private rents. This also means the threshold for market housing is dependent upon private rents, so if these rise then fewer households will be able to afford intermediate housing.
- 2.9 This issue is very important because the NPPF is predominantly about the delivery of new dwellings. However, while the ORS Housing Model is also in part about the delivery of new dwellings, the majority of households requiring accommodation will be housed in the existing housing stock of Lambeth. Therefore, while the NPPF sets out clear definitions for newbuild dwellings, the role of second hand housing makes the classification of dwellings by tenure much more complicated.
- 2.10 Such an example is for housing which is available to those who can afford no more than Social Target Rents. For this group, it is possible to consider the supply to comprise of dedicated supply such as Council and RSL lettings, but also housing benefit supported private rented dwellings. The rationale for this is to recall the NPPF definition of households in housing need (as outlined in Chapter 5 of SHMA Practice Guidance) and the requirement for financial assistance within the definition:
- » **Housing need is:** ‘Households who are lacking their own housing or who are living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their own housing needs in the market without some financial assistance.’
- 2.11 Whilst housing benefit supported private rent does not have the same tenancy rights as full social rent, it nevertheless contributes to the effective supply of affordable housing in that it is affordable to households who require social housing. In practical terms there is a shortage of social rented housing and households unable to access it will seek housing in the private rented sector with housing benefit support.

- 2.12 Similarly, further supply assumptions can be considered for intermediate affordable housing. The current supply of dedicated intermediate housing products in Lambeth as defined by NPPF is relatively small. However, Lambeth has a large private rented sector. The lower quartile private rented sector falls below the entry threshold for 'market' housing as defined by NPPF and the SHMA Practice guidance. While not enjoying the same tenancy or ownership rights as dedicated intermediate affordable housing products, cheaper (lower quartile) private rented properties are affordable to households within the intermediate affordable housing income band and are counted as part of the supply to this group of households in a number of the scenarios set out below.
- 2.13 Support for these positions can be found in SHMA Practice Guidance where it is noted, (Chapter 5, Stage 4: The Housing Requirements of Households in Need Page 49) 'Furthermore, some households in need may choose to live in the private rented sector (possibly with the use of housing benefit) or housing that would be classified as unsuitable, even though they are eligible for affordable housing.
- 2.14 This leads to the conclusion that there are a number of private sector dwellings which are not market housing under NPPF and SHMA Practice Guidance definitions because they are below market rents thresholds. Similarly, they are not intermediate or social supply under NPPF definition because they are not a dedicated supply of affordable housing.
- 2.15 However, lower quartile private rented and housing benefit supported private rented sector dwellings will continue to be occupied by households despite not meeting the definition of market, intermediate or social housing in NPPF. When considering the appropriate housing supply, the following sources of supply are therefore considered within the model;
- » **Social rented housing** – social housing provided to rent from local authorities and Registered Social Landlords, Affordable Rent with housing benefit support and housing benefit supported private rented accommodation at November 2011 levels;
 - » **Intermediate housing** – dedicated intermediate housing products (such as shared ownership, discount market sale, sub-market rent but not shared equity sales), Affordable Rent without housing benefit support and a proportion of the housing in the private sector with rents or prices below the market rent threshold (i.e. within the lowest quartile); and
 - » **Market housing** – owner-occupied housing and housing in the private rented sector above market rent or owner occupation thresholds.

Core Modelling Assumptions: Standard Model

- 2.16 For the current document we wish to be explicit on the assumptions which underlie the model. For the results presented below the following assumptions are contained within the model:
- » Mortgage multiplier used is 3.5%, so households are able to borrow up to 3.5 times their household income. This figure is based on recommendation in SHMA Practice Guidance;
 - » Households can spend up to 25% of their income on rent in accordance with CLG Practice Guidance recommendations;
 - » The annual rental yield for private rented dwellings is 5.9%. This is the rate of return on private rented dwellings so a property valued at £100,000 is assumed to yield a rent of

£5,900 per annum. There are no official statistical sources for rental yields, so the figure used in the model is taken from the Paragon Private Rented Sector Survey Q4 2011. This is a survey of 500 buy to let landlords who are also members of the National Landlords Association;

- » House prices are set as a baseline rate of their 2011 levels. This assumption is sensitivity tested in the model;
- » A vacancy rate on households to dwellings of 3.8%. Therefore, at any point in time 3.8% of dwellings will be vacant including new build dwellings.
- » It is assumed that any right to buy/right to acquire sales since 2001 are required to be replaced within the model by additional new build of social rented dwellings. This is due a right to buy/right to acquire sales representing a loss of a social rented dwelling without any reduction in the number of households seeking social rent, so each sale requires a new build to replace it. Projected right to buy/right to acquire sales to 2031 are based upon the average number of sales since 2008.
- » The requirements assume a site delivery threshold of zero, so all sites yield affordable housing. If some sites do not deliver affordable housing, the remaining sites will be required to absorb the remaining requirements. Therefore, if only 50% of sites deliver affordable housing then identified percentages for delivery would require doubling if all requirements are to be met;
- » The number of households receiving housing benefit in the private rented sector is assumed to remain at November 2011 levels. This assumption is sensitivity tested in the model;
- » Social letting policies are assumed to remain constant. This leads to most households entering social housing requiring housing benefit and most Affordable Rent dwellings being effective social rent;
- » Intermediate affordable housing is housing whose cost is above target social rents, but below the cost of market housing (rent or owner occupier). Therefore, intermediate affordable housing must be cheaper than the cost of renting a dwelling at the lower quartile of private rents;
- » The private rented sector has been assumed to have remained at its level at the time of the 2001 Census levels.
- » The number of converted dwellings has been assumed to have remained at its level at the time of the 2001 Census.
- » The period for results is 2011-2031.
- » All figures are rounded to the nearest 100.

2.17 Figure 8 shows the housing requirement projections for Lambeth for the period 2011-2031 while Figure 9 shows the identified size mix. It is important to emphasise that these figures are based:

- » Purely upon the affordability of households, not their preferences or the affordable housing allocation policies of Lambeth;
- » The future supply of social housing includes existing housing benefit supported private rent dwellings;
- » The future supply of intermediate housing includes the lower quartile of the private rented sector.
- » No growth in the private rented sector, conversions, or HMOs has been assumed at this stage.

Figure 8

Overall Housing Requirement 2011-2031 (Note: Figures may not sum due to rounding)

Housing Type	Number of Dwellings
Market housing	-8,100
Intermediate affordable housing	15,900
Social rented housing	16,100
Total Housing Requirement	23,900
Market housing	-33.9%
Intermediate affordable housing	66.5%
Social rented housing	67.4%

Figure 9

Size mix of the Housing Requirement 2011-2031 (Notes: All figures rounded to the nearest 100)

Number of Bedrooms	Market	Intermediate	Social	TOTAL
1 Bedroom	-	20.8%	48.5%	38.8%
2 Bedrooms	-	40.4%	30.1%	32.2%
3 Bedrooms	-	35.4%	19.5%	24.1%
4 Bedrooms	-	2.7%	1.5%	4.1%
5 Bedrooms	-	0.7%	0.4%	0.9%

2.18 It is important to understand the implications of a surplus of market housing. The market housing requirement does not represent the requirement for new build housing, so does not suggest demolishing private dwellings in Lambeth. Instead, it represents the number of units which market housing could potentially fall by in the next 20 years in Lambeth given an assumption of no change in the level of private renting or conversions/HMOs since 2001. The distinction between these two points can be illustrated by a simple example.

2.19 Taking a scenario where a newbuild dwelling is bought by a household who are currently occupying an existing owner occupied property in Lambeth, the key question is what happens to the dwelling they vacate. If it is bought by another household who occupy the dwelling the total market housing stock has been increased by one unit (the newbuild dwelling). However, if the dwelling is bought by a landlord who

subsequently rents the property to a household receiving housing benefit this effectively becomes part of the affordable housing supply. Therefore, completing one newbuild dwelling can see the market housing supply remain unchanged, but the affordable housing supply rise as part of the second hand stock finds its way into the affordable housing sector.

- 2.20 This situation has been common in London as newbuild dwelling are occupied as market housing, but parts of the second hand stock have been turned over to housing benefit receipt private rent or sub-divided and let as lower quartile private rent. The implication is that while the market housing requirement identified does not necessarily equate to the newbuild market requirement. If more of the second hand stock becomes part of the effective affordable supply then potentially more units of newbuild could be required. However, if sufficient genuine affordable housing can be provided, units of current effective affordable supply can be returned to the market sector: i.e. households could vacate the lower quartile or housing benefit supported private rent and these dwelling could return to being part of the market supply.
- 2.21 It is also important not to view the large requirement for intermediate housing as a dwelling target. In practice, there is an identified surplus of large market dwellings, which is balanced by the requirement for smaller intermediate housing. The model is projecting that dwellings currently occupied by a single households will gradually become HMOs or converted dwellings which will met the requirements of more than one household who are unable to afford market prices, but can afford to meet part of the cost of a market property.
- 2.22 For social housing, the requirement for over 16,000 dwellings is the identified requirement which would be necessary to prevent the number of households in the private rented sector with housing benefit support from rising. In practice, it will be difficult to deliver over 16,000 social rented dwellings over the next 20 years, so it is likely that the figures for housing benefit support in the private rented sector will rise. Recent policy changes will encourage more social housing requirements to be met in the private rented sector. These include:

Extending the Limit for a Single Person Receiving a Bedsit Allowance to 35 Years of Age

- 2.23 Currently, any single person aged 24 years or younger is entitled to only the Shared Accommodation Rate (SAR), rather the allowance for a self-contained dwelling. In October 2010 it was announced that this would be extended to any single person aged 34 years or younger.
- 2.24 The SAR allowance will enable the single person only to receive a share of a dwelling. Therefore, a major impact of this change is likely to be a rise in the demand for shared accommodation within HMOs. More single persons will be forced to share accommodation for longer and this is likely to see more of the existing housing stock turned over to HMOs.

Priority Need Homeless No Longer Able to Refuse Private Sector Housing

- 2.25 Whilst local authorities can currently offer homeless people (who they have a duty to house under Part 7 of the Housing Act 1996) private sector accommodation, the applicant can refuse this offer. Under new proposals, priority need households will no longer be able to refuse the offer of a private sector dwelling.
- 2.26 The main aim of this proposal is to reduce the pressures on the social housing stock as most priority need is currently met in social rent. However, the indirect result of the change is that there will be further

demands placed upon the private rented sector as Councils increasingly seek to house their priority need households outside the social rented sector.

Allowing for Growth in Private Rented Sector and Conversions/HMOs

Growth in HMOs and Converted Dwellings

- 2.27 The model results outlined so far assume that there has been no change in either the size of the private rented sector and most importantly the number of converted dwellings, or properties which are houses of multiple occupation (HMOs). HMOs and conversions make larger dwellings more affordable to households, so more are able to afford to live within the existing dwelling stock. It is likely that both the private rented sector and HMOs/conversions have grown in Lambeth since 2001.
- 2.28 Evidence from the English Housing Survey indicates a growth in the private rented sector since 2001 of around 50% in London. Therefore, we have used this as a potential figure for the growth in the private rented sector in Lambeth since 2001. A more precise estimate for the growth which has occurred will be provided by the release of the 2011 Census later this year.
- 2.29 Evidence from recent dwelling delivery and household projections in Lambeth has shown that the number of households has been growing more quickly than the number of dwellings which have been delivered. In the period 2001-2031 the current Greater London Authority (GLA) Data management and analysis group (DMAG) unit household projections show the number of households in Lambeth will grow from 118,500 to 160,000, a growth of 41,500. However, the number of dwellings delivered in the period 2001-2011 has been 11,500 with another 23,900 projected to be delivered until 2031 if the London Plan Annual Monitoring Target is rolled forward to 2031. This gives a total dwelling delivery of 35,400. Therefore, the number of households in Lambeth is projected to grow by 6,000 more than the number of dwellings delivered in the period 2001-2031. This in turn would require a 70% rise in the number of converted dwellings or HMOs from the 2001 level. Therefore, we have assumed that this rise has already or will occur.
- 2.30 These changes can be incorporated into the model and we have done so below. For clarity the only differences in assumptions for the modelling results presented below to those presented above are:
- » The private rented sector has been increased by 50% on its 2001 Census levels
 - » The number of converted dwellings or HMOs has increased by 70% on their 2001 Census levels.
 - » A converted dwelling has a 20% uplift on the rent it receives. Therefore, the landlord receives 20% more rent if they let their property as an HMO or formally convert the dwelling than if they let in the private rented sector to one household.

- 2.31 Figure 10 shows the updated housing requirements for Lambeth after allowing for a growth in the size of the private rented sector and conversions/HMOs, while Figure 11 shows the identified size mix.

Figure 10

Impact of Assumptions for the Private Rented Sector and HMOs/Conversions in Lambeth (Note: Figures may not sum due to rounding)

Housing Type	Study Area
Housing Requirement 2011- 31	
Market housing	7,100
Intermediate affordable housing	700
Social rented housing	16,100
Total Housing Requirement	23,900
Market housing	29.7%
Intermediate affordable housing	2.9%
Social rented housing	67.4%

Figure 11

Size Mix Following Modelling of Assumptions for the Private Rented Sector and HMOs/Conversions in Lambeth (Note: Figures may not sum due to rounding)

	Market	Intermediate	Social	TOTAL
1 Bedroom	18.1%	26.7%	48.5%	38.8%
2 Bedrooms	35.3%	51.9%	30.1%	32.2%
3 Bedrooms	34.4%	19.5%	19.5%	24.1%
4 Bedrooms	10.2%	1.5%	1.5%	4.1%
5 Bedrooms	2.0%	0.4%	0.4%	0.9%

- 2.32 The housing requirements now show a much lower requirement for intermediate housing and a positive market housing requirement. In effect, the model has assumed that parts of the private housing stock of Lambeth has been converted or become HMOs, which has helped to meet the identified intermediate housing requirements. This has reduced the market stock which must then be replenished.
- 2.33 It is noteworthy that the above figures for Lambeth can be considered comparable with the London wide estimates provided in the Greater London SHMA 2008 which projects a market and social housing requirement for London as a whole of around 50% each with little intermediate housing gap. The lack of an intermediate housing gap in London was due to the market adjusting to the pressures it faced and conversions or HMOs being provided to meet the needs of households who would otherwise have required dedicated intermediate housing.
- 2.34 The fact that the market has adjusted to meet the needs of households who can't afford market housing does not necessarily mean that no further action is required by authorities. The conditions in many privately rented dwellings are extremely poor with high levels of overcrowding. Therefore, the conditions in the private sector stock in Lambeth should be monitored to ensure that while they are meeting housing

needs from an affordability point of view, they should also be meeting housing needs in relation to quality of life for the occupants.

Scenario Testing

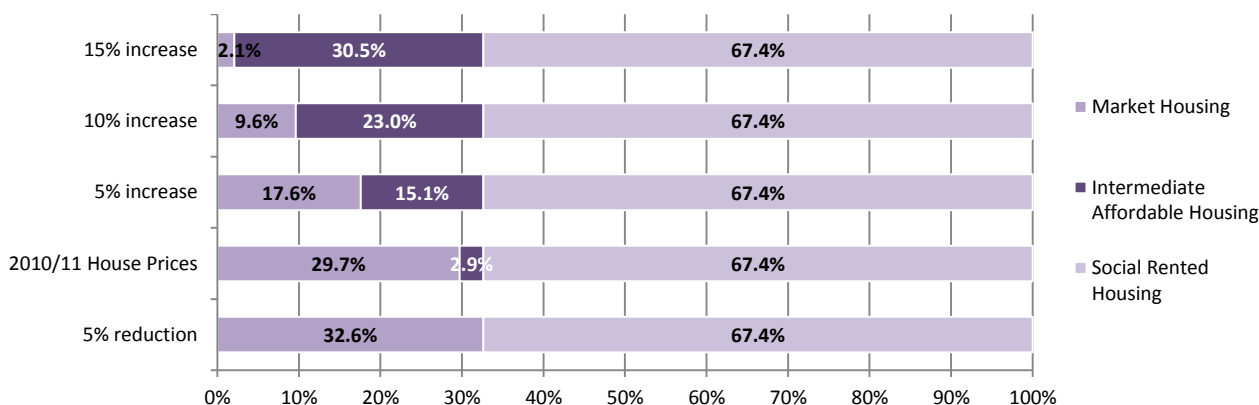
- 2.35 The findings outlined above are based on one set of assumptions. Many of the assumptions in the model can be varied to consider the impact of possible future changes to the housing market in Lambeth, or to look at possible policy options. The following sections highlight some of the key variables in the model and how sensitivity testing these impacts on the results of the model.

House Prices

- 2.36 When considering the required housing mix in Figure 10 (page 23) on the basis of 2011 house price levels, the model identifies that the overall intermediate affordable housing requirement is 2.9% of the total requirement.
- 2.37 It is important to note that this scenario is based on 2011 house prices. The Practice Guidance recommends that local authorities consider affordability trends, to understand how changes in affordability might affect the future housing mix – for as house prices fall or rise, dwellings in the private sector will become more or less affordable to households without equity, so the need for intermediate affordable housing will change. Figure 12 shows the housing mix given a range of differing house price scenarios for Lambeth.

Figure 12

Scenario Testing of Overall Housing Requirement of Lambeth 2011-2031 for House price Changes



- 2.38 This very clearly identifies that the required housing mix is very sensitive to house prices changes. A fall in house prices of 5% relative to incomes would completely eliminate the intermediate affordable housing gap in the borough. This is on the basis of households being able to obtain mortgages which are 3.5 times their incomes with low deposit requirements, but it does indicate that it would not require an enormous change in real house prices before many households who currently would require shared ownership or equity schemes could afford full market prices.

Housing Benefit in the Private Rented Sector

- 2.39 The model results outlined in Figure 10 assume that housing benefit in the private rented sector is held at its current levels to 2031. As outlined earlier in this report, the housing benefit supported private rented sector in London has grown substantially in recent years and has played a key role in meeting housing need.
- 2.40 Figure 13 shows the impact of different assumptions around housing benefit claimants in the private rented sector. Given that the model identifies a requirement for 67.4% of future dwellings to be social rent in Lambeth to prevent a rise in housing benefit claims in the private rented sector, any attempt to reduce this figure would clearly require an even larger figure to be provided. More realistically, the requirement for social housing starts to fall if there is a growth in the number of households housed in housing benefit support in the private rented sector.

Figure 13

Percentage Housing Requirement for 2011-2031 for Different Levels of Reductions in Housing Benefit Claimants in the Private Rented Sector (Note: Figures may not sum due to rounding)

Tenure	Reduction in Private Rented Sector Housing Benefit Claimants				
	50% reduction	25% reduction	0% Change	25% increase	50% increase
Market Housing	3,400	5,600	7,100	7,100	7,100
Intermediate Affordable Housing	0	0	700	2,900	5,100
Social Rented Housing	20,500	18,300	16,100	13,900	11,300
Overall Housing Requirement	23,900	23,900	23,900	23,900	23,900

- 2.41 Again, it is important to be clear as to the meaning of the finding outlined above. The ORS Housing Model is projecting a high social housing requirement to help prevent further growth in household receiving housing benefit in the private rented sector. However, this requirement is unlikely to be delivered and therefore the model is projecting further rises in the number of households in the private rented sector who receive housing benefit.
- 2.42 One implication of this would be that even larger amounts of the private sector stock of Lambeth will need to become part of the private rented sector to allow sufficient stock to be available to meet this need. This rise is likely to occur across all household types, but in particular the changes in LHA allowances are likely to see a greater demand for shared accommodation from single persons under 35 years so there is likely to be a growing demand for HMO accommodation in the borough.
- 2.43 However, the reforms to LHA are likely to make landlords less willing to bring forward dwellings for households receiving housing benefit in the private rented sector. Therefore, it may be difficult for Lambeth to meet the housing needs arising in the borough in its private rented sector. This is likely to see some households being displaced to neighbouring boroughs, with the evidence from Figure 4 (page 10) showing that Outer London boroughs are now seeing very strong growth in the number of households receiving housing benefit in the private rented sector.

Analysing Housing Register Data to Determine Housing Need

- 2.44 A source for identifying local housing need suggested by the Practice Guidance is the use of local housing registers, operated by individual local authorities and other social landlords
- 2.45 Figure 14 (overleaf) shows that in March 2011 there were nearly 24,000 people registered on Lambeth's housing waiting list. Of these 62% needed a 1 bed dwelling which is higher than the figure identified in Figure 11 (page 23). The total of 24,000 is also higher than 16,000 social rented dwellings identified up to 2031.

Figure 14
Lambeth's Housing Waiting List by Bedrooms Required March 2011 (Source: CLG Housing Strategy Statistical Appendix 2011)

Number of Bedrooms Required	Total	Percentage
1 bedroom	14,900	62.3%
2 bedrooms	6,200	26.0%
3 bedrooms	2,100	8.7%
4+ bedrooms	700	3.0%
Total	23,900	100%

- 2.46 However, the Practice Guidance suggests that data cannot usually be considered robust due to a wide range of problems. The 2001 DETR publication "Local Housing Needs Assessment: A Guide to Good Practice" specifically noted:

"Housing registers should preferably be open to all, but even then it is likely that not all need, and possibly only a minority of need, will be registered; estimates based only on housing registers are likely to be an underestimate for this reason, but this may be offset by the inclusion of 'deadwood' and 'insurance' registrations"

"Many people potentially in housing need fail to apply [to the housing register] – in some cases because they judge that there is little chance of their being offered a suitable property"

"The reliability of [housing registers] ... would depend, of course, on landlords' approaches to reviewing their registers."

- 2.47 On the basis of our own analysis of housing registers, including a study for the National Assembly for Wales specifically concerned with waiting list applicants, we have found that often:
- » Households who are not currently in need (who are registered "just in case") are included, although these are usually identified and may not be regarded as part of the overall quantity of housing need;
 - » Households can be double counted, as registers overlap between landlords and newly forming households often registered more than once (as two or more individuals register independently but anticipate living together);
 - » Households who can afford local housing may be included – as many registers are open and do not necessarily restrict application based on financial circumstances;
 - » There are significant amounts of "deadwood" (where households have moved and/or no longer require social housing), especially where registers are not actively maintained; and

- » Households seeking intermediate housing are often excluded, as they do not apply to the Council or other landlords for housing.

2.48 It is apparent that whilst housing registers can provide invaluable information on current need, in particular in relation to specific localities, they do not normally provide a good basis for strategic analysis because they; do not have a common set of criteria for inclusion so households not in need will be included; are not consistently monitored so may be out of date; and will not include all households in need as not all households will join a register, particularly if they feel they have little chance of getting a property. Therefore, there is a clear difference between a household being in need and a household seeking affordable housing.

Relative Need and Other Considerations

2.49 This Housing Needs Assessment identifies need in line with the definitions of the NPPF and SHMA Practice Guidance. Therefore, it only considers whether households are in need and does not distinguish between relative levels of need. However, along with many authorities, Lambeth prioritise the allocation of social housing based upon relative need. Therefore, while there is an identified shortfall in affordable homes of all sizes in terms of meeting the housing needs of priority groups, the shortage relative to supply is likely to be greatest for larger (3-bedroom+) family homes. The reasons for this are summarised below:

- Most households who require a 1-bedroom property are in a relatively low level of need and are generally adequately housed. Those who require family sized accommodation are not mostly adequately housed, often living in very overcrowded conditions. The GLA estimates that 16% of households living in social rented housing in London are overcrowded (draft revised London Housing Strategy 2011). This equates to approximately 4,000 Lambeth tenants, and a further 3,000 tenants of housing associations in the borough. In July 2011 there were 1,000 council tenants actively seeking accommodation on Lambeth's transfer list who were overcrowded, 200 of whom were severely overcrowded (lacking more than one bedroom). While this figure is lower than the GLA estimate, not all tenants who are overcrowded would necessarily request a transfer. Rates of overcrowding are also high in London's private rented housing, where 11% of households are overcrowded. (DCLG, English Housing Survey: Household report 2009/10, 2011)
- Some of the need identified for 1-bedroom properties will be met through the private rented sector (with housing benefit support), and for many single people house-shares will provide an adequate alternative to 1-bed accommodation.
- Analysis indicates that the introduction of a benefit cap from April 2013 as part of the government's wider welfare reform measures will further impact on the affordability of accommodation in the private rented sector, with larger households (mainly families with children) predicted to face the most serious difficulties in paying their rent. Initial modelling indicates that 3-bed plus private rented sector housing in Lambeth will be unaffordable for people on benefits.
- The model works on the presumption that all of the new housing required will be built, however in reality it is unlikely that the level of affordable completions could be raised sufficiently to meet all identified need over the period of Lambeth's housing strategy or its local development plan. Furthermore, the figures derived through the assessment relate to a twenty year period. A

significant requirement for smaller units has been identified, largely attributed to the projected growth in smaller households over the longer term.

^{2.50} Taking these factors into account, a pragmatic approach Lambeth may wish to consider is to prioritise future provision towards larger, family accommodation in the short to medium term, to ensure those in most acute need can be housed.